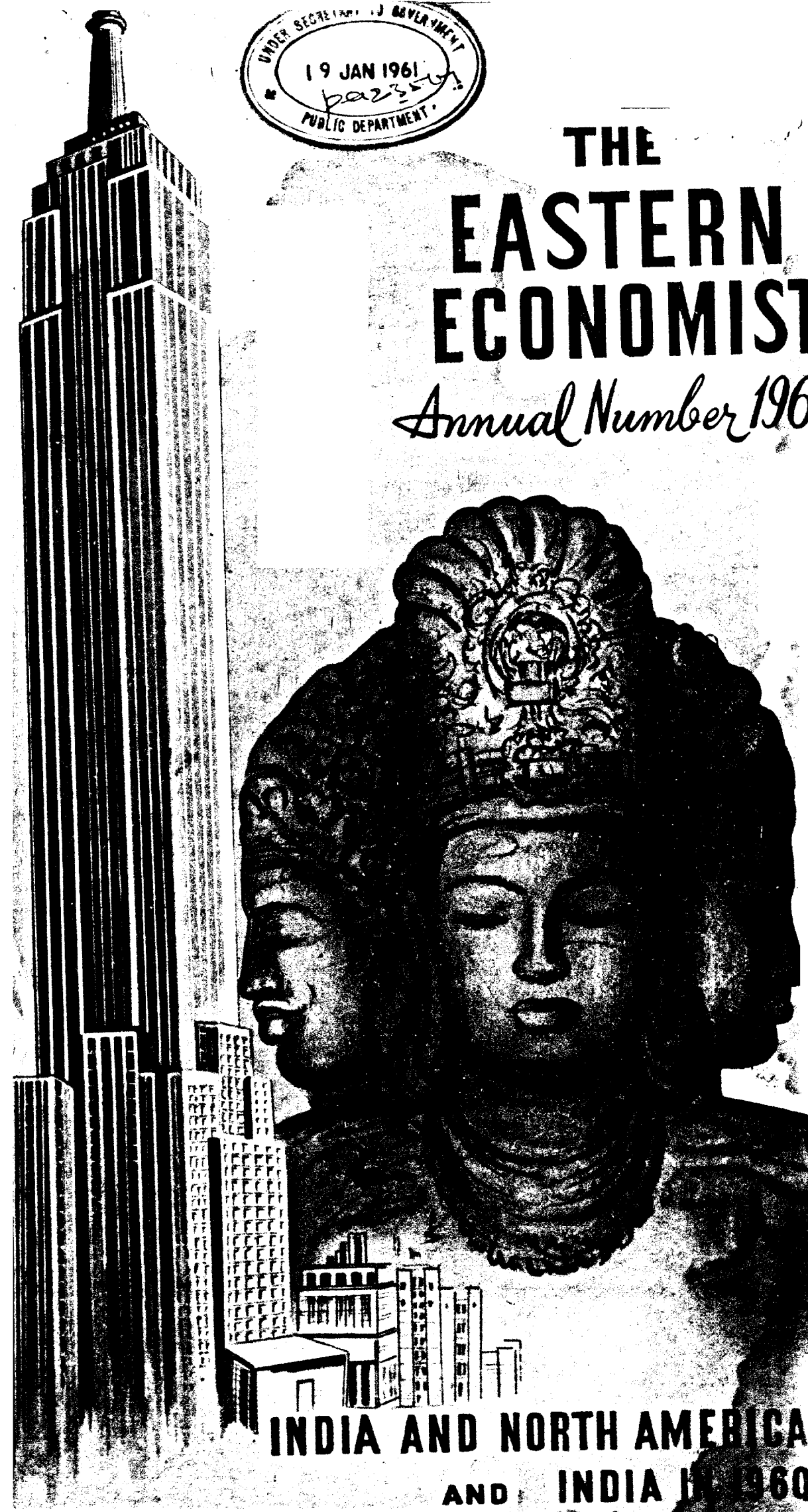


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N49-36
164817



**THE
EASTERN
ECONOMIST**
Annual Number 196

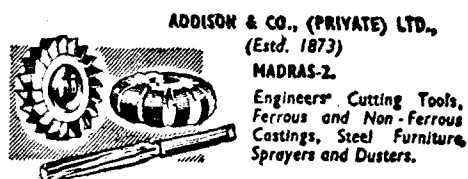


**INDIA AND NORTH AMERICA
AND INDIA IN 1960**

AMALGAMATIONS PRIVATE LIMITED

202, MOUNT ROAD, MADRAS-2.

AND SUBSIDIARY COMPANIES



ADDISON & CO., (PRIVATE) LTD.,
(Estd. 1873)
MADRAS-2.

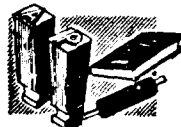
Engineers: Cutting Tools,
Ferrous and Non-Ferrous
Castings, Steel Furniture,
Sprayers and Dusters.

ADDISONS PAINTS AND CHEMICALS
(PRIVATE) LTD. MADRAS-11.
SPARTAN Superfine Paint Products.
SPARTAN Plastic Paints
ADCOLAC Enamel, Varnish Etc.
ACME Brakefluid.



AMCO BATTERIES (PRIVATE) LTD.
BANGALORE.

Batteries for Motor Vehicles, Tele-
phones, Telegraphs, Radios and Power
Stations and Train lighting cells.



ASSOCIATED PRINTERS (MADRAS)
PRIVATE LTD., MADRAS-2.
Letter Press, Offset Printing, Book-
binding, Die-Stamping and
Copper-Plating.

ASSOCIATED PUBLISHERS (MADRAS)
PRIVATE LTD.
Publishers: "The Mail"
also Processors.



HIGGINBOTHAMS (PRIVATE) LTD.,
MADRAS-2.
Publishers, Books, Stationery, Rail-
way Bookstalls.

Total number of employees about 9,000
Bankers: THE CENTRAL BANK OF INDIA LTD. Madras-1
Legal Advisers: Messrs. JOHN & ROW, Advocates, Madras-2.

GEORGE OAKES (PRIVATE) LTD.,
(Bombay operations) Bombay-4.
Ford Parts

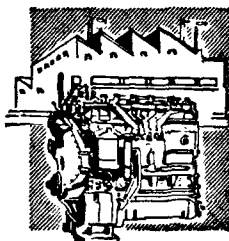
GEORGE OAKES PRIVATE LTD. MADRAS-2.
Ford Parts



INDIA PISTONS (PRIVATE) LTD.
MADRAS-11.
Pistons, Piston Rings, Gudgeon Pins
and Cylinder Liners.
(Grey iron and Aluminium Foundry.)

SIMPSON & CO., LTD.
(Estd. 1840)
MADRAS-2.

Perkins Automotive, Marine,
Tractor and Industrial Diesel
Engines and Spare Parts, Coach
Building and Light Engineering
Specialities.



SRI RAMA VILAS SERVICE (PRIVATE) LTD.,
MADRAS-2.

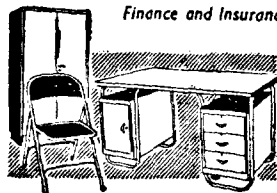
Passenger and Goods Transport
Haulage, Shipping, Clearing and
Forwarding, Warehousing.



THE WHEEL & RIM CO. OF INDIA
(PRIVATE) LTD., MADRAS-11.
JUDILEE and RUBY Rims for Bicycles:



SIMPSON & GENERAL FINANCE CO.,
(PRIVATE) LTD., MADRAS-2.
Finance and Insurance.



SPEED-A-WAY (PRIVATE)
LTD., MADRAS-2.
Steel Office Furniture and
Home appliances, Auto
Parts.

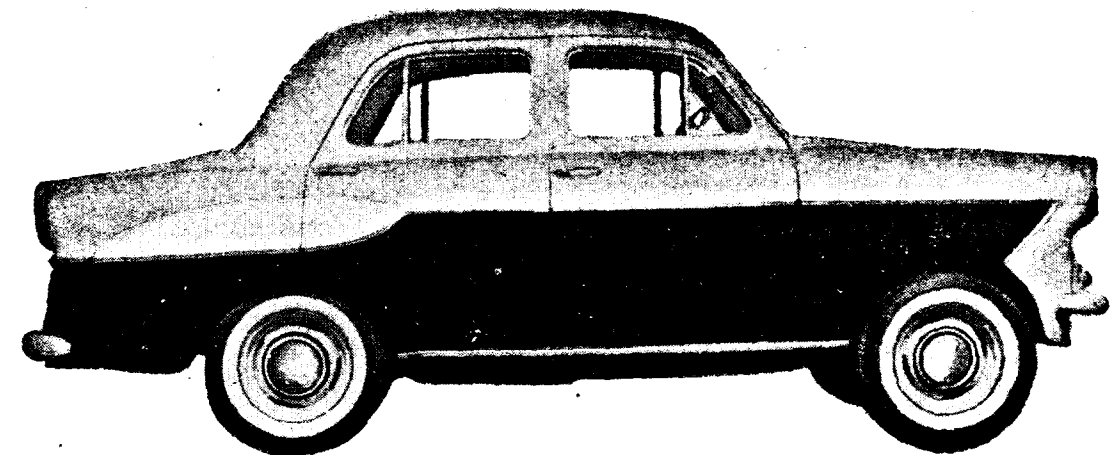
WALLACE CARTWRIGHT & CO., LTD.
13, St. James Square, London,
S. W. 1.
Buying and Shipping.



Salaries & Benefits paid annually: Over Rs. 1,50,00,000
Auditors: Messrs. R. G. H. PRICE & CO., Chartered
Accountants and Auditors, Madras-2.
Advertising Consultants: THE MADRAS ADVERTISING CO.
(Private) LTD., Madras-2.

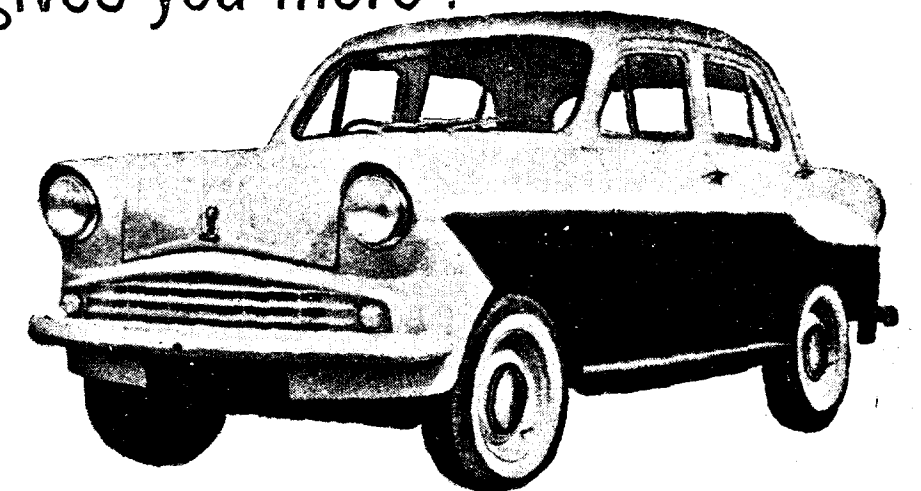
ENGINEERING GROUP

NON ENGINEERING GROUP

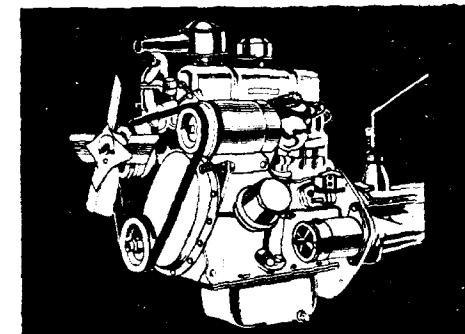


The car that gives you more!

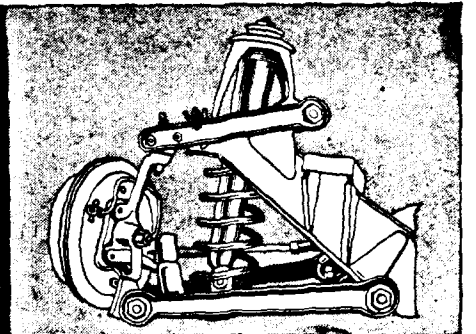
The STANDARD TEN undoubtedly offers more value for your money. The excellent 948 cc Overhead Valve engine gives you outstanding performance with remarkable economy. The smart styling and distinctive dual tone colouring of the STANDARD, makes it a stand out anywhere. While its sturdy construction is guaranteed to give you reliable service. The STANDARD also offers spacious seating accommodation, which is situated within the wheelbase, to give you maximum motoring comfort and pleasure.



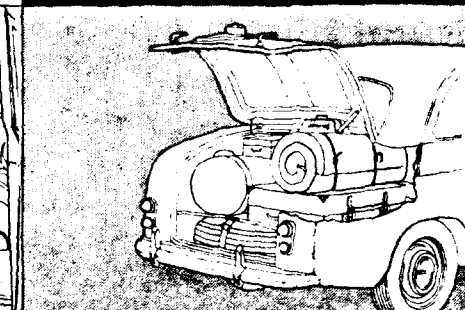
The 948 cc. Overhead Valve engine gives superbly sustained performance with remarkable economy.



The spacious interior provides comfortable seating room for 4-5 persons, and the four wide doors which are hinged forward, make getting in and out easy.



The thoroughly tested suspension, provides an exceptionally comfortable ride over the roughest surfaces.



The spacious boot provides ample room for luggage.

The Standard Ten is backed by a 6 month guarantee, and the world wide Stanpart Service.



STANDARD TEN

The Sturdy Car

STANDARD MOTOR PRODUCTS OF INDIA LTD.
MADRAS-2

**Meet
the
Quality
First...**

*** PARAMSUKH**

The last word in
superfine Dhooties

*** LAKES BEAUTY**

The finest mulls from
super-combed yarns

*** HIS CHOICE**

Highest quality poplins
for men's dress shirts

*** HER CHOICE**

Exquisite fabrics for
ladies' dress wear

Century's FASHION FABRICS

*** NAVRANG**

A riot of colours in
poplins for every day use

*** "ENGINEER", "ARTIST",**

"TECHNICIAN"

Choicest Shirtings

*** RAJRATNA**

Bleached, Mercerised, Centurized,
(Pre Shrunk) Poplin

*** ORGANDIE**

—"NIRALA" & "SWISS CHECK",
Shrink resistant



Look for this Trade Mark

on every piece.

Manufactured by
CENTURY SPG. & MFG. CO. LTD.,
Bombay 1

Agents for Punjab : Messrs. MOTI RAM MEHRA & CO.,
Old Cloth Market, Amritsar

Agents for Delhi State : Messrs. TEXTILE (India) AGENCIES,
Shree Mahalaxmi Bullion Exchange Building,
1397, Chandni Chowk, Delhi-6.

Retail Depot : SYLCO, 11-E, Connaught Place, New Delhi.

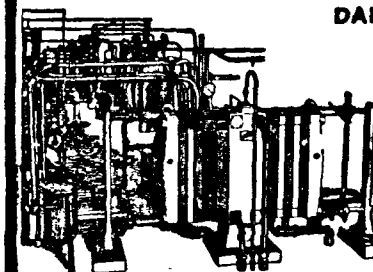
Also available at other leading stores

NPS/CH-72

IN SERVICE  LIES SUCCESS...

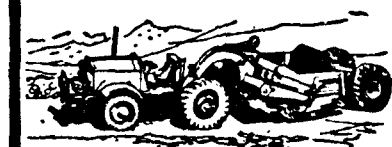
DAIRY & REFRIGERATION

Pioneers in dairy engineering,
L & T have installed
44 modern dairies all over
India, and now manufacture
various items of plant
and equipment.



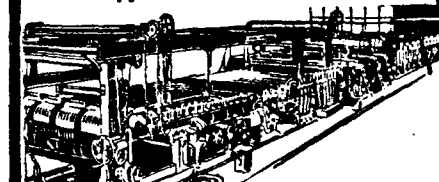
EARTHMOVING & AGRICULTURAL EQUIPMENT

L & T have supplied
to various projects
earthmoving,
land-clearing,
excavation, logging
and dredging
machinery



HEAVY PLANT

Paper machines, spray drying
installations, sulphuric acid and solvent
extraction plants, and flour mills have
been supplied to a number of industries



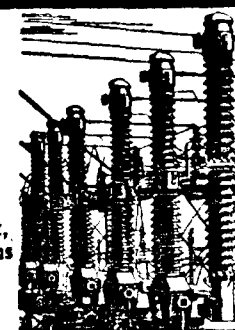
DRILLING & MINING

To the Neyveli Lignite Project and
other mining schemes L & T have
supplied Bucket Wheel Excavators
and Spreaders,
drilling equipment
and turbine pumps



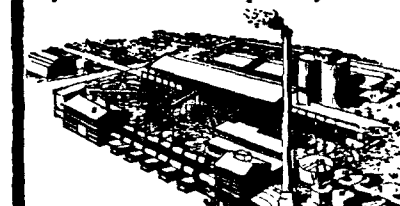
**ELECTRICAL
EQUIPMENT &
SWITCHGEAR**

For hydro-electric
and thermal power
stations, L & T
supply high quality
electrical equipment,
including substations
and distribution
installations



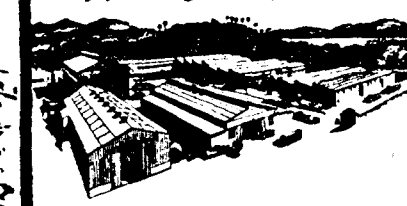
CIVIL ENGINEERING

L & T undertake various civil
engineering works including designs.
'Turn-key' jobs, involving supply
and erection of machinery and
plant are an L & T speciality



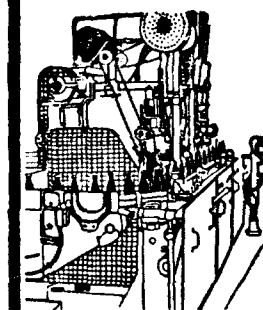
MANUFACTURE

At Powai Works, L & T manufacture
various types of plant and equipment—
Dairy, Chemical and Pharmaceutical
machinery, Switchgear, Petrol
Pumps, Cooling Towers, etc.



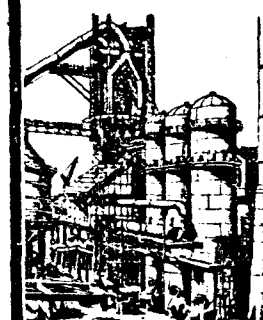
**INDUSTRIAL
APPLIANCES**

Pharmaceutical
machinery, automatic
refrigeration controls,
process control
instruments, power
saws, welding alloys
and up-to-date
bottling installations
supplied to numerous
concerns



ERECTION

At Rourkela,
L & T have erected
3 Blast Furnaces,
a 'Pig' Casting
machine, and the
Rolling Mill
Buildings—
the more recent of
the many erection
contracts executed



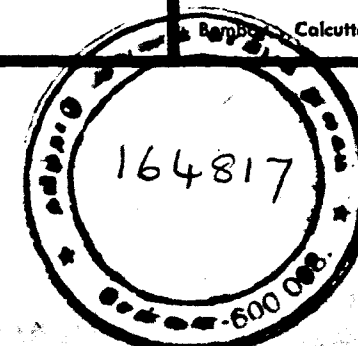
SERVICING

IN SERVICE  LIES SUCCESS

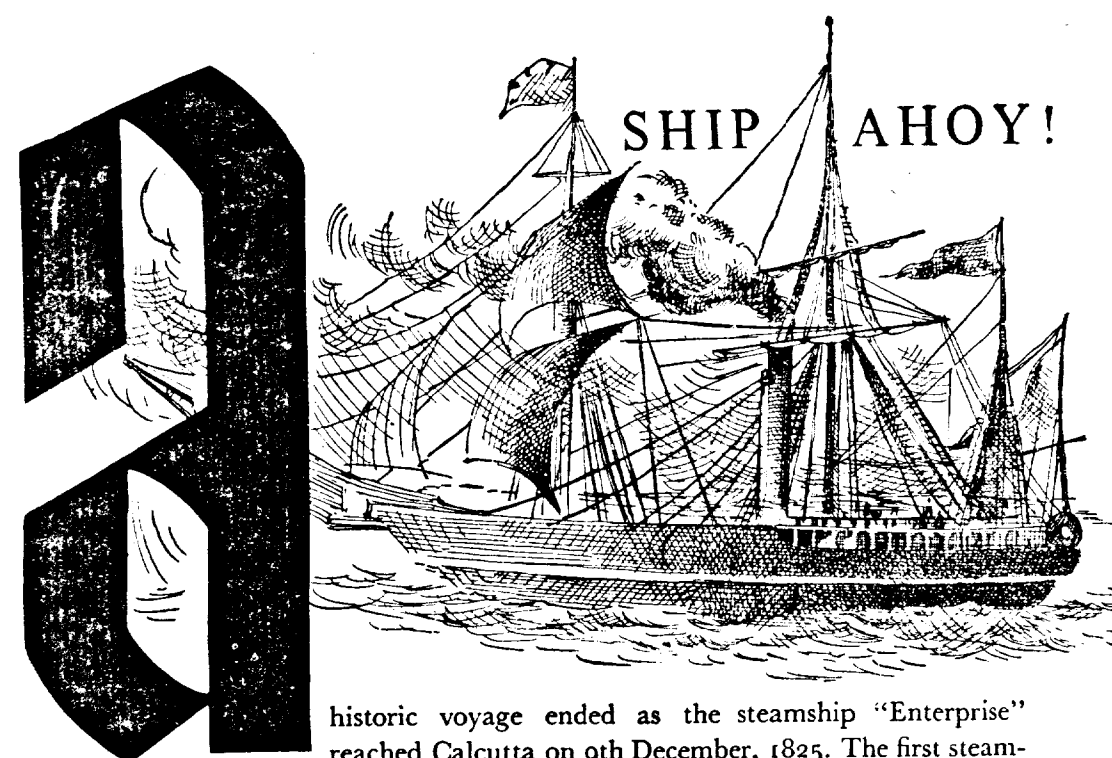
The slogan sums up our view of the function we perform.
In the world of commerce, lasting success comes only to
those who are willing and competent to give service, as well
as goods, to their customers. Every piece of equipment we
supply is backed by a service organisation designed to
keep it working at highest efficiency.

LARSEN & TOUBRO LIMITED
ENGINEERS

Bombay, Calcutta, Madras, New Delhi, Bangalore, Cochin, Ahmedabad



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historic voyage ended as the steamship "Enterprise" reached Calcutta on 9th December, 1825. The first steam-powered vessel to make the England-India run, the 500-ton "Enterprise" won a cash prize of Rs. 100,000 offered by Calcutta's trading community for this truly pioneering achievement. Her captain on the hazardous voyage round 'the Cape' was James Henry Johnson, Commander, Royal Navy, and a hero of Trafalgar.

Though the "Enterprise" was the first ocean-going, partly steam-propelled ship to arrive at any Indian port, small steam-powered craft were being built in Calcutta as early as 1823.

Among the oldest and best known marine and general engineering firms in the country, a privately-owned concern known as Reid & Company's Hooghly Dock (founded 1819), the forerunner of The Hooghly Docking & Engineering Company Limited, was already flourishing before the introduction of steam to India.

The 'Hooghly Docks' are a part of the vast industrial and engineering organisation of Martin Burn Ltd., an organisation which is playing an important role in India's industrial progress.

MARTIN BURN LIMITED

MARTIN BURN HOUSE, 12 Mission Row, Calcutta 1

Branches: NEW DELHI BOMBAY KANPUR



MBC-12

TOP MANAGEMENT

WILL WISH
TO LISTEN TO THIS



All over the world, insurance protection for employees while in service and satisfactory benefits on retirement have become accepted features of sound business management. Life Insurance and retirement incomes are indeed being regarded as a primary need as essential as food, clothing and shelter.

Progressive employers in our country are realising that the introduction of such employee benefits results in improved employer-employee relations, higher efficiency and increased production. An ever increasing number of prudent employers are adopting the Group Insurance and Superannuation Schemes — employee insurance and retirement schemes streamlined and perfected by the Life Insurance Corporation of India.

Today top management wants to know what exactly these Schemes can do for them, what the financial implications are likely to be and what precisely is the nature and scope of the benefits offered. Broadly, the Schemes fall into two categories.

Group Insurance Scheme: offers low cost Life Insurance coverage on a Group basis to employees and gives real security to their dependants.

Superannuation Scheme: provides a source of steady and life-long pension to employees after their retirement (with or without Life Insurance cover).

Some features common to both Schemes are:

- 1 They can be instituted without any extra cost to the employer
- 2 Employers' contributions to such Schemes are allowed as normal business expenses for the purpose of income-tax
- 3 Most of administrative work with regard to these Schemes is done by the Life Insurance Corporation of India.

Special features of Group Schemes:

- 1 For groups of prescribed size, attractive reduction in premium rate is allowed
- 2 All the members are covered under a single Master Policy
- 3 Flexibility—the benefits can increase from year to year.

The Group and Superannuation Schemes create a new atmosphere of employee loyalty and a sense of gratitude. They operate like a voluntarily organised Social Security Insurance in miniature.

Please let our Group Representative come and explain the details to you without any obligation whatsoever.



There is no substitute for **LIFE INSURANCE**

THE DAVANGERE COTTON MILLS LTD. DAVANGERE

We manufacture

* COTTON YARN GREY AND BLEACHED

26s 30s 32s 40s 60s 80s and 2/40s

* STAPLE FIBRE YARN

20s 40s and 2/40s

* BLEACHED MULL, LONG CLOTH AND DHOTHY

Managing Agents:

R. HANUMANTHAPPA & SON,

Davangere

Insure
YOUR MOTOR VEHICLES WITH
Vanguard
INSURANCE CO., LTD.
VANGUARD HOUSE, MADRAS-1

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SAI STUDIO

(ESTD. 1919)

HUKUMCHAND JUTE MILLS LIMITED

Naihati. (Dist. 24-Parganas.)

WEST BENGAL

Manufacturers of:-

**HIGH CLASS HESSIAN
SACKING, TWINE, WEBBING.**

*** JUTE FELT**

Used in Motor Cars, Houses, Trams and Railways.

*and**** RUBBER BACKED JUTE CARPET**

Useful for Household, Airconditioned Coaches etc.

*Managing Agents***RAMDUTT RAMKISSENDASS**

**9, Brabourne Road,
CALCUTTA-1.**

*Telephones***22-3195 (5 Lines)***Telegrams*

**"JUTIFICIO"
Calcutta.**

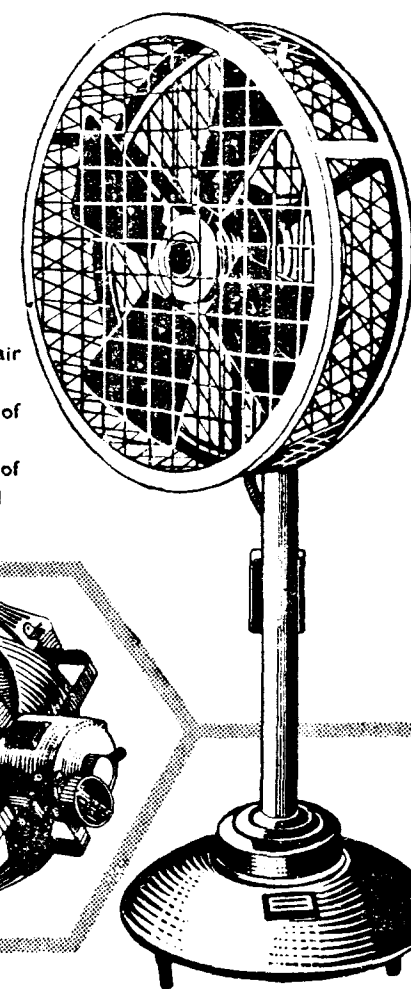
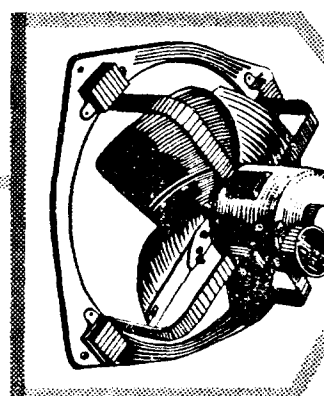
CALCUTTA INDUSTRIAL FANS

**CALCUTTA
HEAVY DUTY EXHAUST**

The installation of these fans offers an ideal method of ventilation. Highly efficient operation even after prolonged periods of use, robust construction and very low sound level are some of the distinctive characteristics of "Calcutta" heavy duty exhaust fans.

**CALCUTTA
MAN-COOLING FANS**

provide effective velocities to the air stream at distances upto 50-80 feet, depending on the speed and size of the fan. These Mancoolers are the out come of the wide experience of design and production of industrial fans by the manufacturers.



CALCUTTA FAN WORKS PRIVATE LTD.

Manufacturers of Industrial & Domestic Fans

**19B, Chowringhee Road, Calcutta-13
Phone : 23-7552, 23-7553**

Speeding prosperity to the countryside

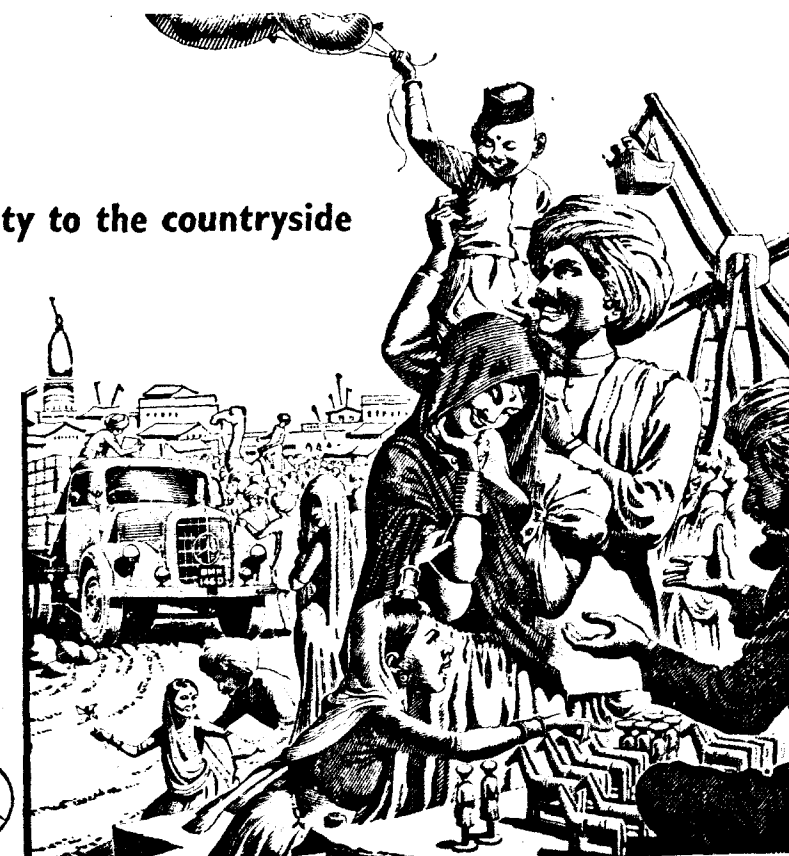
Speeding over all our highways and through most of our byways, is a stream of TATA-MERCEDES-BENZ trucks, hauling varied freight to outlying districts from busy industrial cities, and bringing prosperity to the countryside. You can always see these forerunners of prosperity—powerful, reliable TATA-MERCEDES-BENZ trucks parked at the village fair. Such a welcome and reassuring sight, both to villagers and travellers—for TATA-MERCEDES-BENZ trucks are an acknowledged sign of ever-increasing prosperity.

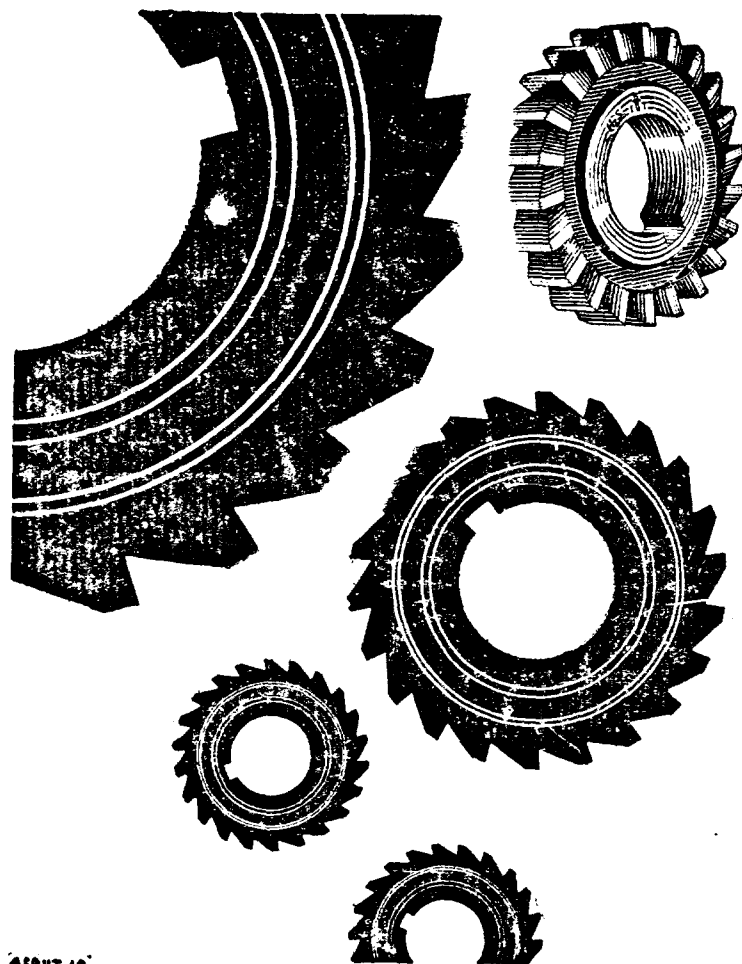
TATA MERCEDES-BENZ

**TATA ENGINEERING
AND LOCOMOTIVE CO. LTD.**

*Automobile Division
148, Mahatma Gandhi Road, Bombay 1*

The Star that hauls a Fortune





DAGGER BRAND CUTTERS FOR LASTING PRECISION PERFORMANCE

BACKED BY YEARS OF TRADITION and rigid control at every stage of production **DAGGER BRAND CUTTERS** (available in inch and metric sizes) assure precision performance.

They are made of superior quality steel, specially heat-treated to ensure long life, and manufactured in India's biggest and most modern factory for small tools,

THE INDIAN TOOL Mfrs. Ltd.
101 Sion Road, Bombay 22.

ASPT-19

AN INVITATION TO INVESTORS

Is your surplus money lying idle without finding any effective outlet to grow big? Here is good news for you.

A unique investment plan, spread over a period of 35 years, has been evolved by the Syndicate Bank. It enables you to enjoy better yield for your capital savings.

You will be surprised to your money's ability to multiply itself by means of compound interest. We invite your attention to our novel investment scheme.

SYNDICATE BANK

For full particulars, please contact any one of our 139 Branches or write to:

Investors Agency Department

THE CANARA INDUSTRIAL & BANKING SYNDICATE LIMITED

Head Office: Udipi, Mysore State

Established: 1925.



feel how fine they are—and
see how much less they cost!

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Prints, Lawns, Voiles and Lenos

BRADBURY MILLS

Dhoties and Sarees

DAWN MILLS

Embroidery and Sewing Threads

Managing Agents

RAMNARAIN SONS PRIVATE LTD.

State Bank Building, Bank Street, Fort, Bombay-1

Not by Words Alone...

The story is told of St. Francis of Assisi, that he once stepped down into the cloisters of his monastery, and laying his hand on the shoulder of a young monk, said, "Brother, let us go down into the town and preach".

The venerable father and the young monk set out together, conversing as they went. They wandered down the principal streets, and wound their way through alleys and lanes, and even to the outskirts of the town and the village beyond, until they found themselves back at the monastery again.

Then enquired the young monk, "Father, when shall we begin to preach?"

And the father looked kindly down upon his son and said, "My child, we have been preaching; we were preaching while we were walking. We have been seen...looked at; our behaviour has been remarked, and so we have delivered a morning sermon. AH! MY SON, IT IS OF NO USE THAT WE WALK ANYWHERE TO PREACH UNLESS WE PREACH AS WE WALK".



DES... it is no use that we walk anywhere to preach unless we preach as we walk in building the India of our dreams... there is little room for preaching by mere words what we needed are DEEDS... And DEEDS include higher production of some ESSENTIAL commodities like

CEMENT... THE GREAT MODERN MATERIAL OF BUILDING CONSTRUCTION...

In 1952, we had placed at the Nation's disposal over 1,32,000 Tons of Cement.
In 1954, we had produced over 2,02,000 Tons of Cement.
In 1958, we produced nearly 3,50,000 Tons of Cement.

This year... in 1960...

We expect to place at the nation's disposal over 3,60,000 Tons of Cement

BECAUSE INDIA NEEDS MILLIONS of TONS of CEMENT...

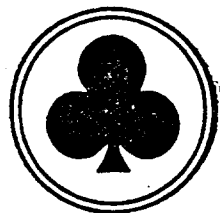
for Building the richer and prosperous India of our dreams...

ORISSA CEMENT LTD... Rajgangpur... (Orissa)

A National Enterprise in Nation's Service

Arvind

QUALITY FABRICS



'SANFORIZED'

REGISTERED TRADE MARK
of CLUETT PEABODY & CO., INC., U.S.A.

SHIRTINGS, POPLINS, COATINGS & MULTI-COLOUR PRINTS

ARVIND MILLS LTD. AHMEDABAD-2

REGISTERED USER OF THE TRADE MARK 'SANFORIZED'.

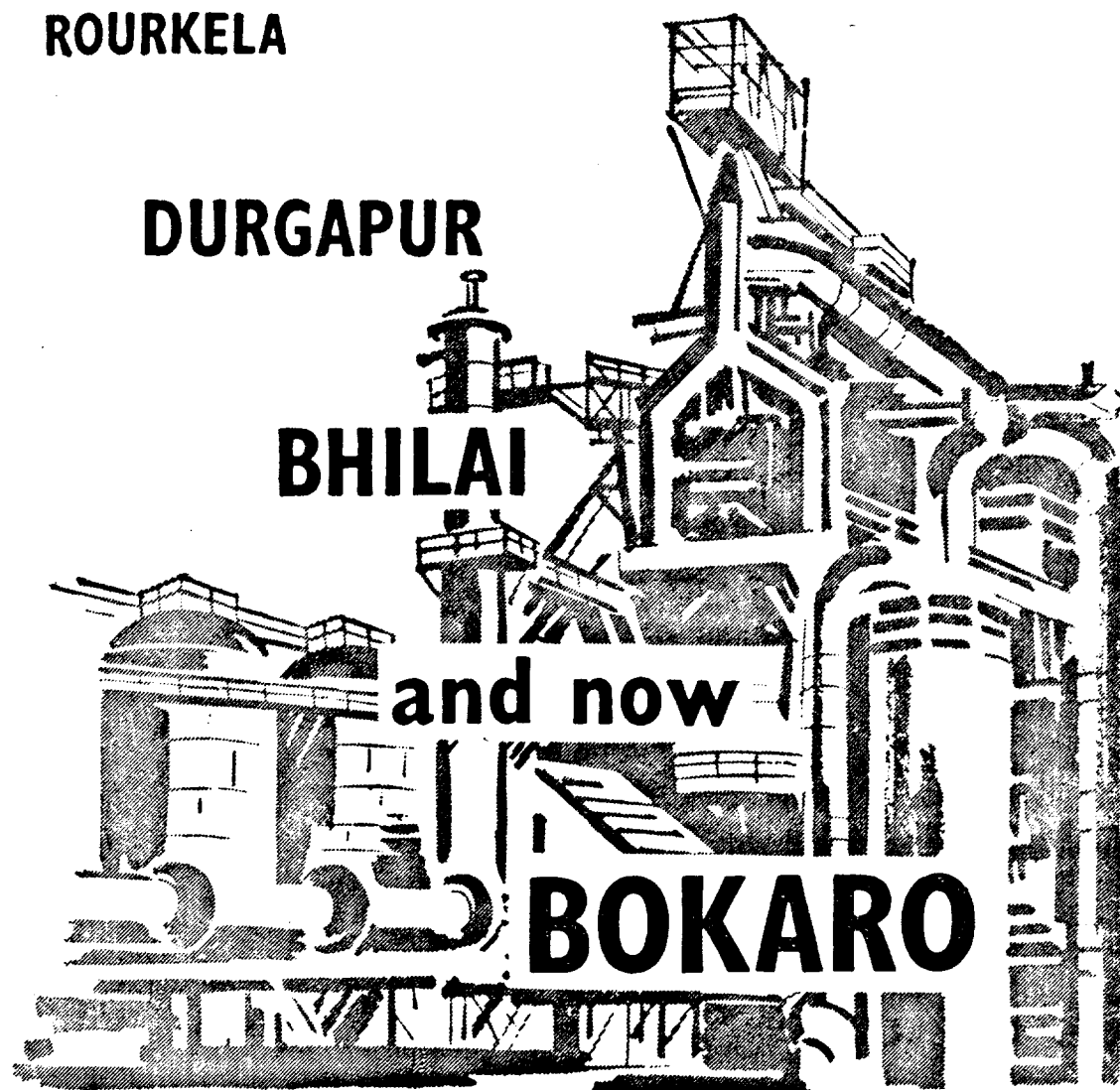
ROURKELA

DURGAPUR

BHILAI

and now

BOKARO



BOKARO
a new
centre for
STEEL

Continuing the expansion of steel production started in the Second Plan, Hindustan Steel Limited will build a new large integrated steel plant at Bokaro, located in the rich coal-belt of Bihar. When completed, it will be a significant landmark in the industrial progress of the country.

**M. N. DASTUR
& CO. PRIVATE LTD.**

Consulting Engineers to the Iron & Steel Industry



May we help you
to export your goods?

Today, the word "Export" is very much in the air. But you need full details of your market before you can take any risk. Perhaps our branches in Bangkok, Colombo, Hong Kong, Ipoh, Klang, Kuala Lumpur, Malacca, Penang, Rangoon and Singapore may be in a position to assist you. Why not look us up?

THE INDIAN OVERSEAS BANK LIMITED

Central Office, Madras

M. G. Muthiah, Chairman C. P. Doraikannu, General Manager

Aluminium Linings
and
Batten Covers
for
Tea Chests

VENESTA FOILS LTD.

Enquire: Selling Agents

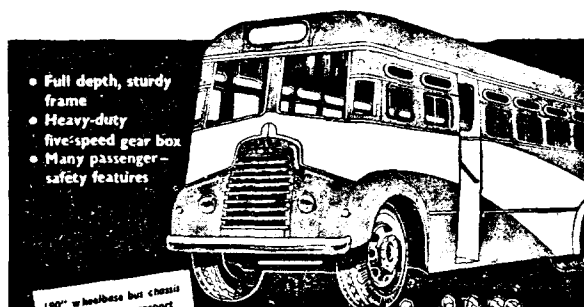
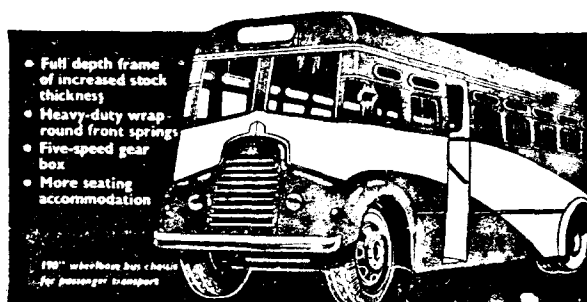
WILLIAMSON MAGOR & CO., LTD.

4, Mangoe Lane, Post Box 177, Calcutta-1

For safety, economy, endurance, there are
no vehicles like

DODGE

AND



FARGO

DIESEL BUSES

Progressively manufactured by **THE PREMIER AUTOMOBILES LIMITED** BOMBAY

The United Commercial Bank Limited

(INCORPORATED IN 1943)

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2, INDIA EXCHANGE PLACE, CALCUTTA

AUTHORISED CAPITAL	..	Rs. 8,00,00,000
ISSUED AND SUBSCRIBED CAPITAL	..	Rs. 4,00,00,000
PAID-UP CAPITAL	..	Rs. 2,00,00,000
RESERVE FUND	..	Rs. 1,75,00,000
WORKING FUNDS (31-12-59) OVER	..	Rs. 1,09,00,00,000

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G. D. BIRLA, Chairman

ISWARI PRASAD GOENKA
Vice-Chairman
ANANTA CHURN LAW
GOBIND LALL BANGUR
P. D. HIMATSINGKA
RAMESHWARLAL NOPANY
MOTILAL TAPURIAH

MADANMOHAN R. RUIA
Vice-Chairman
MAHADEO L. DAHANUKAR
MOHANLAL L. SHAH
YOGINDRA N. MAFATLAL
T. S. RAJAM
G. D. KOTHARI

General Manager:— S. T. SADASIVAN

Branches in all important cities and towns of India. Foreign Branches: In Pakistan, Burma, Malaya, Singapore, Hong Kong and London.

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It's always
the *name*
that people
look for



Whether you buy a machine or a yard of cloth it is the confidence you have in the NAME that counts. Confidence comes from experience—your own experience and the experience of people whose opinion you value. That is why the name of BINNY is one that you can trust.

BINNY'S fabrics available in cotton, silk, wool and mixed varieties in a wide range of colours and designs — products of The Buckingham & Carnatic Company Limited and The Bangalore Woollen, Cotton & Silk Mills Company Limited — are famous throughout India and overseas because of their enduring high quality.

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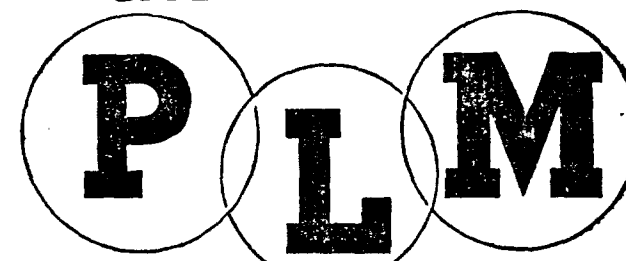
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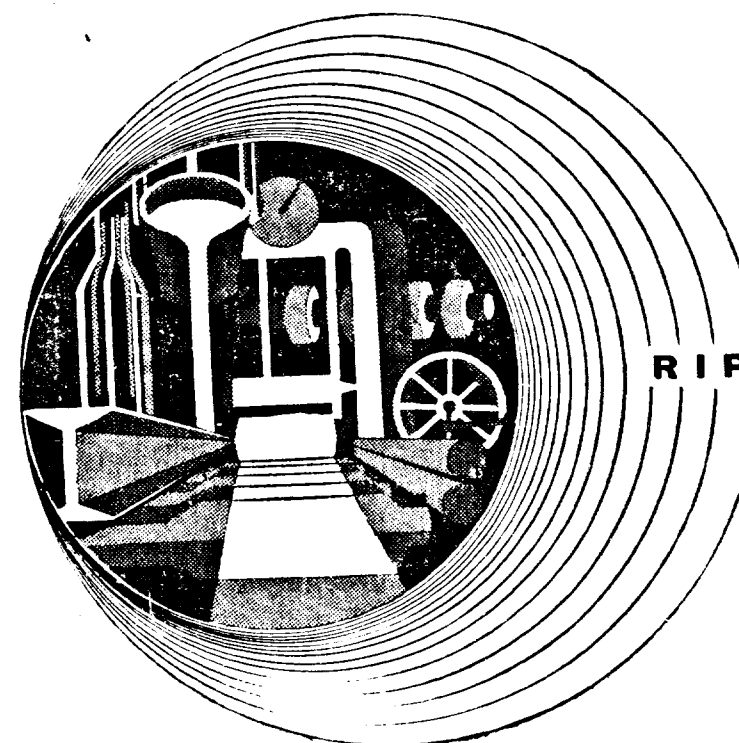
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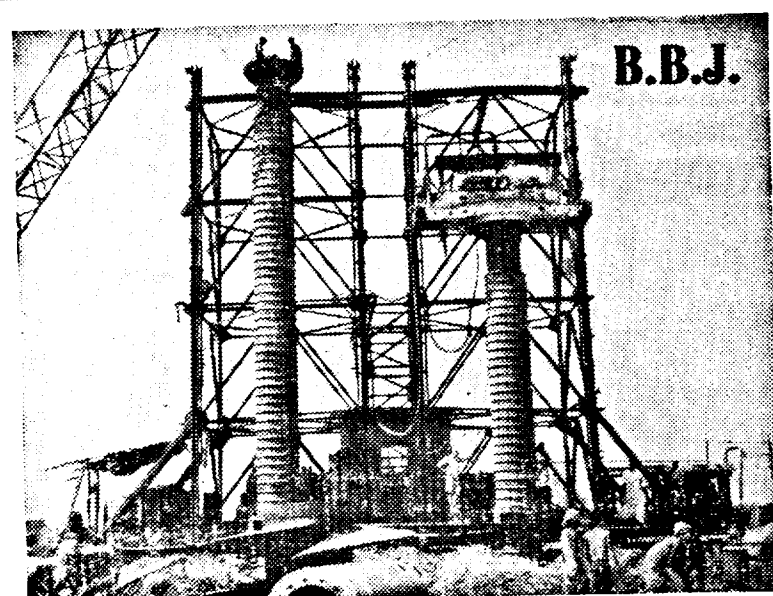
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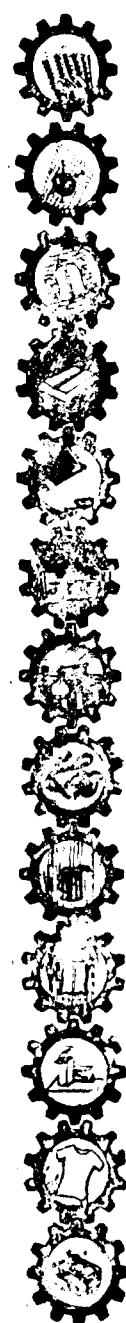
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THE EASTERN ECONOMIST

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INDIA AND NORTH AMERICA

Thou hast nor youth nor age;
But, as it were, an after-dinner's sleep
Dreaming on both.

—WILLIAM SHAKESPEARE
Measure for Measure

Thou hast made me known to friends I knew not.
Thou hast given me seats in homes not my own.
Thou hast brought the distant near, and made
a brother of the stranger . . .
When one knows Thee, then alien there is none,
Then no door is shut . . .

—RABINDRANATH TAGORE
Gitanjali

We must return to the generous spirit in which the original Point Four Programme was conceived, stress our positive interest in, and moral responsibility for, relieving misery and poverty; and acknowledge to ourselves and the world that, communism or no communism, we cannot be an island unto ourselves.

—PRESIDENT JOHN F. KENNEDY

India's expanding economic needs are driving her hard, albeit vaguely, in search of a new route to prosperity. In this search she may well stumble on the pattern developed in the United States, with which she has so much in common. If, under the altered circumstances of the twentieth century, the American experiment could be successful in India, that would be evidence of its abiding character. In this sense, the United States is also being tested on Indian soil.

Foreign Affairs, Vol. 34, No. 4, p. 672

India and North America

Preface

FOR the Annual Number this year "The Eastern Economist" has chosen the spacious theme—India and North America. In a sense, as with all recent Annual Numbers, the theme may be said to have chosen itself. The dominant place that the United States of America has reached in both our political and economic calculations has made it necessary, in almost every recent Annual Number, to commit not a little to the study of economic and political policies in that country. In the current year, however, the emphasis is different. The United States occupies the centre of the stage; at least if the stage be construed as the environment of systems in which one can best highlight India's own political and economic problems over the rest of this century. This stage has also been chosen this year because of the rise (and fall) of the Summit and of the inevitable role that the United States must play in a new top-level meeting between the leading protagonists of the Cold War, and it may be, in a very short time, a shooting war, at least in Laos and the Congo. It is significant that as 1960 ends, an American plane has been shot down in Laos by a plane bearing Russian markings; thus at least the shadow of a real war is uncomfortably close to the Indian Union. Quite apart from the Summit and the high controversies that surround it, the pattern of economic co-operation between India and the United States spells either success or failure of our Third Five-Year Plan. Not, indeed, that, in the last analysis, our future is committed wholly to the United States. What cannot be accomplished in the Third Plan might still be accomplished in a longer period through the assistance of other nations. Nevertheless, at the present time, and in the form in which we have phrased our Third Five-Year Plan, our dependence on the United States has been made inescapable. In this sense, therefore, the United States is not merely a prop to India's future economic life, but very near its heart core.

AMERICA AND EUROPE

American ideas and experience are, in a sense, offshoots of European tradition and practices. To the extent that they are, this Annual Number might be deemed to be a continuation of last year's in which the subject was 'India and Europe'. America, to the extent it is European, has its soul set in the tradition of Greece and of Rome. It is a partner in the glories as it has been a partner—active or passive, as the case may be—in the degradation of Europe which has taken place in two world wars in this century. But although North America has been born out of Europe in both its incarnations—the United States and Canada—it has been born different. The particular contribution of this Annual Number is its description of the difference in relation to India's current political and economic philosophy. Again, just as America's political and cultural approach is so largely European, but has some unique ingredients of its own, so has its economic life. That economic life is based, indeed, on the industrial and agricultural revolutions in the European Continent, the seeds of which were transplanted early in the United States and now, in both the United States and Canada, have tended to outshine the countries of their birth. Here the differences rest not so much on method as on degree. The continental character of the economic operation has tended to give to the United States a capacity in terms of mass production, which is not yet

within the range of Europe to encompass in any one country, or even in the new 'Six' or the new 'Seven'. Thus even the spacious patterns of co-operation in the European Community and in the Free Trade Area are both very inadequate parallels to the Continental systems of the United States and Canada. In the sense that the United States has exploited the central ideas of the industrial and agricultural revolutions, its economic ideas are European, but the American experience both in economic and social terms, resulting from the many-sided and massive character of its economic system, has carried the thinking of men far beyond the stage when European practice was the glass of fashion and the mould of form. Productivity—and the relentless search for new techniques to attain it—has been an overpowering American contribution to modern industrial societies. Europe is catching up, but where, as in the automobile industry, the size of the market is the condition of optimum productivity, can the gap wholly disappear?

THREE CENTRAL IDEAS

There are, in fact, three central ideas in the economic sphere on which North American Continent can claim to have carried through the world's secondary revolution, not necessarily basically superior but still different from that of Europe in the nineteenth century. These are largely concerned in outline with factors in economic growth, but in detail with a massive trinity, technology, a combination of mass production and mass selling and, finally, a freedom of social movement in which the classes on the American Continent are merged into a far more integrated whole than Europe even after two world wars has been able to attain. A great deal of this Annual Number is concerned with an analysis of the American genius for technology, sales, and economic and social equality. They have produced a system of living which is sometimes called the 'American way of life'. This way of life has its critics, but it is believed that, for the development of human personality, it contains some of the best that the world has seen. Whether it can be rebuilt in India is another thing. It is extremely unlikely that it can be, or even if it could be, it would not be desirable to imitate it too closely. But at least we should know what is worthy and possible of imitation; here at least we can, and should, copy. Not because imitation is the sincerest form of flattery for we do not need to flatter anybody. But because, in the political and economic haste with which we are oppressed, we cannot test all things and determine which are good by individual experimentation. Mahatma Gandhi, because he was operating in the more leisurely pre-Independence age, could experiment fearlessly with truth and let the Indian people wait, a little breathlessly, upon his experience. The processes of economic change will not tarry for any individual now. In any case, therefore, the pressure of destiny is upon us. We need hastily to comb the world for experience since our external pressures and our internal capacity to solve problems are badly out of step. It is believed that in the dilemma which faces the Indian people for the rest of this century, with economic haste imposed on us from without and considerable economic inexperience within, the American example of a society in which free men, similarly placed over the last three hundred years, have found solutions in which both freedom and opportunity could be

preserved for all, is of special relevance to our society. There is, perhaps, no society in which the fruits of ancient knowledge and current experience have found such congenial company.

THE OLD AND THE NEW

Running continuously through, like the connecting thread of any comparison between India and North America, must be the sense of distance in time and, in some respects, in depth between the old and the new. The coming of the United States—as has already been indicated—was invested with much of the tradition of the Old World. Nevertheless, it was possible for Canning, a great British Foreign Minister, “to call in the New World to redress the balance of the Old”. It may be that the wheel is coming full circle and that, in the somewhat different conditions of today where popular opinion is increasingly an instrument both of power and of influence, the United States will need to call in the Old World to redress the balance of the New. In this sense, the dialogue between the old and the new has somewhat changed its character since the days, a century ago, when the distinction between the old and the new worlds had vital political and economic connotations.

NOW ONE WORLD, NOT TWO

To the sociologist and the student of societies, however, every bit of the difference remains. In a new society expanding more against “the virgin wilderness” than against any opposition in custom, a profound freedom, and even licence, builds a daring character, both national and individual, which can have no correspondence in the old world overridden by the crust of custom and the force of habit—religious and otherwise. It has been said that America was born “with the morning noises of three million square miles of virgin wilderness” and a good deal of the substance of the difference was put by Jacques Crevecoeur, the Hudson Valley farmer in the 1770's when he said: “A European, when he first arrives, seems limited in his intentions as well as in his views, but he very suddenly alters his scale . . . he no sooner breathes our air than he forms new schemes and embarks on designs he never would have thought of in his own country. . . . The American is a new man, who acts upon new principles.” An American historian, Frederick Jackson Turner, thought that the frontier dominated American politics as well as American democratic life. “The most important fact of the frontier”, he said, “has been in the promotion of democracy here and in Europe.” The old and the new have in fact mingled together. Neither Turner's frontier theory nor what was called the ‘germ theory’ of a solid European past transplanted across the Atlantic fits the American scene. The central ideas of the United States are both old and new, and it is because there is this mixture that the United States is a country whose history it is well worthwhile for us to explore for ourselves. For India, the oldest of living civilisations—China, Egypt and Babylon have all undergone major transformations, which make their ancient civilisations more dead than alive—the battle of incorporating the new into the pattern of the living old presents a perennial dilemma. The New presents itself in relentless introduction of modern technology, with the social environment suited to its propagation. The Old rests mainly in the background of religious thought and the structure of Indian culture which is backward, rather than forward, looking. The contrasts might be well expressed in the contradictions between Mahatma Gandhi and Jawaharlal Nehru, although they are often described as the teacher and the disciple. There is truth in both the old and the new, whether in person or institutions, but truth here is not indivisible; its many-sided facets are appearing in the Indian Union under

deep conflict, resolution of which is likely to take us at least a century.

On the economic plane, the United States is of special value because of the massive character of economic progress which it has been able to generate over the last hundred years. How far the Indian picture can emerge on parallel lines is the central question of the economic review which forms the core of this particular study. “The Eastern Economist” believes that the expansion of the market under the force of numbers, if not under the second dimension of a rapid rise of individual incomes, will give the Indian Union, at the end of this century, a system comparable in national income with America of twenty years ago. More precisely, it is estimated that if the forces of economic progress which have already expressed themselves in the Second Five-Year Plan, could be extended over another forty years, we might have at the end of that period a national income in the neighbourhood of a hundred thousand crores of rupees or about 200 billion dollars at the current rate of exchange. It is true this is only two-fifths of the current national income of the United States, though great statisticians, like Colin Clark, would be disposed to estimate India's real income (as distinguished from her money income deduced from a parity rate) considerably higher; perhaps nearly as high as the United States' stands today in real terms. Then there would be a real economic comparison between the India of 2000 A.D. and the United States of 1960; the “lag” would only be forty years.

BEYOND THE PALEY REPORT

In two respects, namely, that this study of the Indian Union goes well beyond 1980, and because the parallels between India and the United States in income add a further dimension to the argument, it might be claimed that the study of India and the United States here presented goes well beyond the Paley Report. This is not a claim intended to detract anything from the supreme achievement of the members of the Paley Commission. Their model for projections continues to be our own for the period to which they apply. The extensive use made of their method in the 1956 Annual Number—India in 1975—has now been augmented by further detail in regard to the United States drawn from their pioneering studies. Fortunately, America has also not stood still since the Paley Report appeared. Resources For the Future, Inc. have made projections for 2,000 A.D. which are used as central to comparisons to fill the gap between the Indian Union in 2000 A.D. and the United States forty years from now. Both in method and in detail, the Paley Report and the Resources For the Future, Inc. have provided spacious benchmarks from which much of the argument of the Annual Number proceeds. “The Eastern Economist” wishes to record, not for the first time, its deep indebtedness to the authors of these reports who have freely placed vast detailed information within its reach.

DEDICATION

Finally, a last word on the purpose with which this study has been designed. It is believed that in histories of great nations, there are times when the spirit of confidence and daring lags because the outlook on the future is clouded with uncertainty. In India we now live in one such time. The people of India have not yet caught the fire of their Destiny. This responsibility, like the burdens of office, cannot be taken from them by authors, economists, or journalists of whatever kind. But it is possible to throw into the common pool the vision splendid of a better world. Meanwhile, in humility and hesitation, these pages are again dedicated to the Indian people whose future may still be decisive not only for themselves, but for all the world.

PART A

A POLITICO-ECONOMIC PROLOGUE

The American and Indian Revolutions: Parallels

IT is often forgotten by Indian political commentators that the United States provided, in its time, as great a focus of the revolutionary idea as did the fiery French Revolution. Indeed the American Revolution was prior to and probably inspired France's, even though it lacked popular passion. It was, in every way, a more controlled operation with the leaders of the Revolution not succeeding one another fitfully, but with an established and continuing place in the life of the country long after the Revolution might be said to have stabilised itself. The Indian Revolution, with its emphasis on order and non-violence, was more akin to the American Revolution than to any of those great outbursts of political passion which have shot their way bloodily into power. But the parallels between the American and Indian Revolutions are not to be found only in the relative moderation with which they were both waged. The parallels go deeper; the Revolutions might even be said to spring from the same hard source.

BORN OUT OF COLONIALISM

In the first place, both the American and Indian Revolutions were born out of Colonialism. In a sense, the Colonialism of the eighteenth century was very different from the Colonialism of the nineteenth century, because the Industrial Revolution had not then been harnessed to remote political control. The American insurgents were primarily concerned with the exercise of this remote control without adequate representation of local sentiment. The Boston Tea Party was much more an objection to the levy of taxation without representation than a revolt against the incidence of the tax itself which, in the light of the twentieth century experience, must be deemed ridiculously trivial. The men who opposed Colonialism in America were country squires drawing their inspiration from legal and political philosophy rather than from economic exploitation. In the Indian case, the leaders of the Revolution operated much more on the basis of the professed evils of exploitation of the masses. But here too, one must observe that the leaders were essentially intellectuals concerned with the political rights which they had been denied by a foreign government. It is no accident that in both countries the Revolutions were presided over in the main by practitioners of law.

THE HISTORICAL CONSEQUENCE: PARTITION

If the sources of the two Revolutions were similar, so, perhaps, accidentally, were the consequences in terms of the division of the areas involved. The determination of the United States to rebel was not followed by the Canadian colonies and, in fact, the differences between the United States and Canada, resulted in a partition of the North American Continent, which has a parallel in the division of the Indian sub-continent into India and Pakistan. The fact that the American and Canadian systems have stood apart, notwithstanding the fact, that after 1860, there has been no defence on the frontier, seems to suggest that partition conceived at moments of great political strain might have abiding consequences over decades. In the case of Canada and the United States there was, in fact, a war of partition—the War of 1812—very real in its severity, as those who have seen the frontier forts in the Canadian province of Ontario or in the corresponding areas of the United States, can well testify. It took about fifty years for the North American Continent to iron out partition animosities between Canada and the United States. This is a reminder to our American friends that the passions between India and Pakistan

have had a counterpart in their own history in which the embers took more than half a century to die away. An attempt to iron out differences between India and Pakistan by an appeal to high-minded generosity often runs counter to the deepest scars which history has inscribed in all countries which were divided by partition, not excluding the North American Continent itself.

REPRESENTATIVE GOVERNMENT

So far as the United States and the Indian Union are concerned, the arrival of freedom coincided with introduction of a fairly new experiment in political administration. The roots of democracy had grown both in the American continent and in the Indian sub-continent before the great written Constitutions were adopted in the United States and the Indian Union. But the substance of the change is not diminished by the fact that “representative” institutions were in existence in some form or other. The American and Indian Constitutions are almost unique to the extent they have handed, at one great stroke, sovereign power to all their people.

THE CENTRE AND THE STATES

In both India and the United States the continental unity of the States is protected by the federal, rather than the unitary, idea. In both cases, the fear that the Centre would be weak as against the States has been entertained, and not a little of the denial of the truly federal character of the Constitution in both cases is to be traced to the fact that in the first few years of the Constitution the Central authority was unduly fearful of the “ravages” of the State power in terms of any erosion of a single-minded policy for the country as a whole. Washington and Hamilton, in the first ten years of the operation of American Constitution, were deeply fearful that the thirteen colonies would fall apart. We in the Indian Union are reflecting not a little of these fears when we talk about “the rise of the States” and local or “parochial” feeling. The strains on the exercise of federal power must necessarily be great in a continental political system where emotional integration can never be complete. What is not realised is that in the event it has been proved in the United States that the great centralisers—Washington and Hamilton—not the States, were in error. The United States, until its Civil War came to threaten the very life of the Union, was able to maintain its unity on the basis of increasing divergence between the States. The idea that powerful States would necessarily reduce Central unity has been shown in the American context to be totally untrue.

HEROES DOWN: PEOPLE UP?

The great lesson to be learnt by us from the United States is in this pattern of political proportion which has been maintained between the Centre and the States; also between the heroes of the Revolution in their time, and the growing impersonal characteristics of “popular” opinion. The great differences between Alexander Hamilton and Thomas Jefferson inscribed for all time in the Federalist papers, present even to this day a vivid picture of the character of our own dilemma. Can the people be trusted? Can regionalism and local interests be prevented from eroding national unity and can the States take a long-period view of the relations between States' rights and federal authority? The answer of the United

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States was eventually given in the age of Jefferson by a clear mandate by the people to the people and against centralisation. It was found that the genius of the American people rested far more in the principle of delegation and free enterprise than in the centralising doctrine of Alexander Hamilton. If the eighteenth century were our own, one might conceive Hamilton as a spokesman of planning; although he was the friend of the rich and drew in 'The Money Power' (in order to enforce his distrust of the people), he might have been a supporter of a centralised system under what would be called a socialist pattern of society. The parallels between the United States and the Indian Union cannot, of course, be driven beyond a certain point. If, however, we look upon George Washington and Mahatma Gandhi (in spite of their differences in regard to the use of military methods) as supreme heroes of their respective Revolutions, Jawaharlal Nehru and Alexander Hamilton might conceivably be looked at in parallel terms. Jawaharlal does, indeed, possess some of the aura of the Father of the Nation and in a greater degree than did Alexander Hamilton. Nevertheless, the picture, bearing in mind the differ-

ences in time and in international environment, is one which warrants the belief that India may be on the point of making the vital decision of turning down the prescription of her heroes in order to follow her natural genius.

If, indeed, there is this parallelism, may it not be that India before the century is out, will find her Jefferson, who, perhaps, combined with a Supreme Court Justice, like Chief Justice Marshall, will enable the transition to be made from Jawaharlal's centralised monolithic system of power and from the socialist pattern of society back to the Jeffersonian concept of individualism based on the freedom of the States, maintained, in turn, on the freedom of men and women to build their own political institutions true to their own natural genius and inclinations. While we wait anxiously for the day in which the Indian people will so express themselves, in favour of themselves against both Big Government and Big Business as such, there is everything to be said for a closer study of the American experience in political and economic affairs. Here, if anywhere, is a chance for history to repeat itself in the truly grand manner.

The American and Indian Power Systems: Contrasts

IT has already been indicated that historical trends make the American and Indian Revolutions look alike. They were both born out of Colonialism; they both found an escape in the democratic faith and their continental character imposed on both a federal structure. It is easy to believe that systems so alike in their sources of birth and so similar in the pattern of the solution which they chose for the framework of both political and economic life, would have lasting resemblances in every way. This is not the truth. It will always be a moot point as to the extent to which the sources of resemblance and the sources of divergence are greater between the two systems. In this article an attempt is made to underline the points of difference to set against the parallels of the previous piece.

THE CLASS STRUGGLE: HAVES AND HAVE NOTS

In the first place, it is too often forgotten that the political system which the United States inherited was basically that of a prosperous society. India came to independence and to political statehood, so to speak, under very difficult pressures; those of poverty and destitution are likely to dominate outlook for a generation. The men who made the United States were gentlemen squires, operating a system of agricultural development in which fragmentation of holdings and dire poverty in the Indian sense were quite unknown. To this extent, the tensions of the body politic were basically non-economic. It is true, as time wore on and as the centre of gravity of the United States shifted westward with the rapidly changing frontier, suspicion of "the money power" of the East and of the growing populations of the West began to divide the nation on economic issues; indeed, the final clash between North and South, which culminated in the Civil War, was struck on a basically economic question, namely, slavery. Nevertheless, there are few societies that have ever existed, in which the classic class struggle of Marxism and the battle between the rich and the poor was less present than in the United States. Thus it came about that the clash between ideas was basically a clash between members of the same governing class. Washington, Jefferson, Hamilton, Madison and Adams were men all of whom had an essentially similar approach to basic economic

issues. The problems of centralisation of economic policy and the controversy on the Federal Bank are minor compared to the massive agreement on what might be called the capitalist method of organisation. Socialism had not yet come in that age, but, had it arrived, it would have been held back by the structure of American society as it is today.

Very few Indians of the present time recognise that the American and Indian experiences stand poles apart, largely in terms of population and the contents of the minds of the two peoples. While the population of the United States is nearing half of ours, it cannot be forgotten that soon after the American Revolution arrived in 1789, the thirteen colonies had only four million people. Even in 1820 there were only nine and a half million people and though American population in the nineteenth century doubled every twenty years, it rose no faster than the country could fairly readily absorb with a relentless levelling down of differences. A common language rose superior to every elements of division. Every second American generation had English as its mother tongue, and thus the terrible mutilating effect of regional languages in our time was not an American encumbrance. Perhaps more than language is the extraordinary encrustation which centuries have given to Indian political thought; there are as many fissiparous tendencies as there are religious communities.

The United States, whether it was Presbyterianism with the old dedication of the Founding Fathers, or Catholic in the more easy-going tradition of Lord Baltimore in Maryland, was basically Christian, held together by the common precepts of the Bible in whatever version it was read. The wars of religion were thus notably absent, although it is not until 1960 that a Catholic has succeeded in becoming President of the United States. The barriers which have arisen on all hands in the Indian Union between Hindus, Muslims, Christians and Sikhs and scheduled castes have no counterpart in the United States. With the multitude of the Indian population with its traditional ways of life so set apart, ironing out of differences in the Indian Union has not yet been accomplished. Put other-

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wise, a single statehood came easily to the United States; in India, notwithstanding the great spurt of nationalism in the Gandhian age, we are still bitterly divided. Nor is a purely economic solution an answer to what John C. Calhoun, in the United States, called "the signs of particularism and the consequent threat to the United States." The founders of what was called 'the American system' were imbued with the idea that great mobility was the answer to differences. Calhoun put it well in 1817, when he said: "We are greatly and rapidly—I was about to say fearfully—growing. This is our pride and our danger, our weakness and our strength.... Let us then bind the Republic together with a perfect system of roads and canals. Protection would make the parts adhere more closely.... It would form a new and most powerful cement." Who in India can proclaim that roads and movement will provide a bond of union? The more some Indians are divided from their parent States, the more insular they become. Dandakaranya is a case in point. Thus Indian unity has far deeper obstacles that union encountered in the United States.

These elements point to a natural hiatus between the federal idea in the United States and in the Indian Union. In the United States it was possible for Jefferson to win his victory of "delegation" to the States because there were no basic economic liabilities which the Centre alone could face. The position of the Indian Union is quite different. There is hardly a single State which is prosperous enough to finance its own development. The monolithic Centre has arisen as much because of the economic props that the Centre provides to the States as it does from the fact that the leading

heroes of the Revolution preside at the Centre and not at the States. It might be said that while "a popular" revolution would tend to be a centralising influence, it quickly dispersed power in the United States, whereas in India it had quite the contrary effect. In the United States, a federal Constitution was initiated in which the States truly enjoyed residuary powers. In particular, the States born in the next forty years were almost laws unto themselves. In India no such freedom has been granted to the States since the powers of finance and mobilisation of resources are much more heavily with the Centre than with the States. To say that both systems are federal is, therefore, to ignore a fundamental difference. India is federal in theory, monolithic in practice; the United States was federal in theory, but almost entirely dispersed in practice, at least until great Presidents like Abraham Lincoln and Franklin D. Roosevelt charged the central machine with powers which compelled the reluctant States to conform to Central policy.

Thus one might argue that the pattern of Indian development, at least in its political bearings, will be very different from that of the United States. Quite apart from the fact that a ready acceptance of authority is enshrined in Indian religious and political experience, the great divisions between the States and the power of the Centre in financial and fiscal terms, will weigh heavily against States which do not conform to Central directions in terms of economic policy. A long course of controversy between the Centre and the States is likely to be instituted before the liberty which the States enjoy in the United States finds general acceptance in this country.

The Canadian Compromise

IF the differences between the constitutional outlook in India and the United States are marked, is there any middle way to be found in Canadian practice? "Canada and the United States," it has been said, "live in a kind of symbiosis—two organisms separate and distinct, each with its own ends and laws; but highly interdependent, indissolubly sharing the same continent environment and, in spite of a great disproportion in wealth and economic power, each necessary to the other." It is not to be expected in these circumstances that Canadian practice would deviate very markedly from that of the United States. Yet one of her paradoxes, both in politics and economics, is that it does. This is particularly true of the political springs which surround what might be described as the Canadian way of life. In the first place, Canada was not born out of Colonialism as were the Indian Union and the United States. Indeed, the revolt of the thirteen colonies only led a considerable number of citizens of what is now known as the United States, to pass into the neighbouring province of Upper Canada and to development settlements in Ontario, which were to maintain steadily and even passionately, their links with the British Crown. It has been said, and truly, that Canada is in outlook more British than American. She has a written Constitution enacted by the British Parliament and an unwritten Constitution wholly derived from that of Great Britain. A moderation, almost British in character, pervades her political life; the symbol of this link, the House of Commons in Ottawa, is as true a reflection of Westminster as the world could ever build.

THE PERFECT FEDERATION?

There are, however, essential elements in the Canadian picture which are more akin to the United States than to Britain. In the first place, Canada has a Federal Constitution assigned to her by the British North

America Act of 1867. This federal Constitution is almost unique in the place it gives to the province of Quebec where there has been kept alive, as if by complete insulation, a French-Canadian community, still speaking its French and living according to the tenets of the Roman Catholic societies of an earlier vintage. The Constitution of Canada also permits the Roman Catholic minority in Ontario and the Protestant minority of Quebec to run schools which they had at the time when the Act of 1867 was not there. This means, in effect, right to separate school systems maintained by the taxes levied by the minority who are exempt from taxes to maintain the schools of the majority. Kerala might well have taken a leaf out of the Canadian book!

LESSON FOR INDIA

Nowhere in the world can one envisage the degree of local autonomy such as that given to the province of Quebec to live its own provincial life free of federal interference. Thus there has grown a precedent, gracious and understanding, which overrides the passion for unity or unification in a continental system. It has worked well, and the fact that the Canadian system is deliberately bilingual is perhaps evidence that a single national language is not a necessary condition of emotional integration; also the granting of special powers to a State is not a weakness in the federal structure. If it had been possible for the Muslim minority in India to be treated in the same manner as the French-Canadians, who knows, the Canadian experiment might have found a tremendous parallel in Indian soil?

Unfortunately, that was not to be. But this does not make it any the less desirable that Canadian practice in terms of finding a middle way between the "loose" federation of the United States and the "strong" federation of the Indian Union should not influence thinking

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as the bonds of union in the Indian Union tend to decrease. It is inevitable that, as the heroes of the Revolution depart and as nationalism, which was the common goal of the Indian people, takes on a less enthusiastic form, the tendency in certain areas in the Indian Union to resent an imposed language (which is now proposed to be Hindi in Devnagri script) and to accept a Central Government dominated by particular States (Uttar Pradesh and Bihar) will grow and result in the making of a plea for decentralisation. It is time, therefore, that we examined the possibility that the rights given to the province of Quebec in the British North America Act of 1867 might provide an escape when pressures in the States exceed the power of India's Central Government to enforce cohesion.

There are many who view with considerable alarm the restiveness in the South against Hindi, in particular the agitation sponsored by some political parties, notably, the DMK, to call in secession should an attempt be made to enforce Hindi as a rule over the whole country. There are a great number of people in the Indian Union who consider a single language as an essential bond of unity. This it has been seemingly in the United States; this it has not been in Canada. The fact that the Canadian political system has weathered

so well every storm since 1867, must lead one to suppose that it possesses the power of survival in conditions not necessarily those of Canada only. There is everything to be said for the looser federation which Canada has evolved in the face of widely different cultures of her English and French populations. One of the great lessons that Canada can teach the Indian Union is that it is possible, under diametrically opposite cultural, religious and language systems, to build a coherent Central policy, at least if coherence implies the absence of any attempt to oppose the Centre by force. Given, as we have been in India, a will to accommodate ourselves peacefully to a critical situation, there is no reason why the discontents frequently expressed against Northern dominance should not be reflected in India's body politic. There can well be two stages in the "loosening" of India's monolithic federal structure. The first stage may be one in which all States benefit equally by delegation of Central authority and the second one in which particular States in which fear of the Centre is greater or where privileges of minorities are safeguarded, come to have a looser form of Central control. North America—both in the United States and Canada—offers illustrations of the wisdom of latitude in the exercise of federal constitutions.

The Permanent American Revolution: Economic Change

THE United States has frequently been described as a permanent revolution, and so, indeed, particularly in the economic sphere, it can properly be described. A small agricultural society has now been transformed into the most massive economy the world has seen in every section: agriculture, industry and tertiary occupations. The national income of the United States in 1960 has passed the five hundred billion dollar mark; at the current rate of exchange in Indian currency this would be about Rs. 240,000 crores nearly twenty times the national income of the Indian Union. Over the past seventy-five years, the United States' rate of growth has been approximately 3 per cent a year compounded. This was also a short period rate of growth from 1946 until 1960, though there are particular years in which it has been slower. A great social revolution has accompanied the creation of wealth and, in particular, has demonstrated the point that massive production in a democracy is the greatest of all income levellers.

THE SOCIAL REVOLUTION

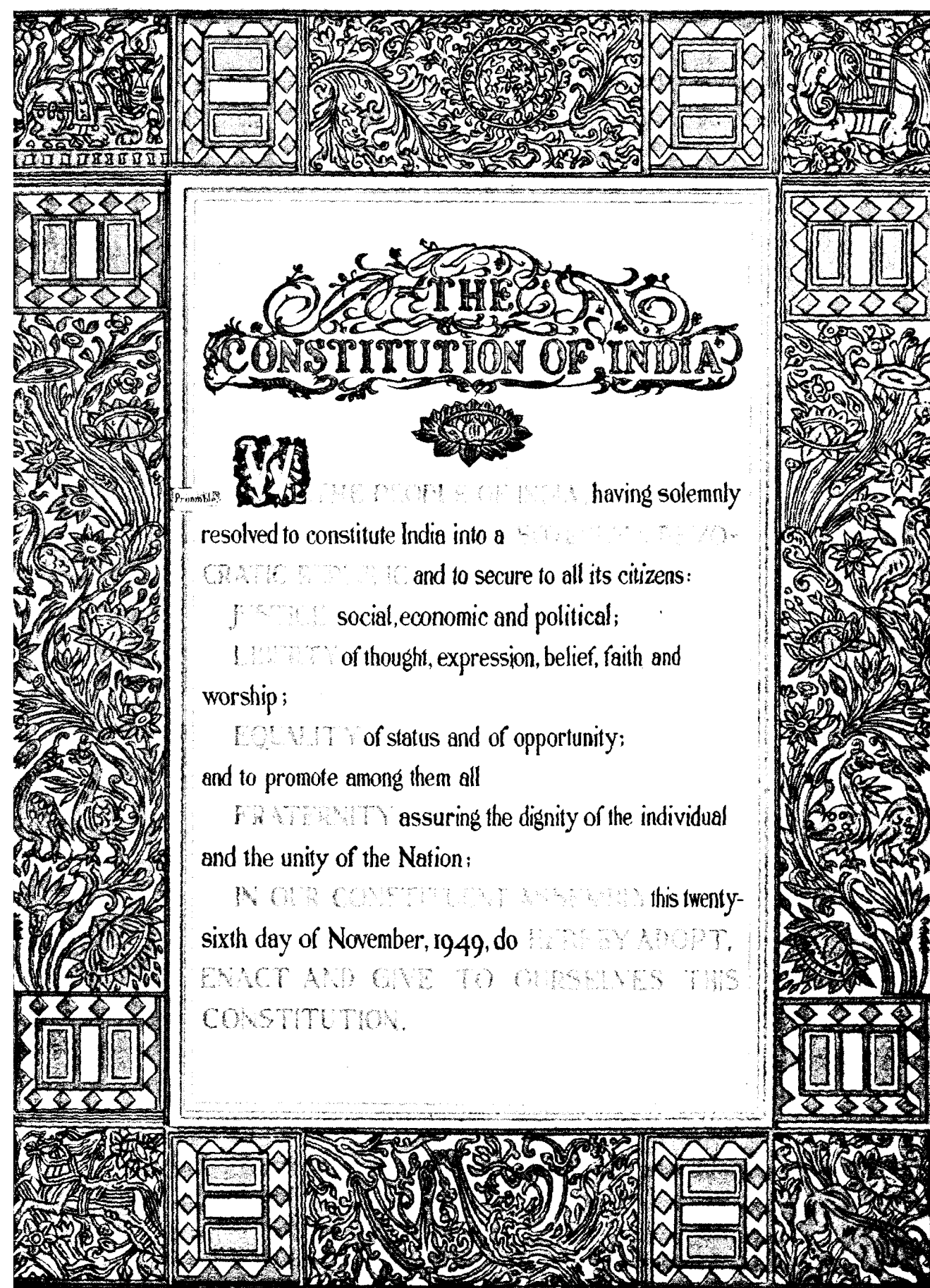
Over 70 per cent of American families are now in what is described as the middle income bracket with dollar equivalents of income between 14,000 to 17,000 rupees yearly. About the same number have money in savings account and 34 million American families, or about 53 per cent, own their own homes. The share-owning of American corporations is broadly based with direct participation by 15 million Americans, but, with Mutual Trust funds giving an interest three to four times greater. Slowly, but not less surely on that account, the great inequalities of wealth of the nineteenth century are being evened out. It has been said that this is making a classless society.

A classless society has two components; one is in terms of income and, what goes with it, namely, the standard of living and the manner in which one can "carry" oneself before one's neighbours. Keeping up with the Joneses is an essential characteristic of a proudly individualistic society. This does not imply that the Joneses are everybody. But there are sufficiently large pools of well-to-doness. The social factor

in poverty, which is a sense of inferiority, tends to disappear. In the United States, just twenty-five years ago, there was, particularly in the South and amongst Negroes, a deep feeling of basic inferiority based on a differential in income and, where segregation applied, on great differences of opportunity. Nobody need suggest that those differences have been abolished, but everyone will agree that the great decisions which are leading to their gradual extermination have already been made by the federal authority, and are slowly being enforced by the societies in which poverty occurs even if not as a legislation by the State Governments. The concept of mass production and distribution resulting in lower cost to the mass consumer has been one of the great instruments in the equalising of incomes and consequently of abolition of the sense of inferiority which inequality brings.

The other component of equality in the permanent American Revolution is to be found in the opportunities available to talent. The breakeven point, in every case and everywhere, in business, politics or education, is extraordinarily high as a result of the extreme competition that exists in every field. Nevertheless, the social ladder is more open than in any country in the world. No ostracism pertains to any calling, and it is perfectly respectable for students to earn their keep as waiters and waitresses whilst struggling through college. At the other end, there are millionaires who started as newspaper boys, meaning that lack of education has not been a major barrier in the upward rise. Less fortunately, it is possible to fall in the social ladder. It may be two generations from shirtsleeves to shirt-sleeves.

It is because of this economic and social revolution aided by the graduated income-tax and far-reaching social security legislation, that the basic inequalities of what is often described as the capitalistic system do not in the United States conform to the Marxian prediction. Again, vitality of the American system is due to an intense interest in accommodation and a willingness to accelerate and accept change. Every decade has brought



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its own artificial means for the acceleration of economic growth.

The instruments of growth are similar in essence to those in every country, but the United States has developed, every decade, its own version of a component to make it in its operation almost unique. American technology has been able to exploit the conditions of change in a manner in which no other economy has yet succeeded in doing. By the thirties of this century improved technologies produced a wide range of synthetic fibres, plastics and synthetic chemicals, like synthetic rubber, which are now working deep even into the under-developed economies. The fifties of this century have produced the peculiarly American innovation of 'Automation' raising productivity per worker in a manner which still seems incredible to other advanced societies. The new electronic inventions, such as computers of various kinds, have practically all been first sponsored by the United States. The secondary character of the American operation has been the making

of new markets to absorb the inventive character of producers. Here the United States has been able to produce a great range of salesmen of genius so that increasing returns were not held back by reason of the limitation of the market when the problems of production were solved. Finally, there has been in the instrument of finance a capacity to operate on a scale which defies comparison with other countries in the world.

In all these fields the past is practically no measure of the future because the power of invention and technology in every case is unpredictable. It might seem that the safest course of looking into the future is to assume no change in the present technology. But it has been said truly that to assume today's rate of technology for the future is just about the surest way of going wrong. The permanent revolution in technology in the United States is gathering force. What might be the significance of these factors in Indian economic progress? To these it is necessary to turn.

American Ingredients in Indian Economic Progress

THE PROMISE OF PLENTY

IN PART B—An Economic Review—the great parallels which exist between the Indian and American economic systems are analysed in detail. It is argued there that the richest and the poorest countries in the world have at least their systems in common. They are massive in a continental sense, meaning that foreign trade covers only a relatively small fraction of the national income; raw materials are drawn largely from within and so are effected sales of finished products. As income rises a new discretionary factor enters into mass income. In the United States it is multiplied by the high level at which income stands. In India we have no high level, but we have a large population and the beginnings of the mass consumption society are already emerging. In the sixties we are in a 'take-off' which the United States passed with the attainment of the high maturity stage at the end of the last century. Before the end of the century India, it is argued, will also be a mass consumption society sharing the major elements of American ingredients of growth.

UNDER-DEVELOPMENT: NO BAR

Too often it is assumed that technology in the American sense has no application to under-developed countries. The standing answer to this is a case history. This has been well described in a study of Science and Resources prepared by Resources for the Future, Inc. In the case of Puerto Rico, the general view that it was a most unlikely site for chemical industry because it had none of the resources such as cheap hydro-electric power, oil or gaswell, or salt mines, died hard until, what is described as, Operation Bootstrap was under way. It was found that all the elementary industries, like food processing, yarn making, weaving, net making, garment making, leather making, furniture making and the like, were no more profitable than the average and often as unprofitable. The average profitability was only 10 to 15 per cent a year of capital invested before taxes. During the same period profits averaged 20 to 25 per cent on paper products, electrical and electronic equipment, cements, pharmaceuticals, plastics mouldings, more or less in the order named. Nylon, Rayon, rubber, rubber thread and pads were in advanced demand.

That the Puerto Rico experience has relevance to India, is seen by the high profitability of the rayon industries; by the evidence that synthetic rubber and the chemical industries will race ahead as in advanced countries. This raises at once the question as to how an under-developed country like India can import advanced American technology to sustain this advance. Here the answer has already been given by private industry on both sides which has executed a series of collaboration agreements. By and large, both foreign exchange and know-how are coming along together. A great complementary bond between American and Indian industry is springing up both in the field of basic metals—aluminium, for example, with both the United States and Canada—and in fertilizers, synthetic chemicals, pharmaceuticals and so on. This is a bond by which the great advances in technology in the United States will be transmitted to India without India's having to go through the process of independent invention for which we are quite unprepared. In other words, one of the ingredients of Indian growth will be the import of technological know-how through blueprints, reports and patent rights and advice from professional consultants; a second—and it may be a more important consequence of American collaboration in the Indian Union—is likely to be in terms of management. Not, indeed, that the American genius for sales will be able to operate in the Indian context with the same reckless daring as it does in the United States. Nevertheless, the pattern of operation is likely to conform increasingly to that of the great American corporations with a degree of planning in detail currently obtaining only in a few Indian business houses.

Apart from the development of sales inside, managements of the large international American companies are likely, once based inside this country, to develop a sales potential for Indian manufacturers using their international connections. This has been in operation in Japan, and it has stimulated Japanese exports particularly to the United States. One can look both in respect of technology and sales, therefore, to the American co-operation as an element of transferring a portion of the American processes of industrial operation to this country. In a sense there is a curious paradox in the American outlook in regard to protectionism at

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home and the export of the technological know-how abroad. It is not often realised that the great American Corporations selling know-how and market knowledge abroad are limiting the capacity of their home units to exploit international markets. The exports are made, in fact, from companies which do not, in the main, remit export earnings back to the United States. Thus the United States technology and sales are not necessarily, on balance, factors in the improvement of the United States balance of payments. At the same time, most American industrialists are willing to participate with foreign firms and to co-operate with the Government programmes of training foreign technicians in the setting up of the highest industrial production and sales standards and full utilisation of their domestic research. Thus the ingredients of the American forms of industrial growth are not hampered by that passion

for secrecy which prevented the under-developed countries in the early years of this century from acquiring industrial techniques capable of competing with Europe or the United States. One may hope that this tremendous change in outlook, which is beginning to catch on in Europe as well as in the United States, will transfer to the Indian scene the main means of mass production which has been the instrument of lower costs, in practically every industry in the United States.

How is this pattern of economic co-operation and the needs of the United States and India to develop on parallel lines likely to affect their political and economic policies for the rest of this century? That is a question which can be answered hopefully; surely it will affect the character of our political relations when current prejudices on both sides have died away.

Conflicts in Foreign Policy

ISOLATIONISM VERSUS INTERVENTION

It has been said, and with profound truth, that one constant theme runs through the history of America's foreign policy, dominating every debate and every significant decision from the birth of the great Republic. The burning question has been whether the United States should participate wholly in world politics or withdraw unto itself; the choice has been between involvement and isolation, between alignment and neutrality. In the early days of the United States, the emphasis was very much in the direction of isolation. This culminated in the Monroe Doctrine which chose the Western Hemisphere as the area of American influence and practically declared a policy of non-intervention in Europe. Variants of the Monroe Doctrine presided over foreign policy for more than a century and the current of isolation, led by opponents of Franklin D. Roosevelt, hindered America's entrance into World War II. It also hindered Woodrow Wilson in World War I, and in the end defeated him after the Treaty of Versailles by the failure of Congress to ratify the Treaty. The current of 1947, until the present time, is sharply on the other side. The United States is now frankly interventionist. The Western Hemisphere no longer bounds its interests; they are global, that is, coterminous with the whole world.

Indian opinion has often failed to understand this oscillation of American policy between isolation and intervention. Broadly, the issue is not one of principle, but of expediency which in some form or another expresses itself in the foreign policy of every country. There are times when a country plays an international role; at other times it may feel that it should concentrate more upon its national affairs. The test is not whether these roles are consistent by themselves: they are clearly not, but they acquire consistency when looked at in terms of the changing national interest. The Monroe Doctrine was in the national interest of the United States for most of the nineteenth century. The Marshall Plan and the creation of Atlantic Community—from which America had shrunk for over a century—was the expression of the needs of the mid-twentieth century. Two major considerations dominated this choice: the first was military security and the second the strategic need for economic raw materials. Both provide justification for America's choice.

MILITARY SECURITY

The problem of protecting itself from attack has naturally had over time a very variable strategic com-

ponent. So long as the United States could only be approached by sea, only a Power with supreme naval capacity could be deemed a severe danger to United States' security. Her relations with Britain, which was the greatest naval power before World War I (and even protected American life-lines in the Pacific and the Indian Oceans) meant that the United States had no fear of invasion. This apparently justifies her reluctance, both in World War I and World War II, to intervene early in the rise of Germany as an aggressive European power. Germany never had the naval apparatus wherewith to threaten the United States. The problem of Japan was beginning to be different in the late thirties, and this explains why the United States was far more concerned about threats of Japanese ascendancy than it was by the senior partner in Axis strategy.

Naval considerations dominated thinking right up to World War II, and even today substantial emphasis in the United States stands on protecting its sea shores by adequate submarine flotillas. Nevertheless, the emphasis is no longer on any particular enemy or locality since the coming of the missile age has removed from the United States the protection which came from the fact that it was almost impossible to discharge heavy punishment on the American Continent from a European or Asian source. This is one of the main considerations which has changed the thinking of not merely the Pentagon, but of the whole American people towards internationalism. For the first time, the United States land mass is vulnerable to a major military operation from enemies abroad. Thus isolationism is no longer a feasible military proposition. The United States, which had no military need of allies for a century, is now in desperate need of alliances both from the point of view of military defence and attack. Even, therefore, if its economic interests were not major considerations in the new balance of power, the United States strategically would have had to change its isolationist outlook under the Pentagon's imperatives.

ECONOMIC RESOURCES

The second major element in the new internationalism of the United States is connected with its serious deficiency in major industrial and economic materials required to sustain its production, as well as maintain its strategic development in the field of defence. The Paley Commission has published an impressive list of shortages the United States may suffer even during the period up to 1975. It has indicated, amongst other

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things, the United States' dependence on foreign oil and on a very large number of metals. The United States' imports, to name only a few which have "strategic elements", are aluminium, bauxite, beryl, cobalt, coconut oil, cryolite, diamonds (ind.), feathers and down, flourspar, glass (optical), graphite, lead, magnesium, mercury, mica, monazite (conc.), palm oil, platinum, quinidine, rubber, sperm oil, sisal and tantalite. These are to be found in various portions of the world; some happily in the Western Hemisphere, but not a few elsewhere. To sustain its economic production, the United States would need considerable quantities of these commodities even if there was no defence element involved. In view, however, of the possibility of having to contend with an enemy capable of occupying some sources of these supplies, the United States has to maintain a foreign policy capable of at least denying these supplies to its potential military opponents. Much of ambivalence in American foreign policy is the consequence of this need for preclusive action.

Both because in the new strategy the United States needs allies abroad, and because its economy is now reaching beyond its own sources of raw materials in many respects, the twentieth century has decreed for its a departure from the self-sufficient isolationism of the nineteenth century. In the Indian Union, where a great deal of the "bigness" of American production is not understood, and where the cost factor in producing substitutes, synthetic or otherwise, has not been sufficiently appreciated, there is frequent questioning as to whether or not the United States is justified in casting

its mantle over countries merely because its raw materials are to be found there. In particular, the questioning of the United States' alignment with forces which may reduce its capacity to follow what India would describe as an anti-colonial line, has been written into its dependence on political allies as well as on economic resources abroad. This is merely one limitation of the dimensions of a foreign policy, when one loses the quality of independence of an earlier age.

THE PRICE OF LEADERSHIP

Quite apart from these strategic pressures on the United States, there is the fact that it has emerged, after the War, as an unquestioned leader of what can be described as the Free World. Leadership in an international community cannot be the same as leadership in an individualistic group. There must necessarily be in the process of such leadership concessions to group opinion such as the United States had inevitably to make in its association with what is described as the Atlantic Community. A policy of restraint in criticising France in Algeria and Morocco, for example, is a part of the price for the Atlantic Alliance. It is significant that Mr. Nikita S. Khrushchev, Prime Minister of the Soviet Union, is equally willing to pay this price in order to obtain the support of General de Gaulle. This is not, therefore, as Lenin might have put it, a necessary corollary to Capitalist Imperialism. It is merely a condition of the balance of international power, which, in turn, is a necessary condition of survival in the second half of the twentieth century.

The Cold War in Indo-American Relations

THE fundamental divergences between American and Indian foreign policy spring from the fact that the United States, at this time, is the leading protagonist in the Cold War and that India is largely outside it. In this sense India can afford to be isolationist as the United States was in the nineteenth century and for a portion of the twentieth century. The time may come when our security will call for the operation of the conditions which press on the United States now. But that time seems to be far away, and India's traditional policy in the twentieth century can well be that of the United States in the nineteenth century, with, of course, only that degree of difference which living in the twentieth century world necessarily implies. Meanwhile, it is possible to look upon the more particular sources of disagreement in terms of American policy in the last decade.

DOCTRINE OF CONTAINMENT

The first element of difference is in regard to the attitude towards the Union of Soviet Socialist Republics. The reflection of this attitude is the Cold War; the means of expression of what has been described as the Doctrine of Containment. The essence of the Doctrine of Containment was the building up not merely of allies, but also of military bases from which American forces could, at short notice, strike at targets in the Soviet Union. To India, anxious to stay neutral and outside the Cold War, this doctrine has naturally been unacceptable, and it may be that India's view on this problem was not merely wise in terms of Indian interests, but might have had strategic advantages for other nations. Undoubtedly, most of the countries in which the Americans have had bases have now to reckon with Soviet military might. But apart from this, the military argument seems to have been overdone, and in view of the deterrent effect of nuclear power everywhere, one wonders whether additional

bases, some of which employ conventional weapons, will be in a position to deter aggressive action by the Soviet Union. The political current in the USSR, at any rate under Nikita S. Khrushchev, has been the other way. It would seem that the policy of military containment has been pursued both beyond the needs of military necessity in the missile age and political wisdom in the Age of Khrushchev.

PAKISTAN

More directly connected with the Indian Union has been the United States' military alliance with Pakistan. Here the fear that Pakistan forces could be used aggressively in Kashmir has been an underlying cause of continuing concern. India has been unwilling to recognise that. While this military alliance had a possible connection with the Doctrine of Containment, that justification over-ruled every other. Indeed, there is also something in the view that Pakistan's additional military capacity has engendered more defence expenditure on the Indian side, thereby detracting India from her economic development. On the other hand, it is fair to claim that American economic assistance to the Indian Union has steadily grown and is now considerably more than any military aid that Pakistan has enjoyed. All in all, therefore, it would appear that Indo-American tension, arising out of Pakistan, is on the decline. Perhaps more so after the Indus Waters Treaty has been signed and at least one major hurdle between India and Pakistan has been overcome.

SEATO

A potential difference, which has not been hitherto so emotionally charged, is America's participation in the South-East Asia Treaty Organisation with its headquarters at Bangkok. Here the Indian view, which is that Asia needs no military alliance or props, has not been accepted by many countries, notably Thailand,

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Laos and South Vietnam, and the fact that pressure, which is being brought by both sides on local Governments, seems to suggest that a position of complete neutrality is not necessarily solution of the particular problem. However, the condition of Laos also suggests that intervention by itself is no solution. The question arises as to what should be the balance between American intervention and Asian neutral opinion in this area. Until the appropriate balance is struck, undoubtedly, American intervention, contrary to India's ideas of reconstituting the Commission and letting it operate according to its own judgment, will be a source of difference.

THE CONGO

Pakistan and SEATO do not represent the only major sources of difference at the present time. The Congo, as recent debates in the United Nations have shown, presents a picture of even more acute difference between the United States and the Indian approach. Both are ostensibly supporting the United Nations, but, undoubtedly Indian sympathies are with Mr. Lumumba while those of America are much more with Colonel Mobutu. This is a part of the reflection of the Cold War; one in which, unhappily, India's attitude seems a little compromised by the Russians who are taking a similar view. Nevertheless, this is part of an approach in which India stands by a politically elected Government, whereas the United States is dominated by the consideration of keeping Russian elements

out of the picture. Colonialism is only incidental to the bitter fruits of the Cold War. We wish the Belgians out: the United States is far more concerned about preventing the Russians from coming in. Because the Cold War dominates the approach to this matter (and India sometimes ignores American interests in the Cold War), it is not likely that an agreement will be reached early. But the tensions are not all that deep.

Over and above the real differences there thus emerge differences as a result of pressures at a particular time. There happens to be a personal equation which, from time to time, widens these differences. How far this personal equation is represented by Mr. V. K. Krishna Menon, who constantly arouses opposition in the United States, and how far it is intrinsic to Indian foreign policy, it is difficult to say. But the fact remains that India and the United States have not infrequently in recent months voted in the United Nations on opposite sides. Perhaps not too much should be read into these divisions. The broad current of Indo-American co-operation can take in its stride minor disagreements—provided they can be kept minor. India's interests, obviously, require that she should not, at this time, make a major enemy of the United States; equally India with her large population and her tremendous influence on public opinion in the Afro-Asian world, is too important, strategically, for the United States to barter away her goodwill. It is, therefore, likely that impersonal interest on both sides can remove, in time the obstacles which stand in the way.

Motivation: National Aspirations and Fears

MUCH of the politico-economic dialogue between North America and India is connected with what is frequently called national psychology rather than what is loosely described as the national character. National psychology is as changing as national character, but it is possible to see foreign policy more clearly in terms of the oscillations of national aspirations and fears than in terms of broad generalizations on what is described as national character. Considerable research, sponsored particularly by the Institute for International Social Research, Princeton, N.J., by Mr. Lloyd A. Free and Dr. Hadley Cantril, has now given us some fairly precise evidence of the manner in which national aspirations and fears operate in various countries. It is a piece of good fortune that the United States and India figure in the list of countries in which these studies have been undertaken. In the Cultural Section, some figures have been reproduced in regard to aspirations and fears of Indian and United States students in which not a little resemblance is displayed in these broad categories. One contrast is marked. There is amongst United States students a very high percentage of those who fear war or live in fear of war. The figure is 38 per cent, which is, not unnaturally, also the figure of those who ardently desire peace. In India, notwithstanding much emphasis on the need for peace, stress is elsewhere both in respect of students and in respect of Parliamentarians. Sixty-five per cent of India's Parliamentarians interviewed attached the highest importance to an improved standard of living, followed, with a great gap by a high priority for democracy (25), education (22), social justice (20) and socialist government (20). If one can conclude anything from these figures, it would appear that even amongst our Parliamentarians, and certainly amongst our students, the passion for economic progress is supreme and that for political means relatively lower. This presents, in a sense, a major background of the differences between national

aspirations and fears as they now arise between the two countries. In the United States, where the economic battle has been largely won, the main emphasis is on security whether one looks at it in terms of aspirations or fears.

The national psychology of the United States may thus be expected to respond to a policy which protects the United States rather than a policy which risks its political and economic security, for what might be called humanitarian considerations. In its political context, this means continuous tension because, even while peace is sought, the fear that the United States might be outwitted is a continuous possibility. Undoubtedly, the great majority of people in the United States would even support the U-2 flights over the Soviet Union because of this passionate feeling for security at almost any price. By contrast, in the Indian Union, relatively neutral to its external security — except from the People's Republic of China — the U-2 flights over the Soviet Union will naturally awaken no sympathy. On the other hand, the underdeveloped areas of the world will err greatly if they imagine their own economic development, which is their top priority, is equally urgent to richer countries and can be seen in same light from the United States or from any of the other countries of the world. There are sections in North America who will recognise that the political and economic security of the United States is involved in raising living standards elsewhere in the world. But as against the long-term objective of raising these standards and the short-term objective of providing immediate defence against a military enemy, no one need doubt where the United States choice would rest. This is not a difference between the Government of the United States and the American people. Broadly, the passion for security is so great that the increase in defence expenditure, a military alliance policy, provided it can be 'sold' as an appendage to security, and

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expenditure which might be related to keeping military allies in good economic heart will always receive preference to economic aid for purposes of straight development. Similarly, the suggestion that even though the United States has a serious balance of payments problem, its obligations to underdeveloped countries will override its own direct needs, will always encounter severe obstacles. Thus, the dialogue between the United States and India will always be hindered by the United States' sense of insecurity and the high priority which defence receives in that country and India's feeling that the United States might take larger chances on the military front in order to increase the proportion of the national income committed to economic aid for underdeveloped countries.

FOREIGN AID

Quite apart from the current feeling of insecurity in the United States, national psychology on both sides has to take account of the giving and receiving element in foreign aid. On the Indian side, largely because of our colonial past, the view that aid and even abundant private foreign investment, implies some loss of freedom will die hard. On the American side, there is a lack of willingness in Congress to assign funds under the direction of Governments whose attitudes to economic affairs may not conform with that of the majority in the United States Congress. Thus aid to India has encountered, as during the negotiations for wheat loan, hard words on both sides. Happily, this has not prevented a great stream of aid and assistance culminating in the great P.L. 480 deal under which India is to receive in the next four years 17 million metric tons of foodgrains. However, the broad feeling that aid is not a permanent solution of India's problems is possibly widespread on both sides; India would naturally be much happier if she could repay sums borrowed even in rupees, and secondly, if borrowing could be reduced by greater expansion of trade and less dependence on aid.

Thus it comes about that the present represents no equilibrium between Indian and American emotional attitudes towards one another. In the United States, because there is a deep sense of insecurity and the Soviet Union is regarded as the arch enemy, India's friendliness with the Soviet Union raises emotional overtones which sometimes result in expressions of personal anger and distrust. The Americans feel some-

times that India has lost the grand tradition of moral leadership of Mahatma Gandhi. By contrast, in the Indian Union, pre-occupied by the problems of economic development, the sense of proportion displayed in its expenditure by the United States awakens some considerable criticism. It is argued that if upwards of fifty billion dollars can be spent per year on the defence expenditure by the United States, a tenth of that sum spent on economic development in underdeveloped countries would make for far greater world welfare. On both sides, the attitudes are happily not very rigid, but there is still a great gap in regard to the conflicting demands of American national security and world economic development. Most of these have their roots in the changing national psychology in which American insecurity and the Indian impatience for economic progress represent the greatest fears and the greatest aspirations respectively.

It is difficult to determine whether or not national attitudes, which thus differ, can be changed in the short period by carefully prepared programmes of explanation. There are groups in the United States which are anxious that economic assistance should take a substantially larger share of America's international obligations. There are also in India persons who think that at the present time the volume of foreign aid which India receives forms too high a part of our capital needs. The view is probably held that there is a degree of instability in India's economic development so long as her foreign exchange needs are kept so high as to involve such marked dependence on a particular country. If this should lead to a constructive programme for the study of the use of economy in foreign exchange as well as in rupee capital in which the country is short, it can do good on both sides. For if fewer demands are made on the United States and economic development is nevertheless not hindered, both ends of policy — which are to reduce differences and to expand the area of welfare — will be achieved. It is not impossible that if instead of a dialogue in persuasion on the basis of the central tenets of psychology in both countries, an attempt was made to assist India to use non-capital intensive methods of raising productivity widely, a greater service would be done than by approaching the problem purely from the public relations side. Nevertheless, there is here a substantial room for the operation of both political and economic imagination. The question which arises is whether or not this is being adequately deployed.

Indo-American Relations: The Future

THE argument of the pieces that have gone before suggest that the structure of Indian political opinion in international affairs is necessarily different from that which motivates American policy today. It has been suggested that the difference is partly of time; Indian "neutrality" occupies a stage historically not unlike the isolationism of the American Monroe Doctrine of over a century ago. But the difference is not only one of time but also of geography. It is in the interest of the democratic Asian world of the twentieth century to insulate itself from European quarrels, while protecting itself from Communism at the same time. It is of the essence of North America in the nuclear age that it should protect itself by having European allies with military power, but it is equally in the interest of the United States that as great a portion of the Asian world should be precluded from joining the Communist bloc.

It is in terms of the pursuit of a larger area of

neutrality in the Asian and African continents that the divergent opinions on the Cold War and Communism can be partly reconciled. It is sincerely to be hoped that Indo-American differences, which have fluctuated wildly over the decade, will now grow less. Perhaps as India becomes more willing to take a forward place in international affairs, the existing polarisation of the policies between "neutral" nations and the protagonists of the anti-Communist world will diminish. The most important element which is making for that diminution is the structure of Indian life based on the democratic faith and the opportunities which a large element of freedom in the economy continues to provide to those who can rise without the protective banner of State Socialism. The economic parallel is not too close because a 'have-not' society needs props in Government enterprise which the United States has seldom needed to the same extent. It is not inappropriate that a larger place for public enterprise has been advocated by Professor John Kenneth Galbraith, who is not alone in

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seeing the virtues of public enterprise in underdeveloped economies.

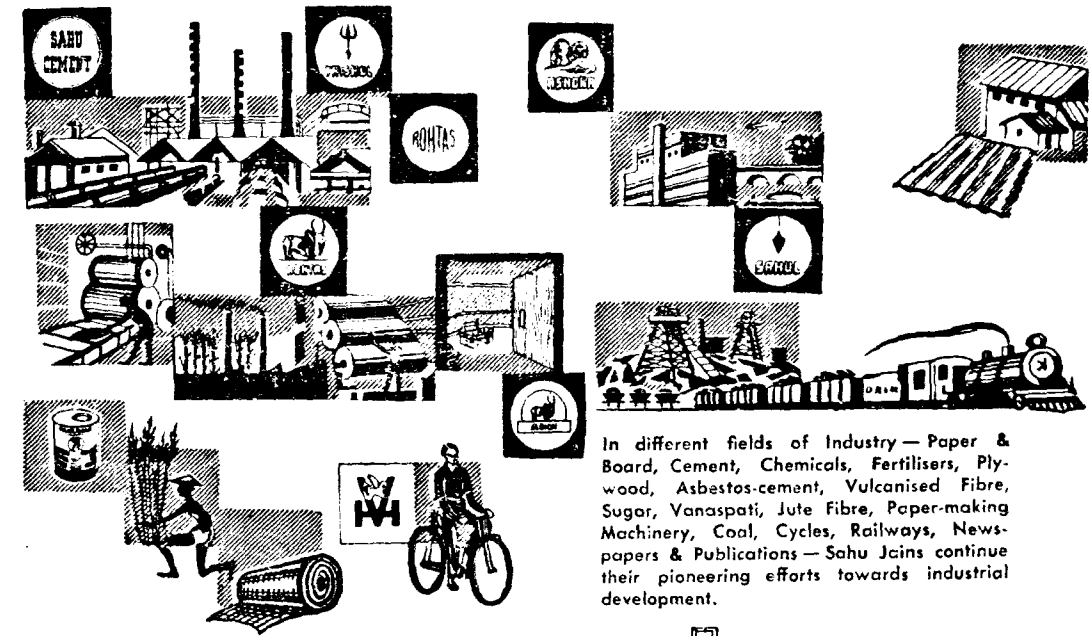
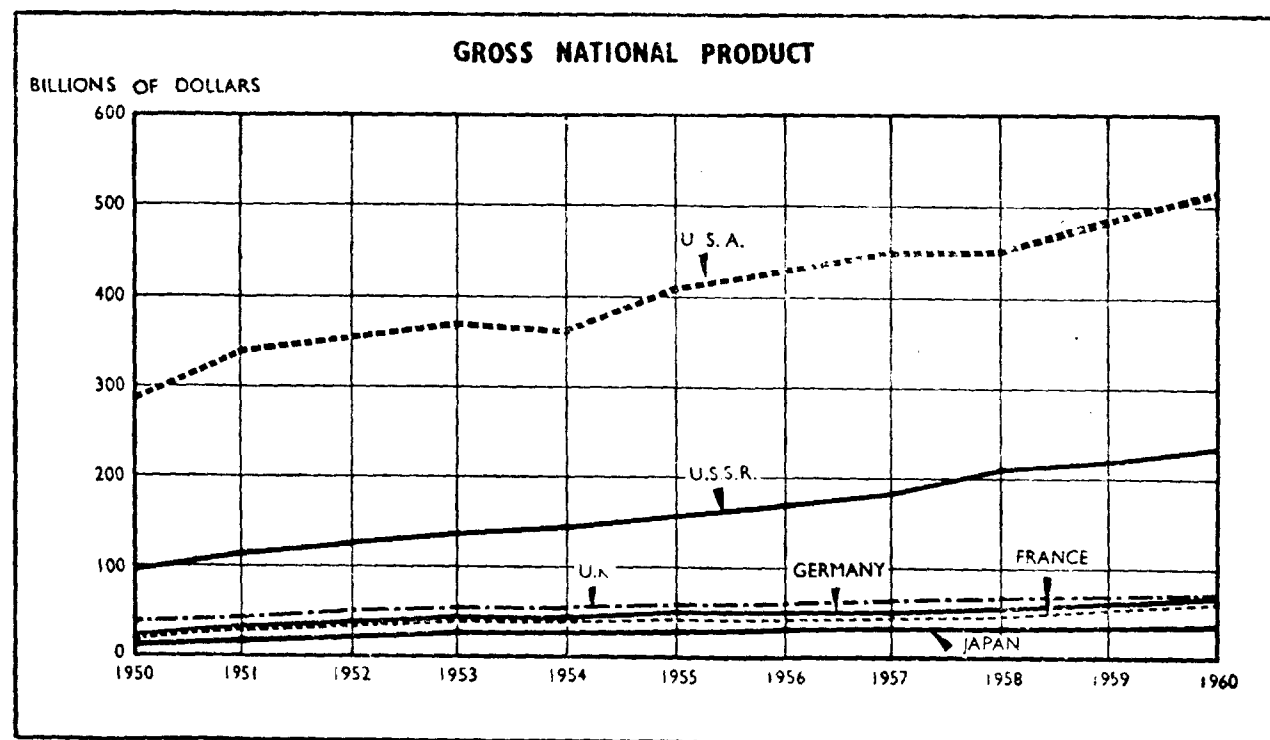
Over the next forty years, if only the political differences can be kept from vitiating the flow of economic co-operation, the ground for which has been well watered and is now bearing fruit, one might prophesy that a major improvement of Indo-American relations is written into historical trends. At present, America is affluent; we are desperately poor. They are powerful with supreme economic power; we are populous without being powerful. But assuming that we can build our economy with foreign assistance and that American technology and salesmanship are to play a major part in increasing Indian efficiency, there might be a readier appreciation in time to see the common purposes of our efforts. In conclusion, perhaps one might argue that much of the similarity in outlook that exists is hidden by the differences in politics which have been described in the two previous articles. It might be appropriate here to reproduce a comment and a prophecy made four years ago by the same writer in 'Foreign Affairs' which it seems might bear repetition.

"One of the unfortunate by-products of the Cold War is this failure on both sides to see clearly the common bonds of political philosophy and economic practice between India and the United States. In an important sense, it is the United States, more than any other country, that India is copying. The character of Indian expansion bears more than superficial resemblance to the expanding economy of the United States after 1868. The growth of the American and Indian economies springs from the same basic economic strength—the presence of large internal markets and the means to supply them from within. With their

continental character both countries can develop their own supplies of foodgrains and industrial raw materials enabling them to finance a far higher rate of economic development than hard-pressed economies such as those of Britain or Japan.

"The parallels with the United States, both in politics and economics, are now becoming so clear that one might hazard the guess that between 50 and 100 years from now, the Indian Union will possess an economy as massive in terms of productive capacity and of welfare as that of the United States today. It is appropriate that this should be accomplished with the active assistance of democratic countries which have both an ideological and strategic interest in assisting Indian development, now running a classic race with the People's Republic of China.

"It might be remembered that it was in his search for a new route to India that Columbus first stumbled on the Americas. Out of that great accident there came a faith; and after a faith there came a civilization; out of that civilization came abounding prosperity. In a sense, therefore, India, or at least the vision of her splendour, was a condition in the making of America. The wheel is coming full circle. India's expanding economic needs are driving her hard, albeit vaguely, in search of a new route to prosperity. In this search she may well stumble on the pattern developed in the United States, with which she has so much in common. If, under the altered circumstances of the twentieth century, the American experiment could be successful in India, that would be evidence of its abiding character. In this sense, the United States is also being tested on Indian soil."



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PART B

AN ECONOMIC REVIEW

India and North America: A Study in Economic Growth with Projections to 2000 A.D.

THE Indian economy has demonstrated a continuous dynamism and buoyancy during the last decade. This is an entirely new experience for this country. It is no doubt instructive to seek parallels in the world from where guidance could be had for the probable future growth of the Indian economy, say during the next four decades. If the projections are based on reasonable assumptions and the prototype selected is one which has reasonable possibilities of fruition, there is no reason why the exercise should not be attempted. The problem is to select the right model and for this purpose, there is no better model of growth than that of the United States of America.

During the last decade, abundant literature on the economics of growth has been produced and quite a sizeable portion relates to the growth of the under-developed countries. Not all this literature has ready application to the Indian case but there is enough which can provide guidance to our aspirations in this particular field.

Indian economic development, it must be remembered, is still hinged to a free market economy. The planners have rejected the totalitarian techniques and economic progress is being attained while retaining all the democratic essentials. It might be argued that the character of economic growth in India is not much different from that planned in the East European countries and more recently in the People's Republic of China but it should be clearly noted that the lessons of planning from the totalitarian countries have only very limited application in the democratic set-up of the Indian Union. Also, the Indian Union is a vast sub-continent and the diversities prevalent within its bounds prohibit learning of any lessons from such smaller economies as the United Kingdom, Japan, the Netherlands, etc. Moreover the "open" economies of the United Kingdom and Japan which depend upon the outside world have very little real application in this country; our imports are important, but they still comprise less than a tenth of the national income. The countries which India most resembles in this age of the "take-off" are continental ones.

The problems in India are similar to those which the United States faced 150 years ago. The fact that per capita consumption level in India today is pitifully low as compared to the United States, which is the richest country in the world, need not deter us because there are few economies with which India can be compared except with the United States of America in terms of the pattern and growth of progress. The dispersion of income scale between India and the United States of America may be large but there is no other country or prototype which will be as suitable as that of the United States of America.

A comparative study of the Indian economy and that of the United States is likely to yield a fruitful analysis because of the essential likeness between the two countries in regard to the principles of democratic behaviour and markets based on individual preferences. It is forecast that the Indian economy in the next four decades may possess a massive structure comparable to the United States of America of today. It is a fortunate accident that we are seeking American assistance not only in terms of financial help but also for technical "know-how". There is a widely prevalent belief in this country that this experience on the economic level is likely to produce far-reaching and binding relations between the two countries.

Nearly 150 years ago, the United States looked for new frontiers in its vast continental area in order to increase production. In the case of the Indian Union, the frontiers explored are not in terms of geography but in terms of the quality and range of new production. Here pertinent reference needs to be made to the increase in yield or productivity which is likely to be a key to the future economic progress of the country.

The economic progress registered during the last decade has raised great hopes in the sense that three major factors of growth have taken a dynamic turn. The rate of savings has substantially increased so as to promise early completion of the take-off stage; a sizeable development in the capital goods industries has already taken place and a substantial rise has occurred in consumer spending on "discretionary" elements. Over the decade 1951 to 1961, national income has risen at the average rate of 4 per cent per annum. Per capita income has also risen at the average rate of 2 per cent per annum. The rate of savings has crossed the critical limit of 5 per cent and is now estimated to be around 8 per cent per annum.

India and North America have some similar characteristics such as, vast area and unlimited resources both in terms of manpower and natural resources. Whereas the "take-off" in the case of the United States occurred nearly a century ago, the Indian Union has just broken through all the obstacles to reach the "take-off" stage. A fact which needs to be remembered is that the Indian Union need not go through the same technological "hit and miss" process through which Western Europe and the USA passed during the last 100 years. The rate of growth in the Indian economy is anticipated to be much faster because she can now "skip" certain processes in technological growth which look superfluous in view of the latest technological growth. That considerably reduces the time that the Indian Union may take in attaining "maturity" as well as reaching the goal of "high mass consumption."

The Population Perspective

THE UNITED NATIONS has attempted an estimate of the total world population and has come to the conclusion that in 1959 it had already reached the level of 2.9 billion persons. The coverage related to about 270 separate geographic areas including China with an estimated population of 669 million; India takes the second rank with 403 million, the USSR the third rank

with 209 million and the United States the fourth rank with 178 million. These four countries together add up to about 1.5 billion and account for more than half of the world's total population.

In 1950, the total world population was estimated to be around 2.5 billion. Between 1900 and 1950, the

increase was of the order of one billion. The present rates of increase indicate doubling of the population from 2.5 billion in 1950 to 5 billion by the end of the twentieth century.

The population problem has become "explosive" in view of the fact that major growth is anticipated to take place in the economically backward areas, thus pushing downwards the already extremely poor standards of living. It has also made the task of promoting economic development in these areas extremely difficult without reversing the present trends in the growth of population. It is feared that failure to check the population of the under-developed countries might land the world into serious consequences. That is why the developed countries who have taken upon themselves the responsibility of providing aid to the under-developed countries have been recommending to these countries to formulate programmes designed to deal effectively with the problem of excessive population growth.

The pattern of growth in population may be divided into three stages. At the first stage, the high mortality rate is more or less balanced by the traditionally high birth rate. For most of its history, the world has been in this stage. Infant mortality is high and life expectation is short. The net result is a stable population or at most only a slow increase. Today only the least developed areas, such as, those in Central Africa, fall within this classification. At the second stage, the modern health techniques enter into the picture causing rapidly decreasing mortality rates but with the maintenance of the relatively high birth rates. This combination results in extremely high rates of population increase—as high as 3.5 per cent per year in certain cases—which may result in doubling the population in the short span of 20 years. The present estimates show that nearly 75 per cent of the world population falls in this category. Then comes the third and the last stage. Only about 20 per cent of the world population is in this stage which is characterised by a low mortality rate and a low fertility rate. Like the first stage, the result is static or only a moderate in-

crease in population. The United States of America, Canada, Europe, Australia and New Zealand fall within this category.

The second stage referred to above is an artificial stage. Introduction of advanced medical and public health techniques produce rapid results in lowering the death rate. In the normal course of events, the slow but steady advance in human knowledge would gradually decrease mortality rates and with some lag, fertility rates would decrease also.

The basic cause of the present rapid rate of increase in the world population is the declining mortality rate rather than a marked increase in the fertility rate. There has been some increase in the level of fertility also in response to improved health levels. It is but natural to expect, under better conditions of health, that the women in the backward countries would live to the end of the child-bearing period. Better conditions of health have reduced the number of miscarriages and stillbirths.

The United Nations estimate of world population at 7 billion in 2000 A.D. is based on the assumption that during the next 40 years the increase in population in Africa, Latin America and Asia would be at extremely high rate. This fact is illustrated in Table I below.

It is assumed, for example, as shown in the Table below, that the Asian population from 1975 to 2000 A.D. would rise by as much as 75 per cent or nearly 3 per cent per annum. "The Eastern Economist" does not subscribe to this view. It is believed that the rise in living standards will certainly restrict the size of the average family and keep the population pressure within reasonable bounds, though the upward rise in numbers would continue. Similar is the case with estimates made in regard to Africa, though there is not much difference of opinion in regard to other areas. Quarter-

TABLE I.

ESTIMATED PERCENTAGE POPULATION INCREASES PER QUARTER-CENTURY IN EACH CONTINENT AND IN THE WORLD, 1900-2000

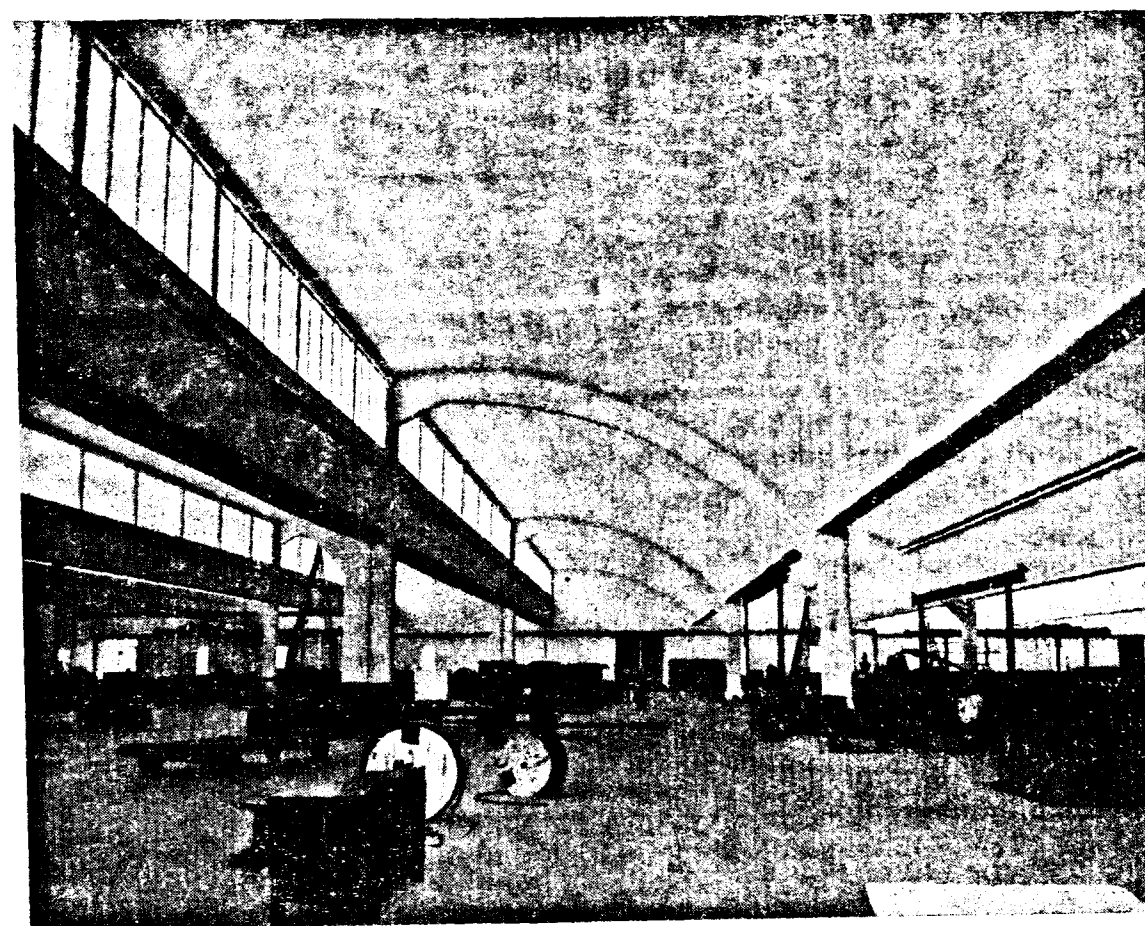
Period	World	Africa	Northern America*	Latin America†	Asia**	Europe, (Incl. U.S.S.R.)	Oceania
1900-1925	23	22	56	57	19	19	57
1925-1950	31	35	33	65	35	14	36
1950-1975‡	53	52	43	86	60	31	59
1975-2000‡	64	71	30	95	75	26	40

* America north of Mexico.

† America south of U.S.

**Excluding Asiatic part of U.S.S.R.

‡ Medium assumptions for 1950-2000.



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century Projections made by "The Eastern Economist" are set out in Table II below. Table III below sets out the world population projected up to 2000 by continent.

The Royal Commission on Canada's Economic Prospects has projected the population of the world up to 1980 at 3.7 billion. The figures in Table III up to 1980 are of the Canadian Royal Commission. Projections for the next 20 years have been attempted by the Research Section of "The Eastern Economist".

In 1956, in the Annual Number of "The Eastern Economist", population projections up to 1975 were attempted. The estimates of "The Eastern Economist" published in 1956 and those of the Royal Commission

of Canada are almost identical, as the table below clearly shows:

(In Millions)

Year	Estimates of "The Eastern Economist"	Estimates of the Royal Commission of Canada
1960	2,842	2,810
1965	2,996	3,000
1970	3,159	3,220
1975	3,400	3,460

TABLE II.

ESTIMATED PERCENTAGE POPULATION INCREASES PER QUARTER-CENTURY IN EACH CONTINENT AND IN THE WORLD, 1900-2000

Period	World	Africa	Northern America	Latin America	Asia	Europe, (Incl. U.S.S.R.)	Oceania
1900-1925	23	22	56	57	19	19	57
1925-1950	31	35	33	65	35	14	36
1950-1975	40	36	48	80	40	26	30
1975-2000	45	42	47	72	47	26	48

TABLE III

WORLD POPULATION
1920 — 2000

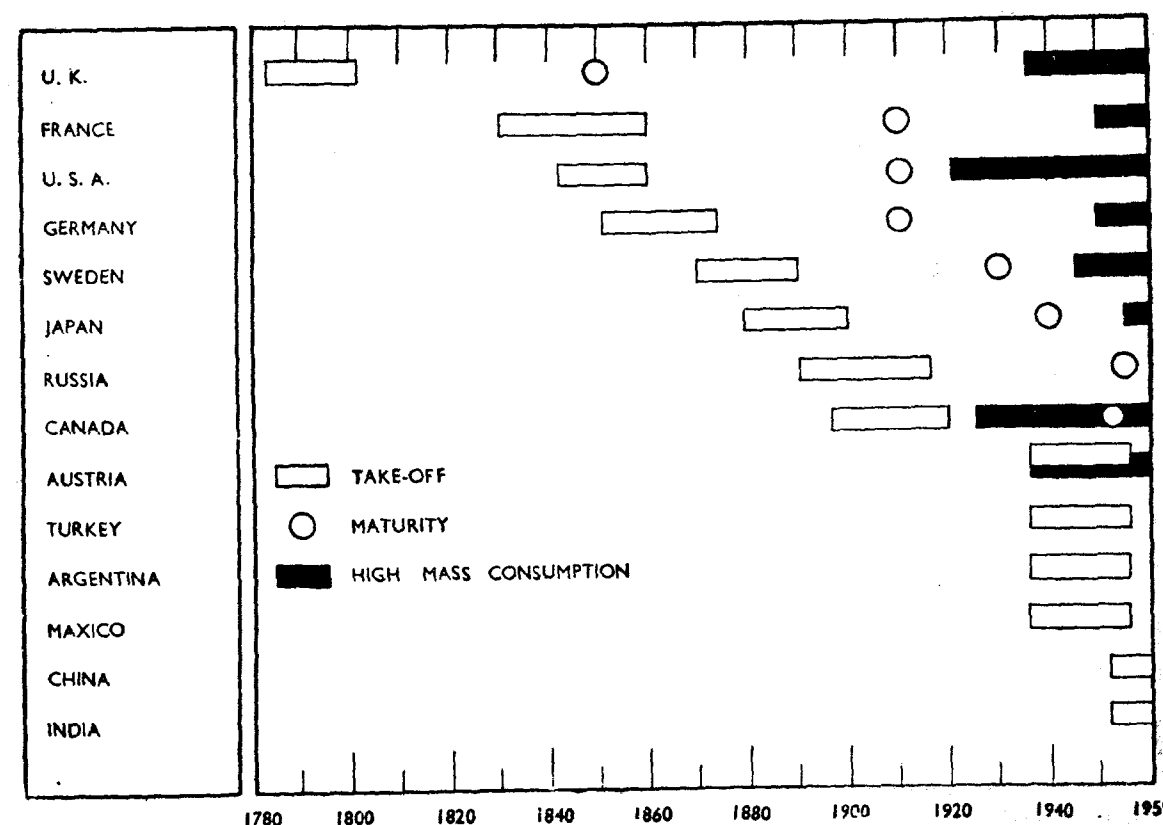
(In millions)

Continent	Estimated				Projected							
	1920	1930	1940	1950	1955	1960	1965	1970	1975	1980	1990	2000
Europe (incl. U.S.S.R.) ..	486	531	572	574	606	634	664	693	721	748	823	910
North America	117	135	146	168	183	198	213	229	249	270	312	365
Canada (excluding N.W.T. & Yukon)	(8.5)	(10.2)	(11.4)	(13.7)	(15.6)	(17.5)	(19.5)	(21.6)	(24.0)	(26.7)	(32.8)	(40.0)
Central and South America	91	109	131	162	183	205	230	259	291	327	411	500
Oceania	8.8	10.4	11.3	13.0	14.6	14.8	15.6	16.3	16.9	17.5	21.7	25.0
Africa	140	155	172	199	223	224	238	254	271	289	333	385
Asia (excluding Asiatic U.S.S.R.)	967	1,073	1,213	1,360	1,481	1,535	1,640	1,764	1,910	2,081	2,429	2,815
World Total	1,810	2,010	2,250	2,489	2,690	2,810	3,000	3,220	3,460	3,730	4,330	5,000

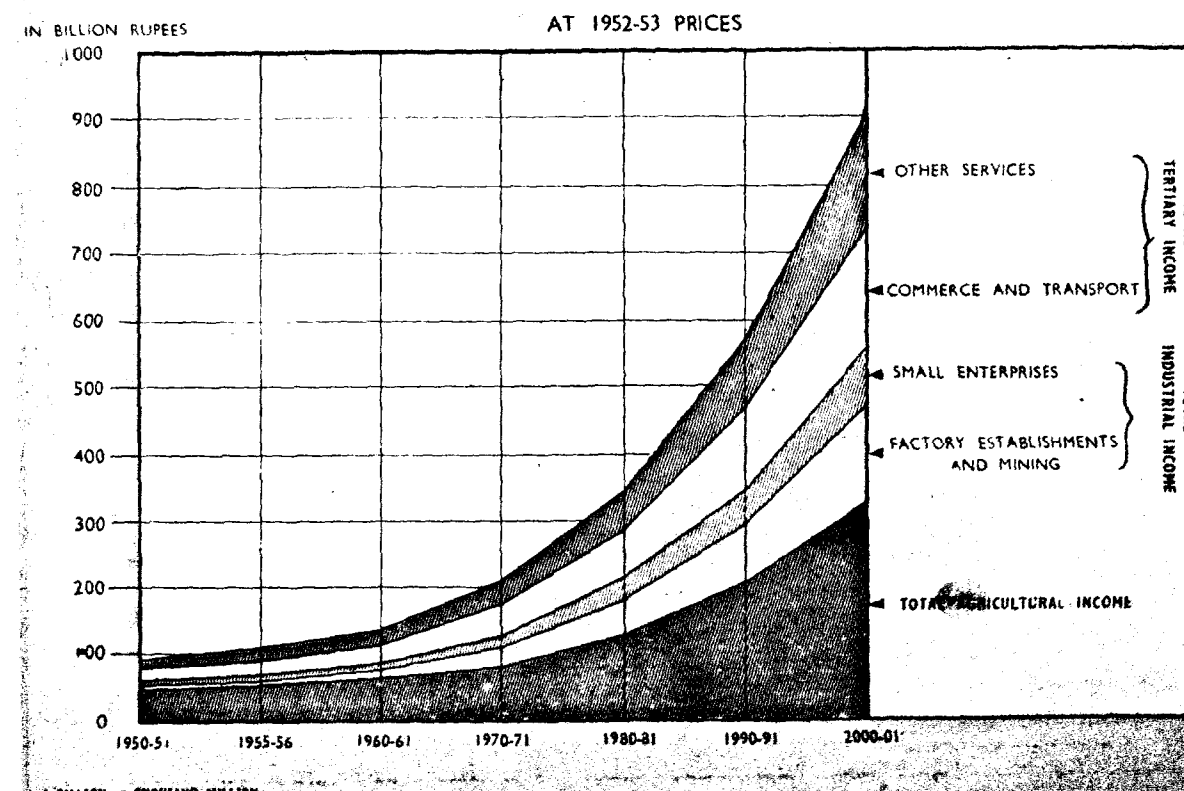
PERCENTAGE DISTRIBUTION

Europe (incl. U.S.S.R.) ..	26.9	26.4	25.5	23.2	22.5	22.6	22.1	21.5	20.9	20.0	19.0	18.2
North America	6.5	6.7	6.5	6.8	6.8	7.0	7.1	7.1	7.2	7.2	7.2	7.3
Canada (excluding N.W.T. and YUKON)	(0.5)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)	(0.7)	(0.7)	(0.7)	(0.75)	(0.80)
Central & South America	5.0	5.4	5.8	6.6	6.8	7.3	7.7	8.1	8.4	8.8	9.5	10.0
Oceania	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Africa	7.7	7.7	7.7	8.0	8.3	8.0	7.9	7.9	7.8	7.7	7.7	7.7
Asia (excluding Asiatic U.S.S.R.)	53.4	53.3	54.0	54.9	55.1	54.6	54.7	54.9	55.2	55.8	56.1	56.3
World Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

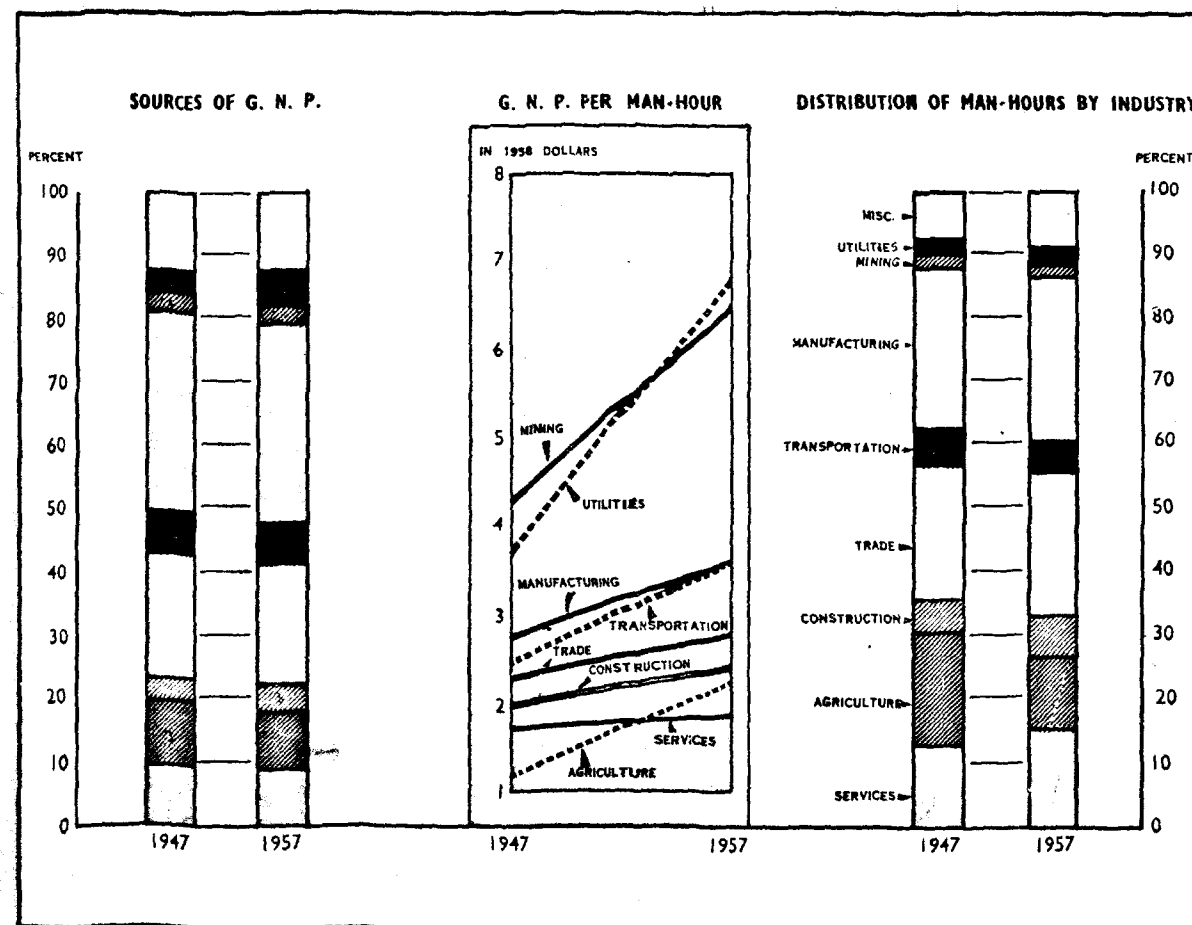
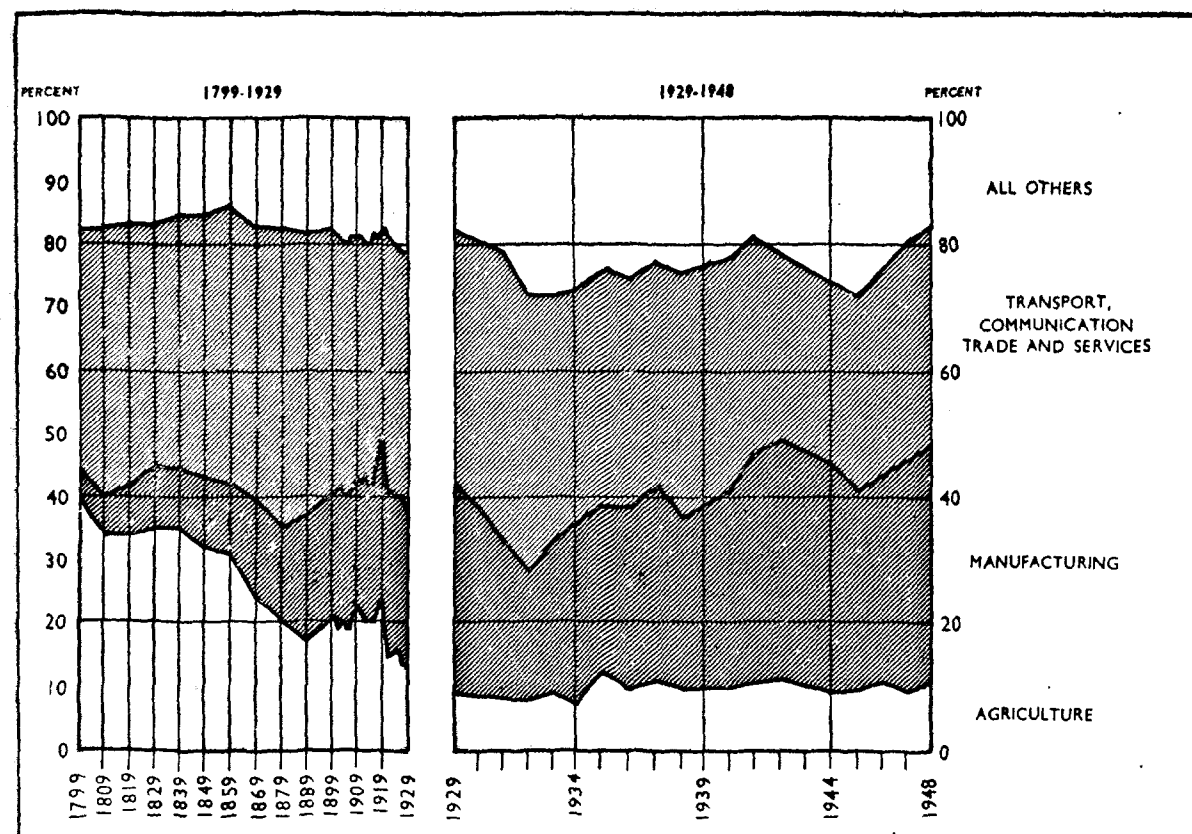
STAGES OF ECONOMIC GROWTH
IN SELECTED COUNTRIES



INDIA'S SECTOR-WISE DISTRIBUTION OF NATIONAL INCOME
(1950-51—2000-01)



U. S. A. PERCENTAGE DISTRIBUTION OF NATIONAL INCOME BY INDUSTRIAL ORIGIN



India And North America: The Next Forty Years

AN ATTEMPT is made here to forecast the probable trend of the Indian economy and the economies of Canada and the United States during the next forty years. It is to be conceded that all projections are a translation of the past experiences coupled with present knowledge and anticipated future economic developments. At the beginning of the present century, any attempt to portray the shape of things to come sixty years hence would have been a gross underestimate. The arrival of the Sputnik Age is a phenomenon which could not have been foreseen even a decade ago. Anyhow, keeping in view all these limitations, "The Eastern Economist" has attempted not only a historical economic study of India and North America but has also endeavoured to outline the probable future course as well.

The present task of "The Eastern Economist" has been greatly simplified by certain pioneering studies in this field. US President's Materials Policy Commission Report on the American economy in 1952, regarding the free world resources provides estimates of demand for raw materials till 1975. The Royal Commission of Canada has also projected the Canadian economy in relation to the free world and the Communist Bloc countries till 1980. Both these reports have thrown up valuable suggestions in the matter of forecasting the future economic trends in the world. Also, Mr. Harrison Brown has, in a general manner, attempted a picture of man's natural and technological resources a hundred years hence. "The Eastern Economist" has drawn heavily from all these and many other pioneers in the field of forecasting, and has applied its own knowledge and judgment in projecting the past trends into the future.

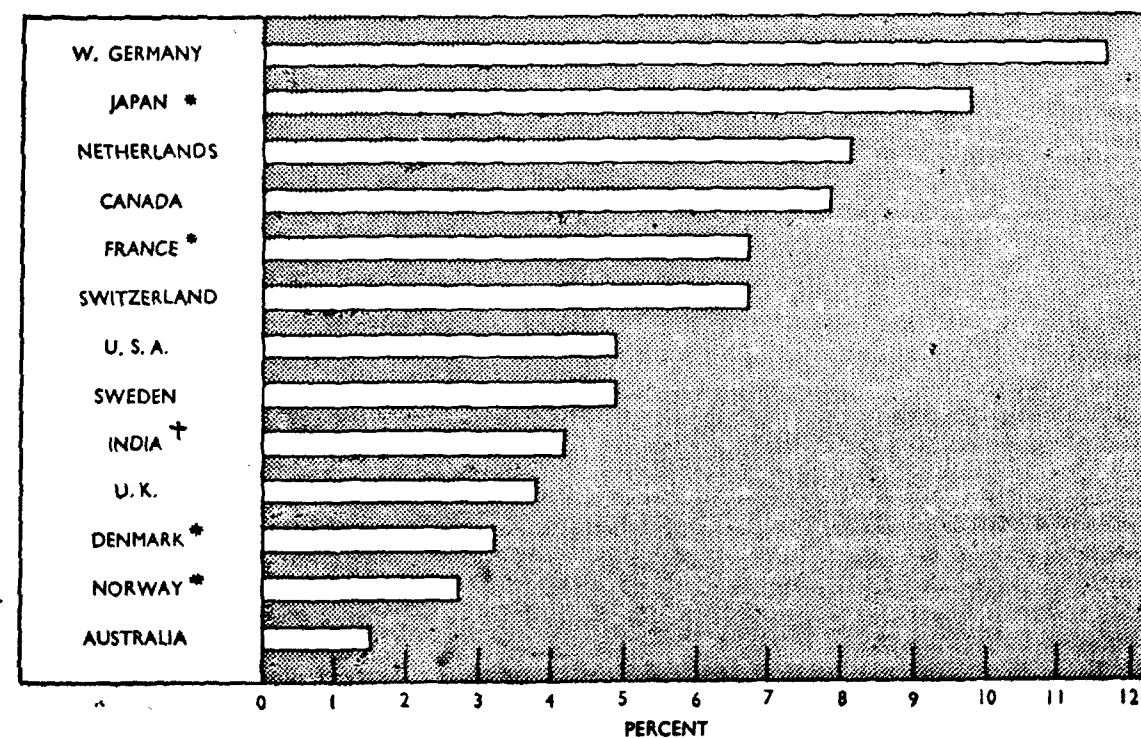
TECHNOLOGY AND GROWTH

One of the major factors in the rapid growth of the United States' economy was the technological revo-

lution which steadily raised productivity in terms of "output per man-hour", i.e. the constant dollar value of goods and services produced in relation to the hours of all persons employed. This measure may also be described as "real product per man-hour". It takes into consideration not only the manpower utilised but also employment, unemployment, labour costs, levels of living and other elements. The average annual increase in productivity in the United States since 1947 has been a little above 3 per cent per annum. In agriculture, the annual average percentage rise is more than double of the non-agricultural sector. In other words, productivity in the agricultural sector is a little more than 6 per cent per annum.

The factors which determine productivity are wide and varied. General economic conditions marked by recession or prosperity, utilisation of capacity, technical knowledge, technical skill-level of the labour force, etc. all operate to affect the level of productivity. It needs to be remembered that economic growth in the United States is partly influenced by the expansion of the labour force and partly by the rate of gain in output per man-hour. The labour force in the United States has been steadily rising both because of a vast increase in the rate of population and widespread immigration, though the major contribution to productivity came from a steady rise in output per man-hour. Long period trends between 1909 to 1958 showed an average annual increase of 2.3 to 2.4 per cent per year on the usual straightline method. The average annual increase in productivity for the total private economy was higher for the post-war period of 1947-1959 than for the long-term period of 1909 to 1959. At the same time, a review of the movement of productivity during the last 50 years shows that the post-war period was not unique in the exhibition of an encouraging rate of rise in productivity. During the span of the last five decades, there were certain short-

AVERAGE ANNUAL RATE OF ECONOMIC GROWTH 1950-1959



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* Production of electricity is going up steadily. Now 2408 villages are electrified in the State, while the figure was only 700 at the beginning of the Second Plan. The Upper Sileru Project and the Srisailem Hydro-electric projects will further immensely raise the output of power.

* Production of food grains in the State, which was 55.37 lakh tons at the beginning of the Second Plan, has now exceeded 62 lakh tons.

* Community development work is now in full swing in 305 blocks covering nearly two crores of population.

* The number of educational institutions of all varieties is steadily expanding. Finishing touches are being given to the scheme of universal free and compulsory primary education for the age-group of 6-11 years to be launched during the Third Plan

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Department of Information & Public Relations, Andhra Pradesh, Hyderabad.

term periods in which the average increase was higher than the long-term rate.

The United States experience shows that the major factors affecting productivity are, (1) technology, (2) level of investment, (3) availability of electric energy per man-hour, (4) growth of non-production workers in manufacturing and (5) research. Technological advances since 1947 have been rather rapid and it seems that the era of automation started in right earnest with the end of the Second World War. There was urgent need for a vast revolution in technology in the United States because of the unprecedented back-log of demand kept in check by the six-year old war. Technological changes have been widespread and they have affected all sectors of the economy including consumer and producer goods, industry, agriculture, and "service industries. Production processes have undergone vast changes, but the motive elements remain doggedly those described above.

The increase in productivity has also been accompanied by a substantial growth in the amount of "fixed capital available per worker". It is estimated that equipment per person in 1956 was almost twice as high but plant per person was only slightly higher than the level prevalent between 1925 and 1929. Most of these increases occurred during the post-war period. Capital stock rose by 82 per cent, employment by 35 per cent between 1925-1929 to 1956. Total man-hours, however, increased only by 9 per cent.

New productive techniques and new products are a consequence of a long-term investment in technology, assisted by research. Although the research element has been a constant feature of the American economy for many years, it seems to have received special emphasis in recent years. More and more individual producers are establishing research facilities in

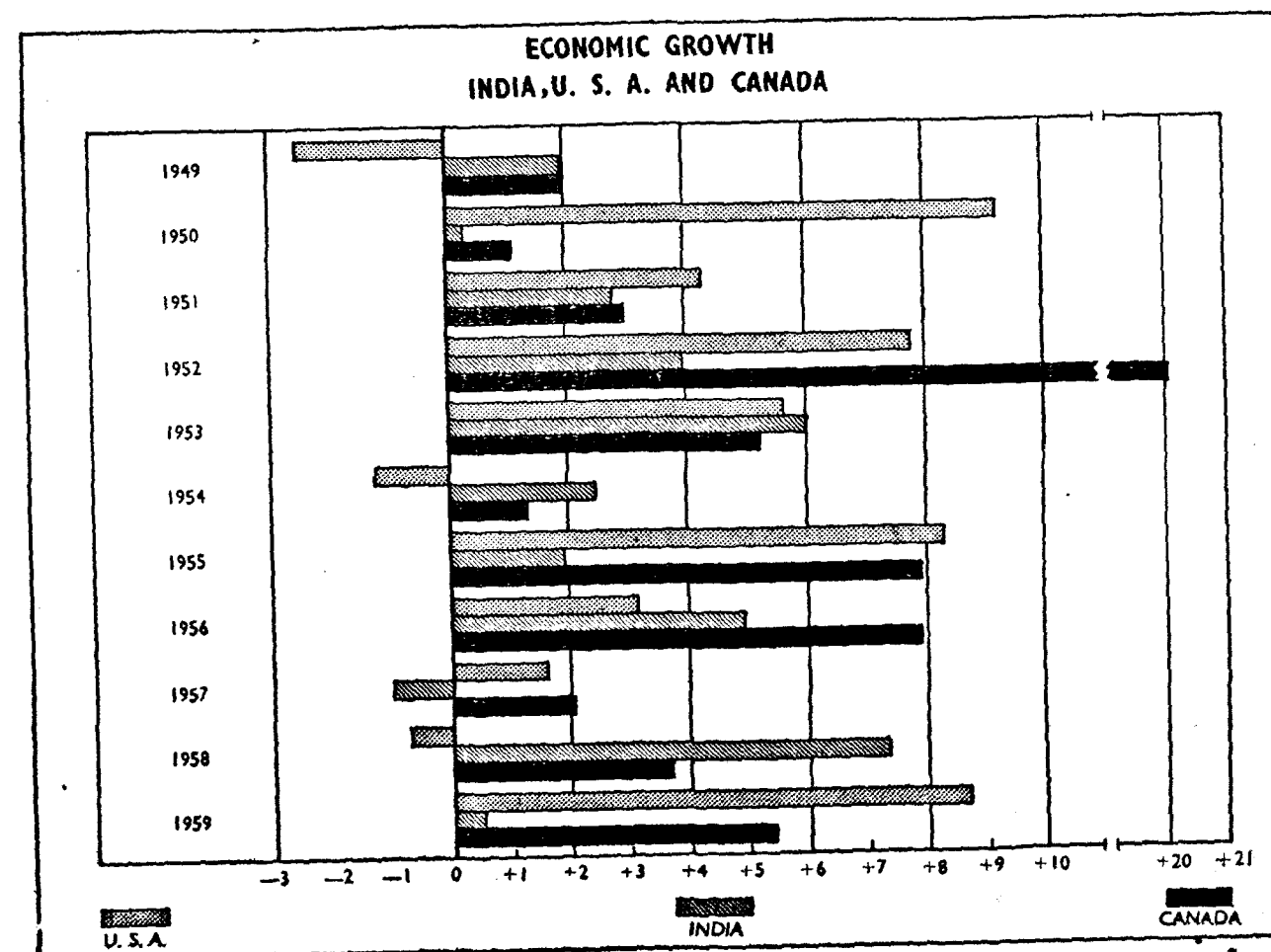
order to bring about improvement in productive processes and introducing new features so as to keep up with the new tastes in the economy.

THE PALEY REPORT

The patterns of past and projected rates of growth in materials demand indicate that the US economy nearly doubles its total supply of goods and services in 25 years. The Paley Commission set out its anticipated rate of growth between 1950 and 1975 broadly on this overall rate of growth. In the years between 1900 and 1925 and again between 1925 and 1950, the economic forces in the United States more than doubled the total output of goods and services. Between 1950 and 1975, these factors are expected once over again to double the gross national product.

In regard to the demand for durable goods, it is expected that their total production between 1950 and 1975 would rise more slowly than the total GNP. This is because 1950 was an abnormal year in which a "bulge" in the long-term growth trend for durable goods appeared. There are certain essential raw materials whose consumption is anticipated to rise much faster than the general four per cent rate of growth. In this category stand the key materials, such as, aluminium and rubber. Even iron ore, copper, zinc and tin are expected to rise much slower than the overall rise.

The estimates made by the Paley Commission assumed that the raw materials would be freely available at approximately the prices prevailing during 1950. This is an assumption which facilitates the problem of projection; otherwise it is known that in the case of a number of commodities, the projected demand is greater than the prospective supplies at the assumed 1950 prices



and therefore the future price is likely to be higher and the level of consumption correspondingly low.

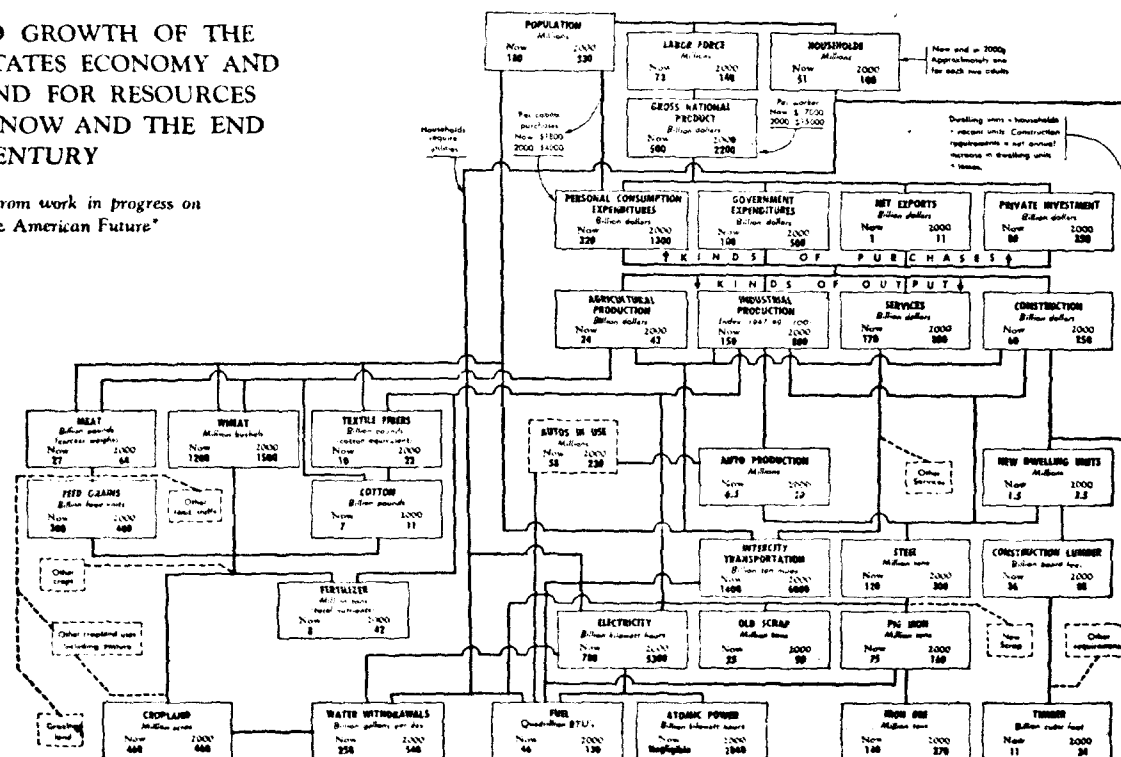
Amongst the fast growing uses, such as aircraft, plastics, insecticides, the new synthetic fibres, the estimate has been made that the rise in 25 years would be of the order of 400 per cent. These products defy projection in terms of the broad aggregates and even in terms of specific products. These are in fact new industries which are likely to grow at a steeply high rate and even their stable place in the economy is not established.

While it is estimated that in the US economy, in particular, there is likely to be no new demand for agricultural machinery, for new telephonic equipment and ship building, it is anticipated that the demand for new railroad equipment and the number of trucks in use will grow at a very fast rate. Number of trucks in use is expected to rise by 150 per cent in 25 years. Thus, after the fast-growing industries, the demand for trucks seems to be the highest. Then follows the demand for new rail-road equipment and the number of automobiles in use. Printing and publishing also is anticipated to rise at the rate of 3 per cent per annum. The Federal Reserve Board indicated that printing and publishing almost doubled in the years from 1925 to 1950. There are no indications available to show that the doubling in the next 25 years may not occur but a somewhat lower figure was chosen because it was felt that the size of the average newspaper and magazine is not likely to rise as much in the next 25 years as it did in the past.

In regard to population, the assumption is made that the rise would be of the order of 27 per cent which would communicate a similar rate of rise to the labour force. The projected increase in population to 1975 is based on the past trends in birth rates, death rates etc. The labour force is also expected to rise at the same 27 per cent and here the Bureau of the Census estimates have been pressed into service. Historically the labour force in the United States of America has constituted a remarkably stable fraction of around 56 per cent of the population, 14 years of age and over. The same criteria when applied to the 1975 population yields labour force of the order of 82 million persons in 1975. It is again assumed that 4 million will be in the armed forces, 7½ million employed in agriculture and about 2½-3 per cent of the total labour force unemployed.

PROJECTED GROWTH OF THE UNITED STATES ECONOMY AND ITS DEMAND FOR RESOURCES BETWEEN NOW AND THE END OF THE CENTURY

Some examples from work in progress on "Resources in the American Future"



The President's Materials Policy Commission in June 1952 made the following major projections on economic aggregates in percentage terms from 1950 to 1975:

MAJOR END - USES & ECONOMIC AGGREGATES

End-use or Aggregate	Approximate percentage growth from 1950 to 1975
Population	27
Labour Force	27
Gross National Product	100
Gross Private Domestic Investment	40
Construction (Total)	30
Residential Construction	15
Private Non-residential Construction	50
Demand for new producers' durable equipment	50
Demand for new consumers' durables	40
Demand for new passenger cars	15
Demand for new appliances	50
Demand for new automobiles and trucks	33-1/3
Number of dwelling units in use	50
Number of automobiles in use	75
Number of trucks in use	150
Demand for new rail-road equipment	100
Demand for new agriculture machinery	—
Demand for new telephone equipment	—
Printing and publishing	75
Paints	50
Shipbuilding	—
Fast-growing uses (aircraft, plastics, insecticides, etc.)	400



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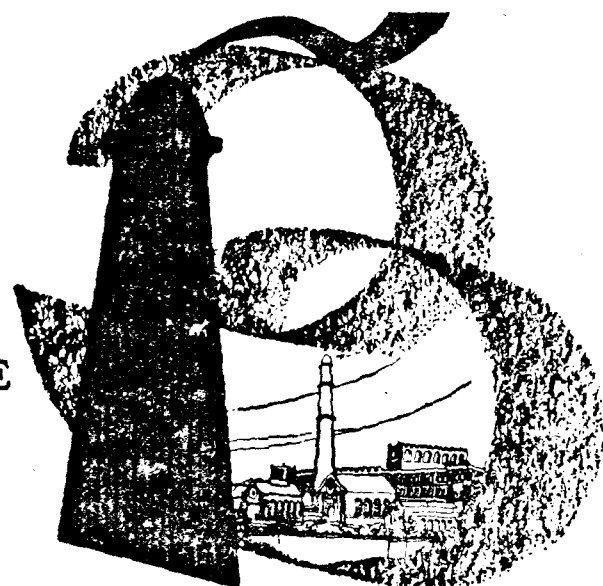
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RESOURCES FOR THE FUTURE

"The Resources For the Future, Inc." has for five years put in considerable research in order to forecast the probable demand for resources between now and the end of the century. An incomplete picture of some of the work which has been done is given on the graph on page 54. This graph shows how the selected items shown therein are inter-related and how the estimated future demand in regard to the consumption items is closely related with the growth in population and the

general economic growth of the economy. The graph particularly highlights the numerous close relationships which need to be anticipated in a study of this kind. It, however, does not attempt to demonstrate all the inter-relations. For particular items there has been computed a considerable range within which they may lie. The figures given in this graph lie between the high and the low projections in each of the item. For particular items such as cotton, lumber, where substitutes of high order are anticipated in the future, a lot of uncertainty naturally prevails.

The Long-term Growth In National Income: India, U.S.A. and Canada

NUMEROUS RESEARCH workers in the United States have attempted to piece together the available information in regard to the total supply of goods and services since 1799 and a long-term series is now available on a comparable basis. (See Graph on p. 50). The national income of the United States of America rose steeply after 1939. The depression of 1929 had for sometime slowed down the rate of growth. Between 1799 and 1899, the total volume of the United States national income rose in a very slow manner. A real push came with the turn of the century and within 40 years, the total volume of goods and services multiplied 4 times. The overall historical growth of the US national income has been at 3 per cent per annum. The rise in the gross national product has been at more than 4 per cent per annum. In 1960, the gross national product at current prices crossed the \$500 billion mark.

This steep rise in the gross national product has brought about certain structural changes in the US economy. This is made apparent by a study of the percentage distribution of national income by industrial origin. Way back in 1799, the economy of the United States of America was like that of the Indian economy, dependent on agriculture to a very large extent. As much as 40 per cent of the national income came from agriculture while industry provided less than 5 per cent. The steady growth of manufacturing industries necessitated a shift from agriculture to industry. In terms of the total volume of goods and services today, the share of agriculture is hardly 5 per cent while industry contributes 6 to 7 times the total contribution of agriculture. Trade, transport and communication and other tertiary activities count for half the volume of the total national income generated in the United States of America.

The industry-wise distribution of gross domestic product of Canada, for the period 1927 to 2001 A.D. is set out in the Table on page 60. It will be seen that the volume of gross domestic product is likely to rise by nearly 3½ times during the next forty years. At 1949 dollars, the value of Canadian gross domestic product was estimated in 1953-55 at 17.44 billions and it is likely to increase to 61.71 billion dollars, on the average, for the last decade of the century.

The steady growth in the domestic product is likely to be attained by increasing the "business sector" and reducing the agricultural sector. In the period 1927-29, the share of agriculture in Canada's gross domestic product was 23.4 per cent. It dwindled to only 12.7 per cent between 1953-55 and if the present trend is continued, it might be reduced to nearly 5-6 per cent in the next 40 years. It is the "business sector" which has the possibilities of growth and will account for 87.1 per cent of the total gross domestic product as against 77.1 per cent in the period 1953-55.

A projection which has been worked out for the Indian Union upto the end of the present century follows the same pattern. It is anticipated that, whereas at present the Indian Union receives half of its national income from agriculture, 40 years from now the contribution of agriculture will be reduced to one-third of the total size of the national income. Industry, which forms 10 per cent of the total national income today will rise to about 25 per cent, thus leaving about 40 per cent for transport, communication, services and other miscellaneous tertiary activities. This is illustrated in the graph on page 49 and table on page 60.

Per capita national income in the Indian Union at the end of the present century is estimated to be Rs. 1,157 at 1952-53 prices—nearly four times the present level. The total volume of national income is estimated at 913.9 billion rupees—nearly seven times the estimated level in 1960-61. In terms of income per worker, the picture is more encouraging showing a rise from about Rs. 800 to about Rs. 3000 per annum. These results are summarised in the table below:

Year	Population (Mlns.)	Labour Force (Mlns.)	National Income (Rs. blns.)	Per Capita Income (Rs.)	Income per worker (Rs.)
(At 1952-53 Prices)					
1960-61	431	162	131.1	304	809
1970-71	528	194	209.8	397	1081
1980-81	608	239	346.2	569	1449
1990-91	693	272	571.2	824	2100
2000-2001	790	310	913.9	1157	2948

In terms of dollars the per capita income works out to a little more than 200, which means that the per capita income in the Indian Union in 2000 A.D. will be lower than even the present level in the United States and that the gap between the two countries would certainly widen in the future.

Emphasis has to be laid not on the gap between the per capita incomes of the two countries but on the fact that 40 years from now the Indian economy will have broken through the clouds of poverty. The progress of the economy would be automatic because by that time the essential characteristics of economic growth will have been attained. Great changes in technological research would have been acquired. The primitive modes of agriculture, industry and transport would have by that time become a thing of the past and the total volume of goods would steadily rise because of the increase in productivity per-man-hour.

The technological changes brought about by industrialisation will not only increase the productivity of

(Continued on page 60)

UNITED STATES: PRODUCT AND PERSONAL INCOME
1929 — 2000

Year	Population (In thousands)	Gross National Product (billions of 1947 dollars)	Personal Income (millions of 1947 dollars)	Personal Income Per Capita (1947 dollars)
1929	121,770	149.3	116,387.2	956
1930	123,077	135.2	109,217.6	887
1931	124,040	126.6	104,787.5	845
1932	124,840	107.6	90,292.4	723
1933	125,579	103.7	87,914.2	700
1934	126,374	113.4	94,324.5	746
1935	127,250	127.8	103,986.2	817
1936	128,053	142.5	117,462.2	917
1937	128,825	153.5	122,393.0	950
1938	129,825	145.9	116,185.1	895
1939	130,880	157.5	125,220.3	957
1940	131,954	171.6	133,768.3	1,014
1941	133,417	198.2	153,279.6	1,149
1942	134,670	223.6	174,881.4	1,299
1943	134,697	248.9	193,998.7	1,440
1944	134,075	268.2	198,165.8	1,478
1945	133,387	263.1	196,359.2	1,472
1946	140,638	233.8	194,574.8	1,384
1947	143,665	232.2	189,077.0	1,316
1948	146,093	243.9	196,228.9	1,343
1949	148,665	241.5	196,042.0	1,319
1950	151,234	264.7	212,309.8	1,404
1951	153,384	282.9	222,872.2	1,453
1952	155,761	293.7	233,347.8	1,498
1953	158,313	305.3	242,414.4	1,531
1954	161,191	301.3	241,990.7	1,501
1955	164,303	322.8	256,789.2	1,563
1956	167,191	322.0	270,009.2	1,615
1960	184,600**	500.0*	382,500.0	2,072
1970	208,000**	750.0*	573,750.0	2,758
1980	239,000**	1,125.0*	860,625.0	3,601
1990	273,300**	1,625.0*	1,243,125.0	4,549
2000	312,000**	2,200.0*	1,683,000.0	5,394

* G.N.P. at 1959 dollars.

** Estimates.

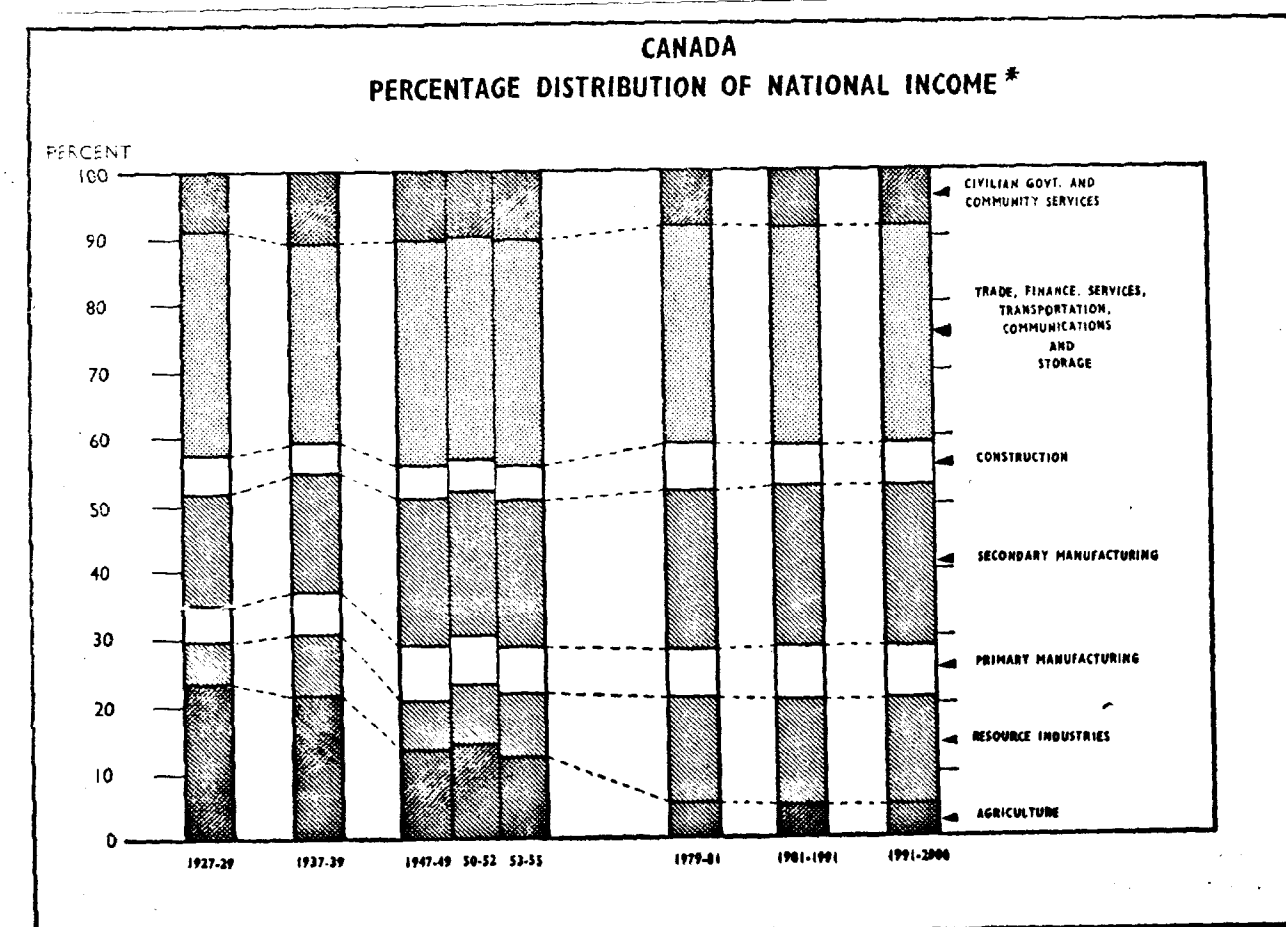
(1 Billion: 1,000,000,000)

Source: "Stanford Research Institute," California.

CANADA: INDUSTRIAL DISTRIBUTION OF GROSS DOMESTIC PRODUCT: 1927 - 2001

(Excluding Residential Rents and G.D.P. in Armed Forces Sector)

Sector	Percentage Distribution							
	1927-29	1937-39	1947-49	1950-52	1953-55	1979-81	1981-91	1991-2001
1. Agriculture	23.4	21.6	13.8	14.7	12.7	5.7	5.6	5.6
2. Business	67.6	67.7	75.9	75.4	77.1	86.3	86.9	87.1
a) Resource industries	6.4	9.0	7.6	8.5	9.4	15.4	15.6	15.6
b) Total manufacturing	21.8	24.4	30.1	29.5	29.5	32.5	32.8	33.0
i) Primary manufacturing	5.3	6.4	7.3	7.1	7.2	7.2	7.2	7.2
ii) Secondary manufacturing	16.5	18.0	22.8	22.4	22.3	25.3	25.6	25.8
c) Construction	5.7	4.4	5.5	5.7	6.3	5.6	5.6	5.6
d) Transportation, Trade and Services etc.	33.7	29.8	32.8	31.7	31.9	32.8	32.9	32.9
i) Transportation, Storage and Communication	8.9	7.1	8.6	8.4	8.3	8.3	8.4	8.4
ii) Trade, Finance & Services	24.8	22.7	24.2	23.3	23.6	24.5	24.5	24.5
3. Civilian Government and Community Services	9.0	10.7	10.3	9.9	10.2	8.0	7.5	7.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0



* Gross Domestic Product.

the organised industry but will also employ an ever-increasing number of the labour force. The fear that technological changes would throw vast numbers of labour force into the pool of the unemployed is founded on wrong premises. In the West as well as in the United States, it has been proved that the increase in industrialisation is accompanied by a rise in the standard of living of the worker which in turn exerts

pressure on the industrial structure because of the demand for new types of goods and services. The arrival of the mass market creates such a pressure on the economy that it becomes impossible to cope with the multifarious demands of the prosperous community. Thus, 40 years from now the Indian economy will have the capacity to meet the demands of the people for goods and services of new types and tastes.

INDIAN UNION: SECTOR-WISE DISTRIBUTION OF NATIONAL INCOME

(At 1952-53 Prices)

(Rs. Billion)

Sector	1960-61	1970-71	1980-81	1990-91	2000-2001
1. Agriculture, Animal Husbandry and Ancillary Activities [†]	60.0	79.9	124.3	205.1	328.1
2. Mining and Factory Establishment	14.9	28.3	55.0	90.8	145.3
3. Small Enterprises (including construction)	13.4	20.4	31.9	52.6	84.1
4. Commerce, Transport and Communications*	22.3	43.0	71.3	117.7	168.3
5. Other Services**	20.5	38.2	63.7	105.0	168.1
6. National Income	131.1	209.8	346.2	571.2	913.9

† Including forestry and fishery.

* Including organised banking and insurance.

** Professions and liberal arts, domestic services, government services (administration) house property, are included under "other services".

1 Billion = 1,000,000,000.

CANADA: INDUSTRIAL DISTRIBUTION OF GROSS DOMESTIC PRODUCT: 1927-2001

(Excluding Residential Rents and G.D.P. Arising in Armed Forces Sector)

(Averages for selected years 1926—55
forecast for 1980 to 2001)

Billions of 1949 dollars

	1927-29	1937-39	1947-49	1950-52	1953-55	1979-81	1981-91	1991-2001
1. Agriculture	2.01	1.65	1.89	2.32	2.22	2.91	3.14	3.46
2. Business	5.80	5.80	10.40	11.93	13.45	44.02	48.75	53.75
a) Resource Industries	0.55	0.77	1.04	1.34	1.64	7.85	8.75	9.63
b) Total manufacturing	1.87	2.09	4.12	4.67	5.13	16.60	18.40	20.36
i) Primary manufacturing	0.45	0.55	1.00	1.13	1.25	3.70	4.04	4.44
ii) Secondary manufacturing	1.42	1.54	3.12	3.54	3.88	12.90	14.36	15.92
c) Construction	0.49	0.38	0.75	0.91	1.10	2.85	3.14	3.46
d) Transportation trade and Services etc.	2.83	2.56	4.49	5.01	5.57	16.72	18.46	20.30
i) Transportation, Storage and Communication	0.76	0.61	1.18	1.33	1.44	4.23	4.71	5.18
ii) Trade, Finance and Services	2.12	1.95	3.31	3.68	4.13	12.49	13.75	15.12
3. Civilian Government and Community Services	0.78	0.92	1.41	1.57	1.77	4.08	4.21	4.50
Total	8.58	8.57	13.70	15.82	17.44	51.00	56.10	61.71

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POPULATION AND INCOME

POPULATION OF 100 COUNTRIES GROUPED ACCORDING TO PER CAPITA INCOME

Per Capita Income: Annual Average: 1955-57	Population in 1957 (In thousands)	Per Capita Income: Annual Average: 1955-57	Population in 1957 (In thousands)
I. Under \$100			
1. Afghanistan	11,250*	53. Brazil	61,268
2. Angola (Port.)	4,355	54. Ceylon	9,165
3. Basutoland (U.K.)	651	55. Dominican Republic	2,698
4. Bechuanaland (U.K.)	331	56. Ecuador	3,890
5. Belgian Congo	13,124	57. El Salvador	2,350
6. Bolivia	3,273	58. Fiji Islands (U.K.)	354
7. British Somaliland	552*	59. Ghana	4,763
8. Burma	20,054	60. Guatemala	3,451
9. Cambodia	4,600	61. Honduras	1,769
10. Cameroons (Br. Admin.)	1,562	62. Iran	19,253
11. Cameroons (Fr. Admin.)	3,187	63. Iraq	6,538
12. China (Taiwan)	9,506	64. Libya	1,210*
13. Ethiopia	12,200*	65. Madagascar (Fr.)	4,905*
14. Fed of Nigeria (U.K.)	32,433	66. Morocco	10,115
15. French Equatorial Africa	4,891	67. Nicaragua	1,331
16. French West Africa	16,260†	68. Paraguay	1,638
17. Gambia (U.K.)	285†	69. Peru	9,923
18. Guadeloupe and dep. (Fr.)	251	70. Philippines	22,690
19. Guinea	2,630*	71. Rhodesia & Nyasaland (U.K.)	7,450
20. Haiti	3,384	72. Ryukyu Islands (U.S.)**	823
21. India	392,440	73. Tunisia	3,815
22. Indonesia	85,100	74. United Arab Republic	28,108
23. Jordan	1,527	75. Zanzibar & Pemba (U.K.)	285
24. Kenya (U.K.)	6,254	III. \$200 — \$299	
25. Korea, Republic of	22,303	76. Algeria (Fr.)	10,143
26. Laos	1,655	77. Bhutan (Indian Admin.)	689*
27. Liberia	1,320*	78. British Guiana	515
28. Martinique (Fr.)	258	79. Colombia	13,227
29. Mozambique (Port.)	6,170	80. Costa Rica	1,033
30. Nepal	8,787	81. Federation of Malaya	6,279
31. Netherlands New Guinea	714*	82. Hong Kong (U.K.)	2,583
32. New Guinea (Aust. admin.)**	1,312	83. Malta and Gozo (U.K.)	319
33. Pakistan	84,450	84. Mauritius and dep. (U.K.)	603
34. Papua (Aust.)**	468	85. Mexico	31,426
35. Portuguese Guinea	554	86. North Borneo (U.K.)	397
36. Portuguese India**	647	87. Panama	967
37. Portuguese Timor**	484	88. Sarawak (U.K.)	640
38. Reunion (Fr.)	306	89. Singapore (U.K.)	1,460
39. Ruanda—Urundi (Belg.)	4,568	90. Surinam (Neth.)	233
40. Saudi Arabia	6,640*	91. West Indies (U.K.)	3,056
41. Sierra Leone (U.K.)	2,210*	IV. \$300 — \$699	
42. Somaliland (It. Admin.)	1,310	92. Argentina	19,868
43. South-West Africa (S. Afr.)	524	93. Chile	7,121
44. Spanish Guinea	212	94. Cuba	6,410
45. Sudan	10,700	95. Cyprus (U.K.)	536
46. Swaziland (U.K.)	237†	96. Israel	1,937
47. Tanganyika (Br. Admin.)	8,760	97. Lebanon	1,525
48. Thailand	21,076	98. Puerto Rico (U.S.)	2,282
49. Togoland (Fr. Admin.)	1,093	99. Uruguay	2,679
50. Uganda (U.K.)	5,680	100. Venezuela	6,134
51. Viet-Nam, Republic of	12,300		
52. Yemen	3,000*		

* U.N. estimate for 1960.

† 1956.

**Estimated.

Source: "One hundred countries, one and one quarter billion people" by Paul G. Hoffman.

INDIAN UNION

NET NATIONAL OUTPUT AT CURRENT AND CONSTANT PRICES

(In Rs. abja)

	1959-60*	1958-59†	1957-58	1956-57	1955-56	1954-55	1952-53	1951-52	1950-51	1948-49
Net output in Rs. abja										
1. At current prices	125.8*	124.7	114.0	113.1	99.8	96.1	98.2	99.7	95.3	86.5
2. At 1948-49 prices	117.5	116.9	108.9	110.0	104.8	102.8	94.6	91.0	88.5	86.5
Per capita net output in Rupees										
3. At current prices	311.8*	313.2	290.1	291.5	260.6	254.2	266.4	274.0	265.2	246.9
4. At 1948-49 prices	291.3	293.6	277.0	283.5	273.6	271.9	256.6	250.1	246.3	246.9
Index number of net output with 1948-49 as base										
5. At current prices	145.4*	144.2	131.8	130.8	115.4	111.1	113.5	115.3	110.2	100.0
6. At 1948-49 prices	135.8	135.1	125.9	127.2	121.2	118.8	109.4	105.2	102.3	100.0
Index number of per capita net output with 1948-49 as base										
7. At current prices	126.3*	126.9	117.5	118.1	105.5	130.0	107.9	111.0	107.4	100.0
8. At 1948-49 prices	118.0	118.9	112.2	114.8	110.8	110.1	103.9	101.3	99.8	100.0

† Preliminary.

Abja = 100 crores.

* Estimated.

SECTOR-WISE DISTRIBUTION OF NET NATIONAL OUTPUT
(At 1948-49 Prices)

(In Rs. abja)

	1959-60	1958-59	1957-58	1956-57	1955-56	1954-55	1952-53	1951-52	1950-51	1948-49
1. Agriculture, animal husbandry and ancillary activities (a)	53.8	55.8	50.1	52.5	50.2	50.3	46.0	44.4	43.4	42.5
2. Mining, manufacturing and small enterprises	20.2	18.7	18.6	18.4	17.6	17.0	15.8	15.2	14.8	14.8
3. Commerce, transport & Communications	23.0	22.1	21.1	20.8	19.7	19.1	17.9	17.2	16.6	16.0
4. Other services (b)	20.5	20.4	19.2	18.2	17.3	16.4	15.0	14.3	13.9	13.4
5. Net domestic product at factor cost	117.5	117.0	109.0	109.9	104.8	102.8	94.7	91.2	88.7	86.7
6. Net earned income from abroad	0.0	-0.1	-0.1	0.1	0.0	0.0	-0.1	-0.2	-0.2	-0.2
7. Net national output at factor cost = national income	117.5	116.9	108.9	110.0	104.8	102.8	94.6	91.0	88.5	86.5

Abja = 100 crores.

* Estimated

** Preliminary.

(a) Including forestry and fishery.

(b) Comprising professions and liberal arts, government services (administration) domestic services and house property.

SECTOR-WISE DISTRIBUTION OF NET NATIONAL OUTPUT
(AT CURRENT PRICES)

(In Rs. abja)

	1959-60*	1958-59†	1957-58	1956-57	1955-56	1954-55	1953-54	1952-53	1951-52	1950-51
1. Agriculture, animal husbandry and ancillary activities(a)	59.9	61.9	52.9	55.2	45.2	43.5	53.1	48.1	50.2	48.9
2. Mining, manufacturing and small enterprises	23.2	21.4	21.2	20.0	18.5	18.0	17.7	17.0	16.8	15.3
3. Commerce, transport and communications	22.2	21.1	20.7	19.6	18.8	18.1	18.0	17.8	17.9	16.9
4. Other services (b)	20.5	20.4	19.3	18.2	17.3	16.5	16.0	15.4	15.0	14.4
5. Net domestic product at factor cost	125.8	124.8	114.1	113.0	99.8	96.1	104.8	98.3	99.9	95.5
6. Net earned income from abroad	0.0	-0.1	-0.1	+0.1	0.0	0.0	0.0	-0.1	-0.2	-0.2
7. Net national output at factor cost=national income	125.8	124.7	114.0	113.1	99.8	96.1	104.8	98.2	99.7	95.3

(a) Including forestry and fishery.

(b) Comprising professions and liberal arts, Government services (administration) domestic service and house property.

Abja = 100 crores.

† Preliminary.

* Estimated.



and



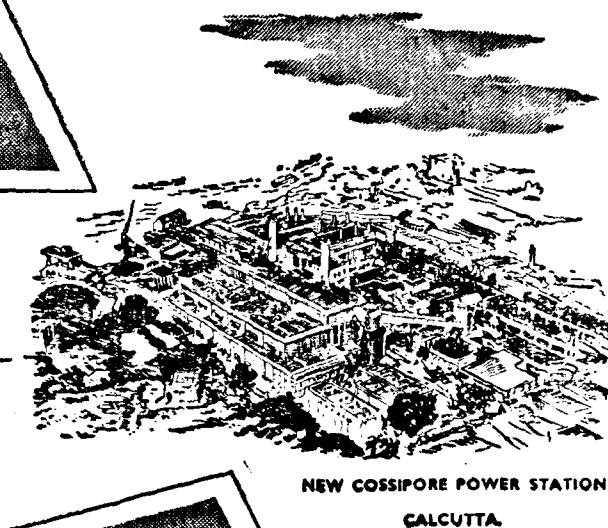
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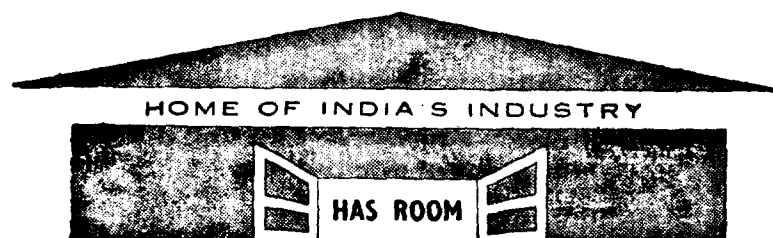
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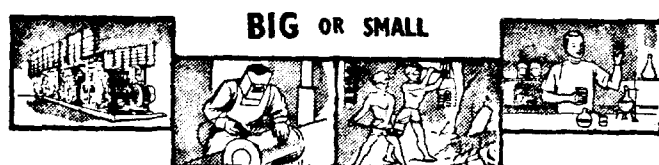
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India and North America: Agriculture Wide Contrast

THE Indo-Gangetic plain is not less fertile than the north-central and the western States of the U.S.A. or Canada. Nor is the soil of berar area in any way inferior to the land of the cotton belt of the United States. The Mahanadi and the Godavari deltas are as productive as those of the Mississippi and Alabama rivers. India has nearly 160 million hectares of land under cultivation against 188 million hectares in the United States. Yet India is a net importer of food-grains, while the U.S.A. is known as the 'bread-basket' of many a nation in the 'free world'. India also does not export quantities of agricultural produce on anything like the scale on which the United States does. Nor has Indian agriculture to support such a vast industry as the American agrarian economy has to do. No doubt, India's population is nearly 2.4 times that of the United States, but per capita consumption of food in India is only half than in the U.S.A. and per capita consumption of industrial goods made from raw materials supplied by agriculture even less.

What accounts for this vast contrast in agricultural output in India and the United States, especially when there is not much difference in area under cultivation and fertility of soil in the two countries? An

attempt is made in this piece to provide an answer to this crucial question and to fix the period in U.S. economic history in which the American agriculture was approximately at the same stage of development at which Indian agriculture is today.

An attempt is also made here to forecast the demands which the Indian agrarian economy will have to meet upto the year 2000 A.D. It is obviously hazardous to project the demand pattern of all the agricultural products during the next forty years, for the indeterminate factors are far too many. So estimates have been prepared primarily so far as our food requirements are concerned. About the expected demand for other agricultural products projections are only broad in nature.

Having thus set the minimum targets of production of various agricultural commodities for the next four decades, an attempt is made to lay down a programme how we should plan our agricultural development. The way U.S. agriculture has developed, especially since the turn of the twentieth century, has the most valuable moral for us. It can be the beacon light in our determination and pursuit of achieving the prosperity that America enjoys today.

Farm Yields in India and North America

HOW DOES the present-day Indian agriculture compare with that of the United States and Canada? Tables A-1 to A-6, showing the yields of principal crops in the three countries, should give an idea of how backward agriculture in this country is compared with the agrarian economy of North America.

As is evident from table A-1, India last year had nearly 12.75 million hectares* of land under wheat cultivation and produced only 9.89 million metric tons† of the commodity. The United States had about 21.45 million hectares under this crop and produced 36.67 million metric tons. In Canada, 11.25 million metric tons of wheat were produced in 1959 on an area of about 9.33 million hectares. The average per hectare yield of wheat in India thus works out to nearly one-half the yield in the United States and Canada.

Even though rice cultivation is not so widely practised in the United States (Americans generally eat wheat) as it is done in India, yield of this commodity per hectare there is nearly three times what it is in this country. Rice cultivation in the U.S.A. is restricted to about 575 thousand hectares of land on which in 1958 an output of 2.01 million metric tons was raised. In India nearly 33 million hectares of land are sown with paddy every year and the total production ranges around 30 million metric tons.

The difference in the yields of coarse grains (see table A-2) is even more pronounced. In the United States in 1958 as many as 96.55 million metric tons of maize were raised on a cultivated area of about 29.67 million hectares, while India produced only 3 million metric tons from an area of 2.2 million hectares. Canada in this year produced 759 thousand metric tons of maize from 202 thousand hectares. The Canadian

and the U.S. peasants thus raise nearly 4 to 4.5 times maize per hectare than the Indian agriculturists do.

The unit area yield of barley in India is slightly less than one-third its yield in the U.S.A. and about one-

TABLE A-1
WHEAT AND RICE PRODUCTION IN INDIA
AND NORTH AMERICA

Commodities/ Countries	Year	Area ('000 hec- tares)	Production ('000 metric tons)
Wheat			
India	1948-52	9,290	6,087
	1959-60	12,751	9,890
United States	1948-52	27,756	31,066
	1960	21,446	36,671
Canada	1948-52	10,513	13,472
	1959	9,334	11,254
Rice			
India	1948-52	30,092	33,383
	1959-60	32,919	29,807
United States	1948-52	752	1,925
	1958	573	2,013
Canada	—	—	—

* One hectare = 2.471 acres.

† One metric ton = 0.9842 long tons.

half its yield in Canada. Nearly 2.6 million metric tons of barely were produced in India in 1959-60 from an acreage of 3.33 million hectares, as against 9.29 million metric tons from 5.62 million hectares in the United States and 4.9 million metric tons from 3.35 million hectares in Canada.

TABLE A-2
COARSE GRAINS AND PULSES OUTPUT

Commodities/ Countries	Year	Area ('000 hec- tares)	Production ('000 metric tons)
Maize			
Chick Peas			
India	1948-52	3,349	2,165
	1958	2,200	3,000
	1959	4,232	3,673
United States	1948-52	33,496	81,971
	1958	29,674	96,546
Canada	1948-52	120	384
	1958	202	759
Barley			
India	1948-52	3,128	2,384
	1959-60	3,327	2,646
United States	1948-52	4,095	5,343
	1960	5,618	9,286
Canada	1948-52	2,870	4,282
	1959	3,354	4,911
Millet & Sorghum			
India	1948-52	M 16,605	6,064
		S 15,894	5,981
	1958	M 18,284	7,683
		S 17,283	8,828
United States	1948-52	S 3,086	3,896
		M —	—
	1958	S 6,741	15,504
Rye			
India	—	—	—
United States	1948-52	686	524
	1958	717	818
Canada	1948-52	555	463
	1958	211	203
Oats			
India	—	—	—
United States	1948-52	15,266	18,970
	1958	12,883	20,547
Canada	1948-52	4,623	6,328
	1958	4,467	6,183
PULSES			
Dry Beans			
India	1948-52	3,768	847
	1958	6,092	1,455
United States	1948-52	657	776
	1958	663	876
Canada	1948-52	31	40
	1958	27	39
Dry Peas			
India	1948-52	1,056	656
	1958	1,148	613
United States	1948-52	113	139
	1958	83	113
Canada	1948-52	22	26
	1958	29	31
India	1948-52	7,763	3,989
	1958	9,252	5,059
United States)	1948-52	N.A.	N.A.
Canada)	1958	N.A.	N.A.
Lentils			
India	1948-52	569	291
United States)	1948-52	N.A.	N.A.
Canada)	1958	N.A.	N.A.

Acreage under pulses is not much in the United States and Canada. The vast difference in the yield per hectare there and in India is, however, apparent from the table in column 1.

TABLE A-3
FIBRES PRODUCTION

Commodities/ Countries	Year	Area ('000 hec- tares)	Production ('000 metric tons)
Cotton			
India	1948-52	5,658	485
	1958	8,023	837
	1959-60*	7,791	3,835
United States	1948-52	9,798	3,105
	1958	4,795	2,506
Canada	—	—	—
Jute			
India	1948-52	Jute 581	642
		Mesta 177	86
	1958	Jute 739	940
		Mesta 344	287
	1959-60	Jute 691	4,548
		Mesta† 286	1,098
United States	—	—	—
Canada	—	—	—
Hemp Fibre			
India	1948-52	283	N.A.
	1958	313	73.2
United States	1948-52	1	0.5
	1958	4.2	N.A.
Canada	—	—	—

* Production of cotton is in terms of lint and in thousand bales of 177.8 kgs. each.

† Production of jute and mesta is in terms of dry fibre and in thousand bales of 181.4 kgs. each.

The yield pattern of other crops also unfolds the same story. In the United States 4.79 million hectares of land were put under cotton in 1958 and they yielded 2.51 million metric tons of this fibre. India during this year produced only 837 thousand metric tons from an area of 8.02 million hectares. In the United States in 1958, thus, nearly 5 times as much cotton was raised from one hectare of land as was done in India.

In 1959, the U.S.A. had (Table A-4) 666 thousand hectares of land under groundnut cultivation on which a production of 722 thousand metric tons was raised. India in that year produced 4.46 million metric tons of groundnuts from an acreage of 6.19 million hectares. Linseeds output in India amounted to 432 thousand metric tons from 1.59 million hectares of land, as against 577 thousand metric tons from 1.27 million hectares in the United States and 450 thousand metric tons from 0.97 million hectares in Canada.

Production of cottonseeds and rapeseeds in India in 1959 was 1.36 million metric tons and 0.82

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million metric tons respectively from an acreage of 7.79 million hectares and 2.9 million hectares. The United States produced 5.43 million metric tons of cottonseeds from 6.1 million hectares; production of rapeseeds there is only negligible. Canada produced 81 thousand metric tons of rapeseeds from an area of 86 thousand hectares.

Average per hectare yields of oilseeds crops in North America, thus, work out to approximately 1½ times those in India.

TABLE A—4
OILSEEDS PRODUCTION

Commodities/ Countries	Year	Area ('000 hec- tares)	Production ('000 metric tons)
Soybeans			
India	—	—	—
United States	1948-52	5,030	7,289
	1959	9,076	14,639
Canada	1948-52	54	86
	1959	102	186
Groundnuts (in Shell)			
India	1948-52	4,379	3,196
	1959	6,193	4,460
United States	1948-52	914	839
	1959	666	722
Canada	—	—	—
Cottonseeds			
India	1948-52	5,659	968
	1959	7,791	1,364
United States	1948-52	9,798	5,277
	1959	6,107	5,435
Canada	—	—	—
Linseeds			
India	1948-52	1,446	384
	1959	1,587	432
United States	1948-52	1,773	1,029
	1959	1,267	577
Canada	1948-52	409	238
	1959	968	450
Rapeseeds			
India	1948-52	2,077	823
	1959	2,900	1,053
United States	1948-52	1	1
	1958	1	1
Canada	1948-52	10	9
	1959	86	81
Sesameseeds			
India	1948-52	2,182	429.3
	1958	2,158	501.0
United States	—	—	—
Canada	—	—	—
Sunflower Seeds			
India	—	—	—
United States	1948-52	9	5
	1958	N.A.	N.A.
Canada	1948-52	11	6
	1958	20	10

TABLE A—5

OUTPUT OF OTHER CROPS

Commodities/ Countries	Year	Area ('000 hec- tares)	Production ('000 metric tons)
Tea			
India	1948-52	314	280.0
	1958	321	324.8
Coffee			
India	1948-52	N.A.	21.6
	1958	N.A.	45.9
Tobacco			
India	1948-52	331	247.1
	1958	375	256.0
	1959-60	378	286.0
U.S.A.	1948-52	674	958.4
	1958	436	787.5
Canada	1948-52	43	61.7
	1958	54	89.5
Sugarcane			
India	1948-52	1,672	53,865
	1958-59	1,944	71,583
	1959-60	2,095	76,239
U.S.A.	1956	139	5,456
	1958	N.A.	5,608

Among "other crops", tobacco and sugarcane are the only farm products that are grown in both India and North America. In 1958, India produced 256 thousand metric tons of this commodity from a cultivated area of 375 thousand hectares. The United States and Canada in this year produced 787.5 thousand tons and 89.5 thousand tons respectively from an acreage of 436 thousand hectares and 54 thousand hectares. In North America, thus, they grow on one hectare of land nearly 2½ times as much tobacco as we in India do. Yield of sugarcane in the United States, however, is not much more than in India.

YIELDS IN THE PAST DECADES

Though per unit area yields of various crops today are substantially higher in the United States and Canada than the ones obtained in India, the difference was not so great only about thirty years back, if, of course, allowance is made to the fact that the Indian soil had been depleted of its fertility by cultivation through ages, while most of the land in Canada and the U.S.A. had been under farming for only a century or so. As table A-6 shows, wheat yield per hectare in India was 890 kilograms before World War I, 750 kilograms in late twenties and 760 kilograms in mid-thirties. The unit area yield of wheat in the United States during the three corresponding periods was 1,080 kilograms, 1,040 kilograms and 960 kilograms respectively. In Canada, the yield was 1,460 kilograms, 1,370 kilograms and 780 kilograms respectively during the three periods. As regards maize, India produced in late twenties just about half the quantity that was raised from one hectare of land in the United States. Rice yield too at that time was slightly more than one-half. So was the yield of cotton.



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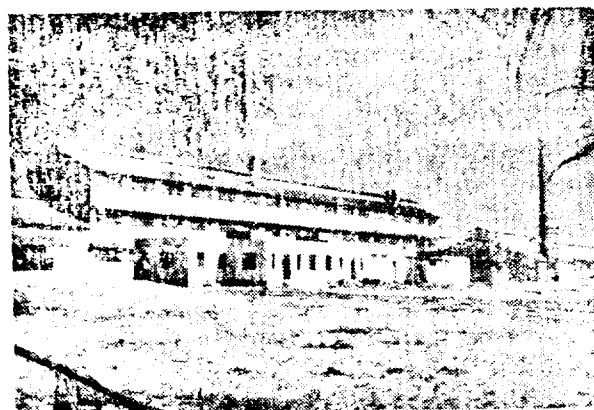
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TABLE A-6
YIELD OF MAJOR CROPS
(In selected countries)

(100 Kgs. per hectare)

Countries	1909-13	1925-29	1934-38	1948-52	1955-58
WHEAT					
India	8.9	7.5	7.6	6.6	7.3*
U.S.A.	10.8	10.4	9.6	11.2	15.9
Canada	14.6	13.7	7.8	12.8	14.2
Argentina	6.8	9.4	10.8	11.5	13.0
U.S.S.R.	N.A.	N.A.	N.A.	8.4	10.3
France	14.5	16.3	17.1	15.2	19.6
Italy	11.5	14.1	15.8	18.3	21.2
Egypt	19.2	19.0	22.1	15.2	19.5
Australia	8.9	7.8	8.8	11.2	11.5
MAIZE					
India	N.A.	9.9	8.1	6.5	7.8*
U.S.A.	17.9	18.5	15.4	24.5	29.1
Canada	38.6	26.1	27.8	32.0	34.0
Argentina	14.9	22.0	19.9	14.8	17.9
U.S.S.R.	N.A.	N.A.	N.A.	13.4	17.6
Netherlands	N.A.	N.A.	16.5	33.0	34.1
Italy	17.3	17.6	22.6	18.4	27.8
Egypt	N.A.	25.5	27.3	20.9	21.3
Australia	19.4	18.1	16.3	17.6	18.6
RICE					
India	18.2	15.9	14.9	11.1	12.2
Japan	33.7	38.4	39.9	40.0	44.4
Burma	17.1	16.3	15.5	14.6	15.2
Thailand	17.3	19.0	14.1	N.A.	13.7
U.S.A.	18.7	23.8	27.1	25.6	35.2
Canada	N.A.	N.A.	N.A.	N.A.	N.A.
U.S.S.R.	N.A.	N.A.	N.A.	N.A.	N.A.
Italy	36.0	51.3	58.1	48.5	51.1
Egypt	39.1	33.9	38.3	37.9	52.9
Australia	N.A.	45.0	49.4	48.6	54.9
COTTON					
India	1.0	1.1	1.2	0.9	1.0*
U.S.A.	2.2	2.1	2.6	3.2	4.7
Egypt	4.9	5.2	6.0	5.2	5.0
Sudan	N.A.	N.A.	N.A.	3.6	3.4
Uganda	N.A.	N.A.	N.A.	1.1	1.0

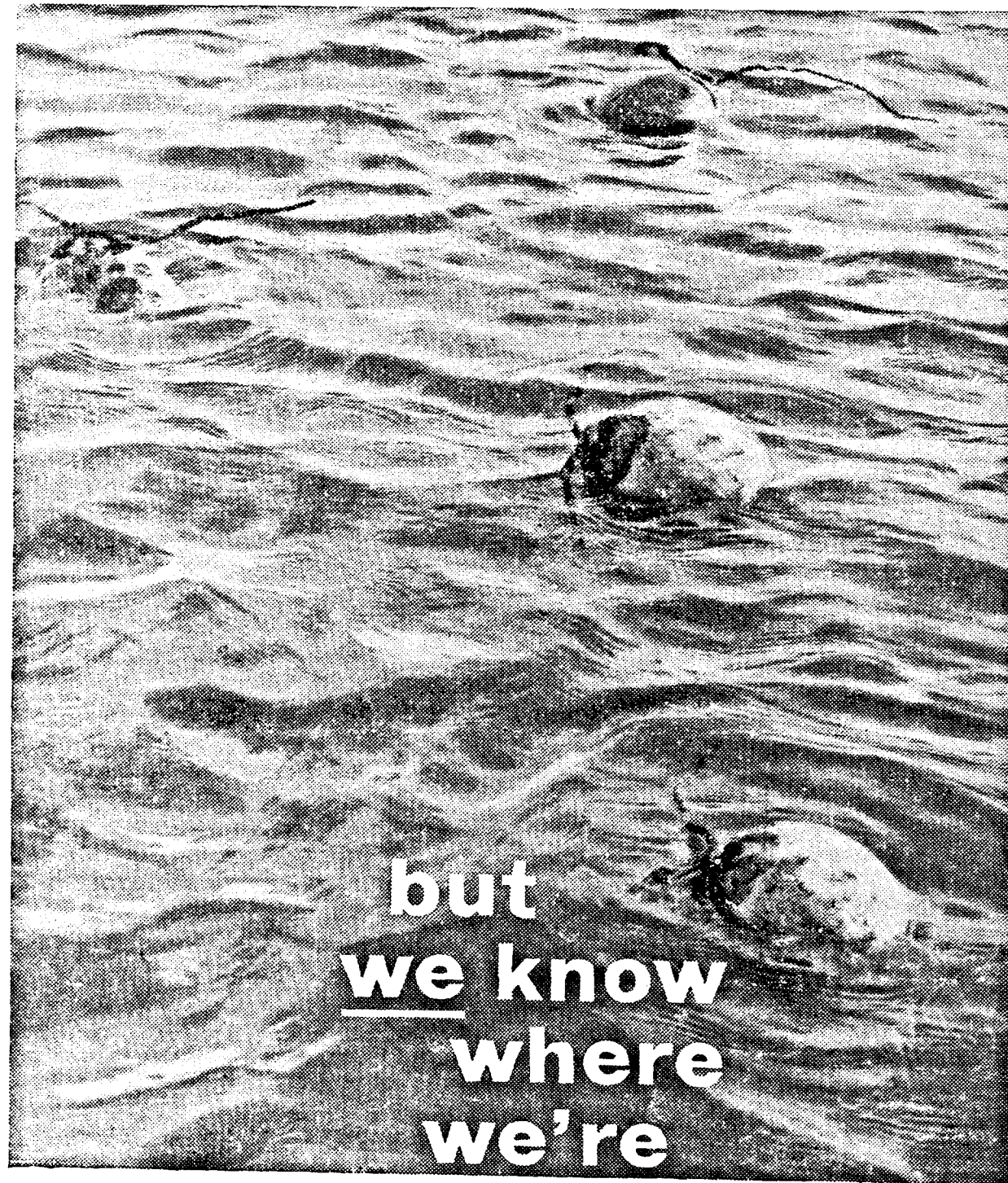
* Average yield for 1955 to 1959.
N.A. means not available.

Sources: The Conditions of Economic Progress by
Colin Clark; F.A.O. Production Yearbook
1959; Monthly Abstract of India (C.S.O.)

An interesting fact that emerges from this table is that while unit area yields of all the four crops — wheat, maize, rice and cotton — had been going down in India right upto the year 1951-52, when the First Five-Year Plan was launched, they were more or less stationary, except in the case of rice, upto 1925-29 in the United States; in Canada wheat yield, however, had been decreasing upto this period. In early thirties, the yields of wheat, rice and maize went down slightly in the United States too, presumably due to the Great Depression which hit the agricultural economies most. But they recorded a smart recovery during World War II and thereafter. Cotton yields, of course, started moving up in the United States, even during the period of Depression.

Judged from the trend in crop yields per hectare, as indicated above, Indian agriculture in early fifties,

when planning started in this country, was more or less at the same stage of development at which the United States and Canadian agriculture was in 1940's. If farm yields in North America went up considerably during World War II and the years following it, under the impact of huge demand, especially for foodgrains, emanating from West European countries — American agricultural development in the previous few decades had become substantially dependent upon exports of surplus farm product, particularly to the Continent of Europe, which induced the farmers to go in for more and more improved methods of cultivation — Indian agriculture, undoubtedly, has received great stimulus from the planned development that has been undertaken in this country during the past ten years. The increase in per capita income, though modest, generated by the first two Plans, and the rising tempo of industrial activity, have created in India a growing market



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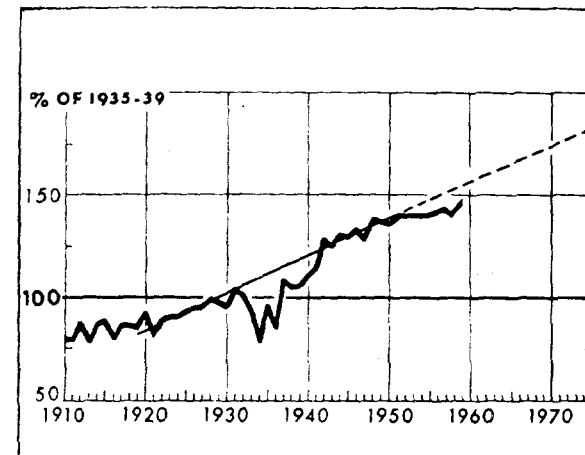
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for agricultural products. The Indian peasant has obviously come to realise this and is changing his outlook as is evident from his gradually taking to improved methods of cultivation.

The annual rate of increase in total farm output in India today — about 4 per cent — compares favourably with the annual growth in agricultural production in the United States in 1940's as is clear from the following graph:

GRAPH A-1

TOTAL FARM OUTPUT IN U.S.A. (1910-1959)

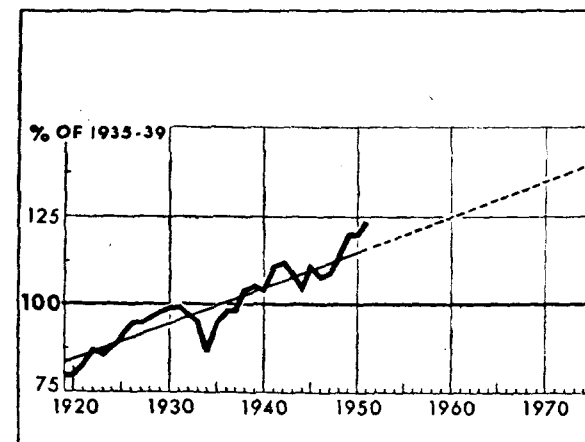


LIVESTOCK YIELDS IN AMERICA

Not only have farm yields been going up in North America during the past two or three decades, there has been also a distinct improvement in the yields of livestock. This is apparent from the graph given below:

GRAPH A-2

LIVESTOCK PRODUCTION IN U.S.A. PER BREEDING UNIT OF LIVESTOCK



Milk yield per cow in the United States in the recent years has been around 6,200 lbs. per annum,

while in India average output per milch cattle is only about 500 lbs. That there has been not much improvement in milk yield per cattle in India in the recent years is obvious from the following table:

TABLE A-7

OUTPUT OF LIVESTOCK PRODUCTS

(In thousand metric tons)

Country	Milk		Meat(a)	
	1948-52	1958	1948-52	1958
India	17,491	17,856†	76	N.A.
U.S.A.	52,455	56,808 (30,140)	12,820	27,617
Canada	7,051	8,198 (4,100*)	1,975	2,593
U.K.	9,920	11,680 (5,564)	1,343	3,802
Norway	1,548	1,655 (740)	103	120
Denmark	4,915	5,149 (2,916*)	935	1,584
Sweden	4,609	3,927 (1,763)	612	748
Netherlands	5,441	6,240 (3,256)	628	1,074
Italy	5,721	7,500	1,376	1,340
Yugoslavia	1,465	2,192	604	836
Poland	8,343	11,871	990	3,367
Austria	5,669	5,879 (2,751)	1,161	1,577
New Zealand	4,732	5,100 (1,952)	580	708

Figures in brackets relate to the period January-June, 1960.

a. Includes beef, veal, pork, mutton, lamb, edible offal, poultry, horse and other animal meat.

† Relates to 1956.

* Partly estimated.

During the five years 1948 to 1952, India on an average was producing 17.49 million metric tons of milk per annum. In 1956, it produced 17.86 million metric tons. The number of milch cattle in the meantime went up by about 4.5 per cent, as is evident from table A-8.

Indians generally not being meat-eating people, not much attention is paid in this country to the development of meat yielding capacity of cattle. In the United States, as in most of the European countries, constant efforts are being made to increase meat yields as well. An instance of this fact is the rearing of pigs there on scientific lines.

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TABLE A-8.
LIVESTOCK NUMBERS
(Major Species)

(In thousands)

Country/Year	Horses	Mules	Asses	Cattle	Pigs	Sheep	Goats	Buffaloes	Cows	Camels
India										
1947-48 —										
1951-52 ..	1,437	51	1,170	140,875	3,910	36,830	45,155	40,733	43,492	638
1955-56 ..	1,483	40	1,055	158,651	4,932	39,246	55,405	44,916	44,952	776
China (mainland)										
1947-48 —										
1951-52 ..	5,502	1,554	10,650	32,813	73,758	30,100	23,036	16,086	N.A.	N.A.
1957-58 ..	7,302	1,708	10,864	44,600	145,985	53,435	45,147	20,992	N.A.	N.A.
U.S.A.										
1947-48 —										
1951-52 ..	5,347	2,402	48	80,124	58,834	31,544	2,602	N.A.	41,404	—
1957-58 ..	2,313	1,041	N.A.	93,350	50,980	31,337	2,864	N.A.	46,520	—
Canada										
1947-48 —										
1951-52 ..	1,580	6	N.A.	7,945	4,792	1,176	18	N.A.	4,081	—
1957-58 ..	675	N.A.	N.A.	10,301	5,162	1,129	N.A.	N.A.	5,133	—
U.S.S.R.										
1947-48 —										
1951-52 ..	12,800	702	N.A.	55,780	19,720	76,900	15,032	39	N.A.	277
1957-58 ..	11,900	N.A.	N.A.	66,800	44,300	120,200	9,900	N.A.	N.A.	N.A.
World Total										
(1957-58) ..	70,800	*15,400	*38,900	867,700	458,700	940,800	328,200	*95,400	N.A.	*10,400

* Excluding U.S.S.R.

Source: F.A.O. Production Yearbook 1959.

The U.S. Agricultural Revolution

WHAT ARE factors that have contributed to the increase in farm and livestock yields in North America during the past twenty-five years? These factors are almost common to the United States and Canada. So they are discussed here as they have operated in the U.S. economy.

"Land butchery" — the process of cultivation of land carelessly for some time and then giving it up when its fertility declined — had come to an end in the United States by about the middle of nineteenth century. Thereafter, with good arable land becoming scarce, U.S. peasants held to their already acquired lands and tried to raise production by effecting improvements in the methods of cultivation. The great revolution in transport that came during these years linked the United States agricultural economy to the European market. The true impact of this, of course, was felt during World War I, when Western Europe became all the more dependent on American farm output. This great upsurge in demand was met by U.S. peasantry more by extension of cultivation to the semi-arid areas west of the 98 meridian than by raising in any substantial measure the yields from land already under cultivation.

This process came to an end by 1920. Since then not much extension in area under cultivation has taken place in the United States; more and more attention has been paid to increase yields per unit area.

There have occurred during the past three decades four major developments in the U.S. agrarian economy which have led to nearly doubling of farm yields. They are: (1) increased use of tractors and other farming machines; (2) increased use of chemical fertilizers; (3) expansion in irrigation facilities; and (4) introduction of hybrid maize and commercialization of soybeans cultivation. The first three factors have aided in raising farm yields in general, while the fourth one has helped in boosting corn yields and production of meat and milk.

USE OF LABOUR-SAVING DEVICES

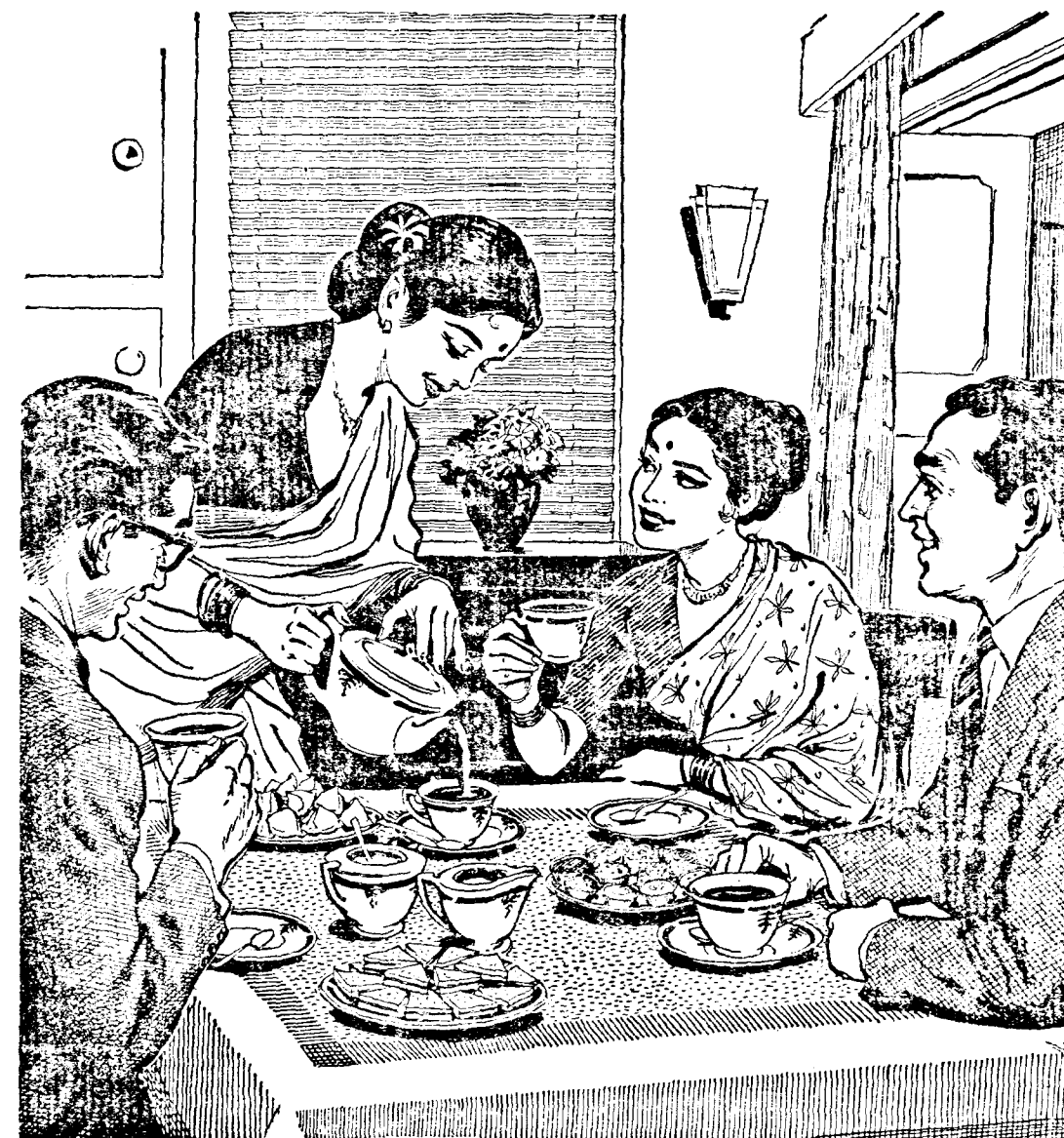
The use of labour-saving devices in U.S. agriculture started as long back as the first half of the last century. With vast tracts of land waiting for being brought under cultivation by a population by no means large, this, of course, was a natural development.

The early years of the nineteenth century was a period of the axe and the hoe in U.S. agrarian economy. It was a period when the American farmer was at work behind the plough leisurely drawn by the slow-moving ox. Oxen furnished the chief draft power for ploughing in the U.S.A. in the first quarter of the nineteenth century. In 1830's, however, the ox started yielding place to the horse when times warranted speedier cultivation; by these years there had occurred in the off-the-coast areas of the United States a marked shift from subsistence to commercial farming, caused by the emergence of town life, consequent upon development of industry. The process of the horse taking over from the ox as draft animal for ploughing was facilitated by the improvements effected in this period in farm implements; lighter ploughs and harrows, reapers and threshing implements had been developed by the American genius by this time.

These mechanical innovations were perfected during the latter half of the nineteenth century and were in widespread use in U.S. agriculture at the turn of the present century. At this time another far-reaching development took place. The internal combustion engine had been invented and steam started substituting animals in many farming processes.

TRACTORISATION

By 1920, tractors were in use on farmlands in the United States in quite a good number. But their widespread use was delayed due to two reasons. The tractor of that time was not an all-purpose one and also it was too expensive (\$4,000 to \$5,000) for the average



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farmer to buy. Its cost of operation was also pretty heavy; it required 1,500 to 5,000 lbs. of coal and 12,000 to 25,000 lbs. of water for about 10-hour operation.

The substitution of gasoline as fuel in tractors, perfection of pneumatic tyres for them, invention of attaching implements and their large-scale production since the twenties have increased their deployment in US agriculture. Today, there would be found only a small number of farms in the United States where ploughing and other agricultural operations are not carried on by means of tractors and their attached implements. In 1958, there were 4.75 million tractors in use in the USA—practically one in each of the 4.8 million farms in the country—against 3.8 million in 1951, less than 1.5 million in 1939 and about 250,000 in 1920.

The use of combined harvester-threshers in U.S. agriculture has also gone up appreciably in the past ten years. In 1951, there were only 887 thousand harvester-threshers in use in the United States. In 1958, their number rose to 1.06 million. As table A-9 shows, the U.S.A. is the country which leads in the world in the use of combined harvester-threshers.

USE OF CHEMICAL FERTILIZERS

The second factor that has helped in raising farm yields in the United States during the past twenty-five years, more particularly since the end of World War II, is the increased use of chemical fertilizers. Artifi-

TABLE A-9
USE OF COMBINED HARVESTER - THRESHERS

(In Selected Countries)

(In numbers)

Country	1951	1955	1958
India	—	—	N.A.
United States	887,000	1,000,000	1,060,000
Canada	99,500	N.A.	N.A.
Brazil	6,777	N.A.	N.A.
Argentina	36,805	34,191	N.A.
United Kingdom	17,270	N.A.	43,250
France	6,234	17,738	37,900
Denmark	426	2,214	4,213
Norway	500	2,700	3,700
Sweden	8,353	N.A.	21,100
West Germany	N.A.	8,598	29,000
Italy	N.A.	616	2,616
U.S.S.R.	N.A.	337,800	509,200
Iraq	108	70	80
Turkey	N.A.	5,618	N.A.
Algeria	2,120	3,700	4,500
Australia	*58,494	65,706	N.A.

*Refers to 1949.

Source: F.A.O. Production Yearbook 1959.

TABLE A-10

TRACTORS IN USE IN INDIA AND OTHER COUNTRIES

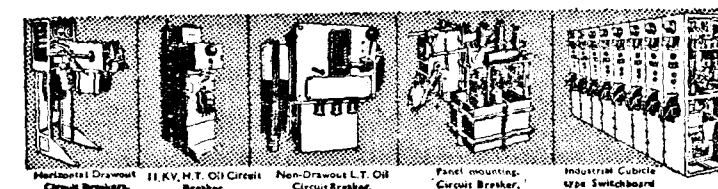
Country	Number of Tractors in Use (In Thousands)				Hectares of Arable Land per Tractor			
	1930	1939	1951	1958	1930	1939	1951	1958
India	—	—	N.A.	18 ⁺	—	—	N.A.	9,567 ⁺
Japan	—	—	N.A.	0.7	—	—	N.A.	8,666
Burma	—	—	N.A.	0.5	—	—	N.A.	17,164
Philippines	—	—	N.A.	5.8 ⁺	—	—	N.A.	1,460 ⁺
U.S.A.	1,020*	1,597*	3,800	4,750	217	138	53	94
Canada	—	—	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Argentina	—	N.A.	N.A.	82	—	N.A.	N.A.	1,746
U.K.	20	55	325	433.9	370	135	23	45
France	—	30	135	558.6	—	700	156	62
W. Germany	—	60	138	653(a)	—	227	99	21(a)
Italy	—	39	66	207.1	—	395	233	101
Netherlands	—	5	19	66.6	—	220	58	35
U.S.S.R.	N.A.	N.A.	N.A.	996	N.A.	N.A.	N.A.	593
Poland	—	2	22	58.3	—	8,400	764	349
Yugoslavia	—	2	7	26.5	—	3,435	1,130	565
Egypt	—	—	N.A.	12.1(a)	—	—	N.A.	216(a)
Ghana	—	—	N.A.	0.16(a)	—	—	N.A.	33,183(a)
Australia	N.A.	N.A.	N.A.	224.7(a)	N.A.	N.A.	N.A.	2,076
New Zealand	N.A.	N.A.	N.A.	73.5(a)	N.A.	N.A.	N.A.	178
World Total	1,287	2,503	6,130	10,174	953	491	200	389

* Combined figures of U.S.A. and Canada.

⁺ Figures relate to 1956.

(a) Figures relate to 1957.

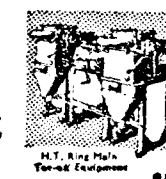
Source: F.A.O. Production Yearbook, 1959.



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cial fertilizers appeared on the American scene pretty late, though they had passed the experimental stage around 1875 and were in widespread use in some of the advanced countries of Europe — the United Kingdom, Germany, the Netherlands, Sweden and Denmark — before World War I. The slow application of chemical manures in U.S. agriculture in the first quarter of the present century is probably explained by the fact that fertility of soil in most parts of the country had not been depleted so much by that time.

Chemical fertilizers became increasingly in demand in the United States during and after World War II which produced tremendous upsurge in demand for the American farm produce. During the War, the agrarian economies of many West European countries were emaciated by the onrush of Hitler's forces and maintaining of Allied armies in far-off theatres of War was to a great extent dependent on supplies from the U.S.A. American industry was also expanding fast during this period.

The availability of chemical fertilizers, however, was only limited in the United States at that time as indigenous production was not so large and imports too could not be effected to any great extent. Only about 1.3 million metric tons of artificial fertilizers were used per annum, on an average, by U.S. agriculturists during the five years to 1939.

As availability increased, application of fertilizers went up in the United States. By 1950-51, consumption of fertilizers in the U.S.A. increased to about 4.3 million metric tons. By 1958-59, it went up further by nearly 150 per cent to 6.47 million metric tons. The

U.S. agriculturists, however, do not use even today as much quantity of artificial fertilizers per hectare of land under cultivation as the farmers in some other advanced countries do. This is evident from table A-11

Like most of the advanced countries of the world, application of artificial fertilizers in the United States is not confined to any one type of fertilizer; all the three varieties of plant nutrients — nitrogen, phosphoric acid and potash — are being extensively used in the U.S.A. Of the total U.S. consumption of 6.47 million metric tons of chemical fertilizers in 1958-59, 2.35 million tons were nitrogenous fertilizers, 2.23 million tons phosphoric fertilizers and 1.89 million tons potash fertilizers.

EXTENSION IN IRRIGATION

Not much thought had been given to the provision of irrigation facilities in U.S. agriculture in the nineteenth century as well as in the first two decades of the present century, as farming there till the outbreak of the World War I was mostly confined to areas which had sufficient rainfall. Expansion of agricultural activity to the west of 98 meridian during the War, however, necessitated increasing interest to be taken in this field, for these areas were semi-arid as they did not receive timely rainfall in sufficient quantities. The hot climate of this region also did not allow moisture to be retained by the soil for any long period. Around 1920 attempts were made to evolve dry farming techniques for this region, but they proved not very successful. So provision of irrigation facilities was considered to be essential if farming activity was to be fostered in the western States.

TABLE A - 11
CONSUMPTION OF FERTILIZERS
(1950 — 1959)

Country	Nitrogenous Fertilizers			Phosphoric Acid			Potash Fertilizers		
	Land under cultivation ('000 hectares)	Total Consumption ('000 metric tons N)	Consumption per hectare (in kilograms)	Land under cultivation ('000 hectares)	Total Consumption ('000 metric tons P ₂ O ₅)	Consumption per hectare (in kilograms)	Land under Cultivation ('000 hectares)	Total Consumption ('000 metric tons K ₂ O)	Consumption per hectare (in kilograms)
India	172,213	257.0	1.5	172,213	39.0	0.2	172,213 (158,341)	N.A. (13.2)	N.A. (0.08)
Pakistan	24,726	16.5	0.7	24,726	1.1	0.04	24,726	0.1	0.004
Japan	6,066	683.8	112.5	6,066	299.7	49.2	6,066	435.6	71.6
Burma	8,582	1.3	0.2	8,582	0.9	0.1	8,582	N.A.	N.A.
U.S.A.	444,236	2,346.0	5.3	444,236	2,230.0	5.0	444,236	1,892.0	4.3
Canada	62,476	N.A. (56.9)	N.A. (0.9)	62,476	N.A. (126.0)	N.A. (2.0)	62,476	N.A. (76.7)	N.A. (1.2)
Brazil	126,728	33.0	0.3	126,728	73.0	0.6	126,728	59.0	0.5
Argentina	143,151	6.0	0.04	143,151	N.A.	N.A.	143,151	N.A.	N.A.
France	34,614	480.8	13.9	34,614	763.3	22.1	34,614	705.4	20.4
Italy	20,976	293.8	14.0	20,976	386.0	18.4	20,976	80.9	3.9
Netherlands	2,304	209.1	90.8	2,304	111.5	48.4	2,304	146.2	63.5
U.S.S.R.	591,055	N.A.	N.A.	591,055	N.A.	N.A.	591,055	N.A.	N.A.
Yugoslavia	14,967	76.2	5.1	14,967	76.4	5.1	14,967	66.8	4.5
Egypt	100,000	177.1	1.8	100,000	27.7	0.3	100,000	2.3	0.02
Nigeria	96,672	1.8	0.02	96,672	1.2	0.01	96,672	1.7	0.02
Australia	770,416	34.8	0.05	770,416	474.9	0.6	770,416	27.6	0.4
New Zealand	26,867	5.1	0.2	26,867	181.3	6.7	26,867	34.0	1.3
World									
Total	13,531,000	8,000.0	0.6	13,531,000	8,000.0	0.6	13,531,000	7,000	0.5

Figures in brackets refer to 1957-58.

N.A.: Means not available.

Source: F.A.O. Production Yearbook, 1959.

Irrigation facilities started to be developed in the United States in right earnest after 1920. By 1949, as many as 26 million acres of land had been brought under irrigation, mostly in the seventeen western States. Compared to 1939, area under irrigation in the U.S.A. has increased by nearly 43 per cent and today roughly 30 million acres of land are irrigated in this country.

HYBRID CORN

While the above-mentioned technological changes were revolutionising the U.S. agrarian economy, two momentous developments took place in crop technology. These were the perfection of hybrid corn and commercialisation of soybeans production. Hybrid corn was introduced, after years of experimentation, in about 1926. It increased the yield per acre by nearly 20 per cent. Between 1936 and 1946 the acreage planted with hybrid corn increased rapidly — from 2 per cent to 91 per cent of the land under corn cultivation. Soybeans, unlisted in the crop census of 1910, became in 1950's the fifth leading crop in terms of cash sales and sixth in terms of acreage. (Soybeans yield a variety of human and animal food products and are extensively used in plastics manufacture.)

Great improvements have been effected in the past two decades in other seeds as well.

PRICE SUPPORTS

Growth of tractorisation, increased use of chemical fertilizers, expansion in irrigated area, introduction of hybrid corn and commercialisation of soybeans cultivation, of course, are the primary factors that have led to increase in farm yields in the United States in the past twenty to twenty-five years. But mention must also be made of some other factors that have contributed in their own way to the raising of farm output during this period. Along with the increase in the use of chemical fertilizers, consumption of insecticides and other chemicals has gone up which has helped in eradicating plant diseases; aerial spraying has been successfully resorted to in this respect. Scientific soil testing is also undertaken in the United States to a greater extent now than it used to be done in the first quarter of the present century.

The increase in farm yields per unit area as well as in total output, however, could hardly be sustained, especially after World War II — when European demand tapered off, consequent upon rapid advance in agriculture there — but for the fact that industry was expanding fast and the U.S. Government took energetic measures to support farm prices. Surplus produce was siphoned off by the Government at support prices and used for the purpose of extending aid to the needy countries like India, either in the form of outright gifts or on deferred payment basis.

LIVESTOCK YIELDS

The rapid increase in livestock yields in the United States during the past three decades has been the result of two major developments. Firstly, agricultural scientists have made giant strides in livestock husbandry and evolved methods to improve cattle breeds. Secondly, vastly increased output of corn has provided nutritious feed for cattle.

Greater attention is now being paid in the United States than ever before to the protein, vitamin and mineral requirements in meat, dairy and poultry feeding; more recently, they have adapted antibiotics and hormones to animal nutrition. Selective breeding, partly through artificial insemination, has raised pro-

ductivity of livestock in all directions. The swine and poultry industries have benefited from disease control.

AGRIBUSINESS

The transformation that U.S. agriculture has undergone in the recent past has resulted in a new development which might, in the years to come, bring about another revolution in the American agrarian economy. Of late, there has been a closer integration of business and farming and this is remaking the U.S. family farm in the image of a small business undertaking. The individual farmer is becoming a link in the chain of suppliers and processors for the big city corporations which deal in farm products. The essence of this "agribusiness" is that farmers become contractors, turning out products at known costs and prices, instead of producing for a free market with a free price system. The most to benefit from this process, so far, have been the agriculturists who combine poultry, beef and pork supply business with farming operations.

In nutshell, what is the most important development that has revolutionised agriculture in the United States? As the following table, which sets out a comparison of the broad categories of farm expenses in 1910 and 1950, shows, it is the increased mechanisation and application of modern technology to both the farm and the livestock, which has resulted in more than quadrupling the gross farm income in the U.S.A. in a period of barely 40 years. No allowance has been made in these calculations for changes in price level. But even then the figures speak eloquently. Outstanding, indeed, is the increase in expenses on account of motor vehicles and purchase of seeds, livestock and fertilizers.

TABLE A-12

FARM PRODUCTION EXPENSES, BY CLASSES, UNITED STATES, 1910 AND 1950

Item	(In million \$)		
	1910	1950	1950 as a percentage of 1910
Total gross farm income	7,543	32,989	437
Total production expenses	3,556	19,704	554
Hired labour	755	2,724	361
Net rent to non-farm landlords	340	1,155	340
Operation of motor vehicles	7	1,900	27,143
Depreciation of motor vehicles	13	1,223	9,408
Seed purchased	56	536	957
Fertilizer and lime	149	938	630
Taxes on farm property	191	919	481
Depreciation of buildings	318	1,361	428
Depreciation of other machinery	353	1,453	412
Miscellaneous	545	1,792	329
Interest on farm-mortgage debt	203	264	130
Livestock purchased	200	2,051	1,026
Feed purchased	426	3,388	795

Source: Bureau of Agricultural Economics, "The Farm Income Situation," Sept.-Oct. 1953.

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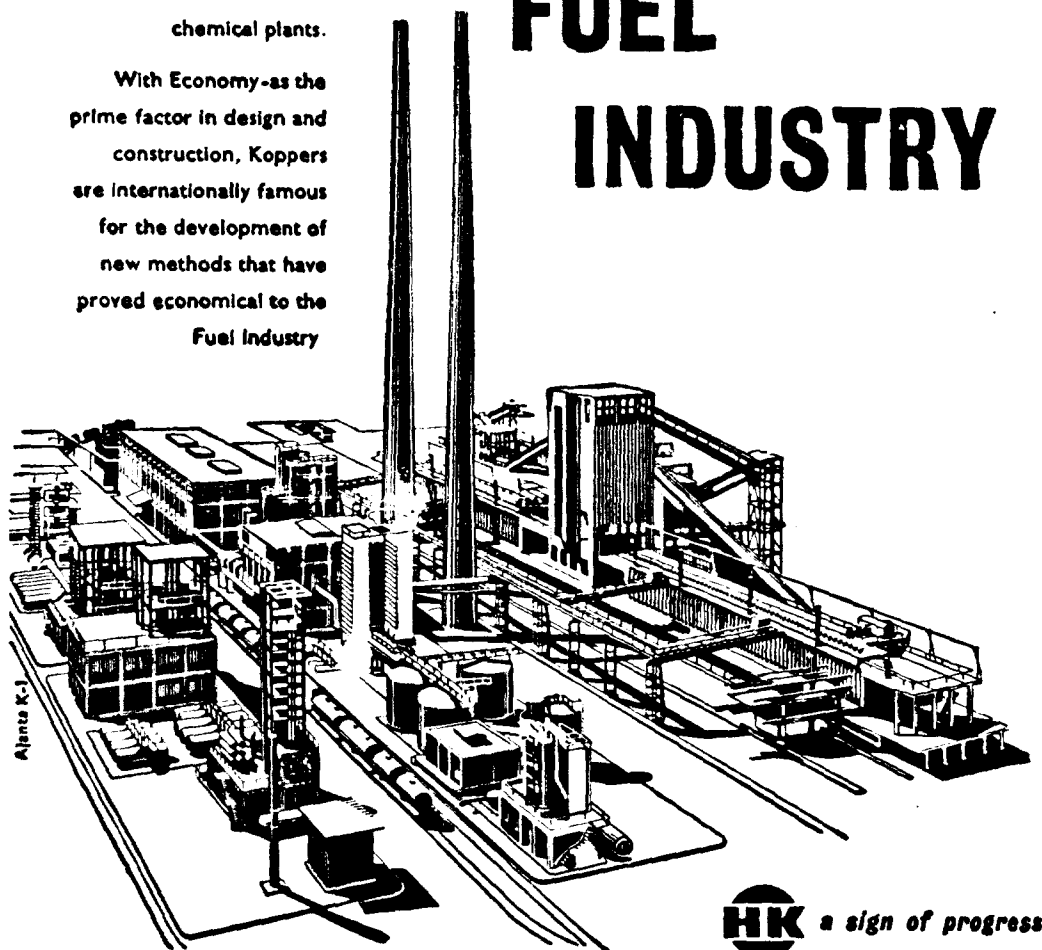
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Modern Technology And Indian Agriculture

COMPARED TO the progress that the United States and Canada, as also the other advanced countries of the world, have made in the use of modern technology to increase farm and livestock yields, the progress registered in India so far is far from encouraging. In many parts of India, the same age-old farming practices are still in vogue; most of the land continues to be ploughed by wooden ploughs drawn by oxen. The methods of cultivation, in this country, however, have begun to be changed of late in the light of the experience of the more advanced countries, but the pace of change is only slow as yet.

Mechanisation has been resorted to in Indian agriculture only to a limited extent. Though there are nearly 30,000 tractors in use in this country today, they are to be found only in areas colonised after World War II (the Tarai region), in farm-lands where cultivation is carried on on co-operative basis, on State model farms or on large estates where the educated among the agriculturists have taken to farming. Elsewhere tractorised cultivation is hardly to be seen. The reasons for this, however, are not far to seek. Majority of the agriculturists in India are poor and have small and uneconomic holdings (unlike the United States where the peasantry is prosperous and the size of an average small household farm is about 125 acres) which do not permit cultivation by tractors. Moreover, cheap labour is available in abundance.

The use of such improved implements as iron ploughs, seed drills, wheat threshers, paddy weeders, groundnut decorticators and sugarcane planters is likewise restricted in India, the main reasons for this being the poor financial position of the average farmer and scarcity of steel.

APPLICATION OF CHEMICAL FERTILIZERS

The need to restore to the soil its fertility by application of manures has been felt in India for a long time. But it has been only in the recent past that artificial fertilizers have started to be made use of in this country. Application of chemical fertilizers in India today is far behind their use in the United States, Canada and the other advanced countries of the world. India consumed in 1958-59, per hectare of cultivated land, 1.8 kilograms of all the three types of artificial manures as against 14.6 kilograms in the United States, 233.3 kilograms in Japan, 202.7 kilograms in the Netherlands, 56.4 kilograms in France and 36.3 kilograms in Italy.

Not only the total quantity of artificial fertilizers used in India is small, the proportion in which the three types of chemical manures are used in this country is also improper. Whereas all the three plant nutrients are extensively used in advanced countries, in India nitrogenous fertilizers account for the bulk of the consumption; the use of phosphoric and potash fertilizers is far too behind.

The late use of chemical fertilizers in India as an aid to increase farm productivity is due primarily to three factors: (1) the prejudice peasants here had till lately against their use; (2) low level of literacy in the country-side; and (3) the weak economic position of the farmer. Due to concerted efforts that have been made during the past ten years to popularise the application of chemical fertilizers, the prejudice of the Indian peasant against their use is fast disappearing. The financial position of the farmer too has improved

as a result of the first two Plans. These two factors have helped considerably in increasing the use of chemical manures in India as is evident from the following table.

TABLE A-13

CONSUMPTION OF CHEMICAL FERTILIZERS IN INDIA SINCE 1951

(In '000 metric tons)

Year	Nitrogenous fertilizers (Ammonium Sulphate)	Phosphatic Fertilizers	Potash Fertilizers
1951-52	286.9	7.0	7.8
1952-53	281.0	4.7	3.2
1953-54	333.2	8.3	8.7
1954-55	470.0	15.0	14.5
1955-56	523.2	13.0	11.0
1956-57	650.8	15.9	11.1
1957-58	N.A.	21.9	15.8
1958-59	812.8	27.6	16.8
1959-60	1,117.7	39.5	29.5

Source: Report of the Fertilizer Distribution Enquiry Committee, Ministry of Food and Agriculture.

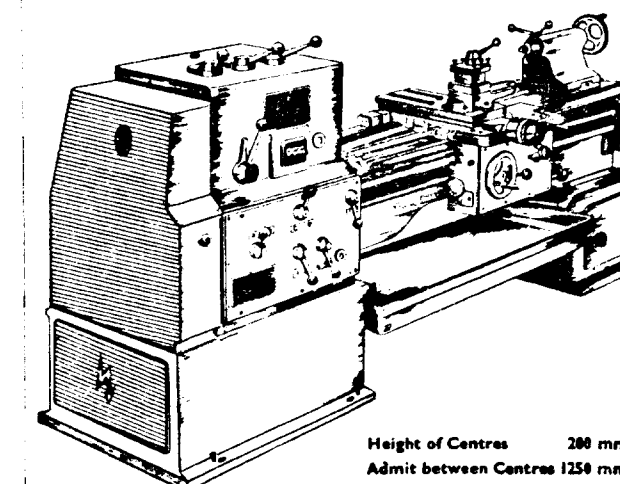
Nitrogenous fertilizers are in great demand by the Indian peasantry today and their use in the past two years has been hampered by restricted supplies. For

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instance, demand for these fertilizers in 1958-59 was estimated around 1,524 thousand metric tons, while only 812.8 thousand metric tons were made available for distribution. In 1959-60 demand increased to about 1,910 thousand metric tons, while availability was not more than 1,117.7 thousand metric tons.

IRRIGATION AND SEEDS

Far greater use of technology in Indian agriculture, however, has been made in respect of provision of irrigation facilities and seeds. Giant dams have been built in the past few years, impounding many a river to provide water for irrigation and production of electricity. The number of medium and minor irrigation

works is also multiplying fast. Nearly 70 million acres of land are expected to be brought under irrigation by March next, as against 51.5 million acres in 1950-51.

Great strides have been made in the past few years to provide improved varieties of seeds to the agriculturist. In the Third Five-Year Plan it is proposed to intensify efforts in this direction and cover by improved seeds nearly 90 per cent of the total area under cultivation. Crop-wise, the area which is proposed to be covered by improved seeds by 1965-66 is shown in table A-14.

Increasingly more attention is also being paid to soil conservation and plant protection.

LIVESTOCK AND TECHNOLOGY

Though ambitious plans have been prepared to improve the quality of cattle in India, the success achieved so far has not been significant. Partly it is due to the fact that implementation of these programmes has lagged behind. The huge number of unnecessary cattle which the Indian soil has to support has also been a hindrance in the way of the development of Indian animal husbandry on scientific lines.

INDIA TWENTY YEARS BEHIND USA

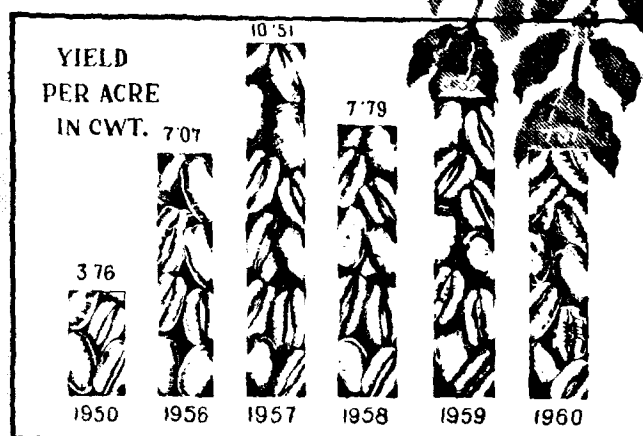
Judging from the application of technology to Indian agriculture, one is inclined to infer that the agrarian economy of India today is perhaps at a stage of development at which US economy was in the latter half of 1930's. This inference read with the observation made on page 73 leads to the conclusion that agricultural development of this country is about 20 years behind that of the United States.

TABLE A-14
AREA TO BE COVERED BY IMPROVED SEEDS
BY 1965-66

Crop	Area (Million acres)
Paddy	72
Wheat	29
Jowar	34
Ragi	6
Barley	6
Gram	20
Bajra	21
Pulses	21
Tur	5
Small millets	10
Maize	9
TOTAL	233

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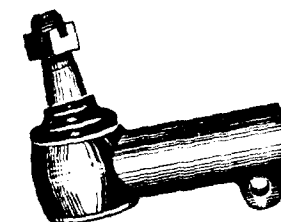
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Consumption Pattern In India And North America

NOW BEFORE we proceed to estimate the demands that Indian agriculture will be required to meet during the next forty years, it is imperative that we should have at least a rough idea of how standard of living in this country stands in comparison with that in the United States and Canada and also how consumption of major foodstuffs has varied in the three countries in the past few decades; this comparison will provide a good basis for our calculations of future consumption pattern of major food groups in the Indian Union.

Tables A-15 to A-19 reveal that per capita consumption of food (without regard to the type of food consumed) in India is just about one-half of the quantity consumed in the United States and in Canada. In terms of calorie and protein content an average Indian's daily food contains 2,380 calories and 47 grams of protein, whereas an average American's diet contains 3,100 calories and 93 grams of protein. An average Canadian consumes food which gives him 3,110 calories and 95 grams of protein per day.

CHANGES IN DIETARY HABITS IN USA AND CANADA

With the growth in their income and lightening of the chores of their daily work, eating habits of the people of the United States and Canada have changed radically over the past few decades. While the total quantity of food consumed has gone down slightly in the United States and increased somewhat in Canada, there has occurred a marked shift away from the con-

sumption of cereals and potatoes and towards greater intake of fruits, vegetables, fats and meat products "Housewives (In North America) no longer insist that their families eat meat and potatoes for dinner and porridge for breakfast. Salad and juices, especially fruit juices, help vary the diet and improve its nutritive content."

The graph A-3 and the table A-15 show how eating habits have changed in the United States between 1910 and 1958. An average American in 1958 ate slightly less per day than he did in the latter half of 1940's and before World War I. His annual consumption of cereals and potatoes went down from 287 lbs. and 198 lbs. in 1910-14 to 181 lbs. and 129 lbs. in 1945-49 and further to 149 lbs. and 110 lbs. in 1955-58. His intake of dairy products increased from 469 lbs. in 1910-14 to 543 lbs. in 1945-49 and decreased to 534 lbs. in 1955-58. Per capita annual consumption of meat, fish and poultry went up from 150 lbs. in 1910-14 to 158 lbs. in 1945-49 and further to 174 lbs. in 1955-58. Intake of dry beans, peas, nuts and soya products has remained more or less the same, while that of sugar and syrups has increased slightly. An average American's daily diet today (65.8 ozs.) consists of 6.5 ozs. of flour and cereal products, 0.7 ozs. of dry beans, peas, nuts and soya products, 4.8 ozs. of potatoes, 20.5 ozs. of dairy products and eggs, 7.6 ozs. of meat, fish and poultry, 2.9 ozs. of butter, fats and oils, 17.4 ozs. of fruits and vegetables, 4.7 ozs. of sugar and syrups and 0.7 ozs. of coffee, tea and cocoa.

TABLE A-15.
PER CAPITA FOOD CONSUMPTION IN U.S.A.

(In lbs. per annum)

Calendar year*	Total	Dairy products and eggs (except butter)	Meat, fish and poultry	Butter, fats and oils	Dry beans and peas, nuts and soya products	Potatoes and sweet potatoes	Fruits and vegetables	Flour and cereal products	Sugar and syrups†	Coffee, tea and cocoa
1910-14	1,606	409	150	60	16	198	386	287	90	10
1915-19	1,561	409	143	60	16	183	376	268	93	12
1920-24	1,569	416	144	62	15	174	398	239	109	13
1925-29	1,579	416	139	66	16	162	409	237	119	13
1930-34	1,533	411	136	67	17	152	403	219	114	14
1935-39	1,541	413	132	65	19	147	435	204	110	16
1940	1,568	419	144	71	19	136	455	199	108	17
1941	1,591	422	149	70	19	143	453	199	118	18
1942	1,586	446	148	66	22	142	444	201	102	15
1943	1,605	474	156	67	20	142	424	208	100	14
1944	1,657	483	162	66	20	152	460	190	108	16
1945	1,668	505	159	61	19	136	478	201	92	17
1946	1,664	495	162	64	19	137	481	192	93	21
1947	1,618	476	161	65	16	137	458	173	114	18
1948	1,548	461	153	65	17	114	443	170	106	19
1949	1,541	460	154	65	17	119	430	169	108	19
1945-49	1,608	479	158	64	18	129	458	181	103	19
1950	1,525	459	156	68	19	114	411	167	113	18
1951	1,517	462	151	65	18	117	415	165	106	18
1952	1,517	467	158	68	17	106	412	162	109	18
1953	1,518	463	168	65	16	111	411	158	108	18
1954	1,508	465	169	66	16	111	402	155	106	16
1955	1,514	469	172	68	16	112	402	152	107	16
1956	1,518	470	179	67	17	107	403	150	108	17
1957	1,496	466	174	64	16	113	396	146	106	17
1958	1,481	461	171	66	16	106	388	148	109	17
1955-58	1,502	467	174	67	16	110	397	149	107	17

* Excludes corn products.

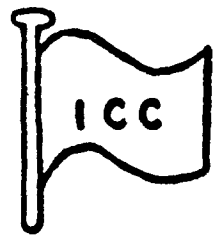
† Civilian consumption only beginning 1941.

Source: U.S. Department of Agriculture, Agricultural Marketing Service: Supplement for 1956 and 1958 to Consumption of Food in the United States, 1909-52 (Agricultural Handbook No. 62.).

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Similar trends have been witnessed in Canada. Per capita annual consumption of cereals and potatoes there has gone down from 402 lbs. to 311 lbs. between 1935 and 1955. Intake of fruits and vegetables has gone up from 140 lbs. to 305 lbs., of meat and eggs from 169 lbs. to 203 lbs. and of fats and oils from 16 lbs. to 29 lbs. Consumption of dairy products has, however, remained more or less the same all these years. An average Canadian's diet today (61.5 ozs.) consists of 7.3 ozs. of cereals, 6.4 ozs. of potatoes, 4.7 ozs. of other starches, 7.4 ozs. of fruits, 6.0 ozs. of vegetables, 1.3 ozs. of oils and fats, 19.6 ozs. of dairy products (including butter), 6.1 ozs. of red meat, 1.2 ozs. of poultry meat and 1.5 ozs. of eggs.

TABLE A-16
ANNUAL CONSUMPTION OF FOODSTUFFS
IN CANADA

(Averages: 1935-39, 1951-55)

(In lbs. per capita)

Commodities	1935-39	1951-55
Cereals	202	166
Potatoes	200	145
Other Starches	106	108
Fruits	113	169
Vegetables	127	136
Oils and Fats	16	29
Dairy Products*	449	448
Red Meat	117	140
Poultry Meat	21	28
Eggs	31	35
TOTAL	1,382	1,404

Source: Royal Commission on Canada's Economic Prospects.

NO APPRECIABLE CHANGES IN INDIA

No appreciable changes appear to have taken place in the dietary habits of the Indian people during the past 15 years for which some authoritative data is available. An average Indian today consumes more or less the same quantity of cereals as he did some 15 years ago. His consumption of pulses, sugar and jaggery has increased slightly, but his intake of oils, vegetables, fruits, milk and milk products, meat, fish

and eggs has gone down from 10.70 ozs. to 7.92 ozs. per day.

TABLE A-17

DAILY INTAKE OF FOODSTUFFS IN INDIA
(Averages: 1935-49, 1955-58)

(In ozs. per capita)

Foodstuffs	N.A.C. Recommended allowance	Mean intake 1935-48	Mean intake 1955-58
Cereals	14	16.62	16.59
Pulses	3	2.26	2.39
Leafy vegetables	4	0.85	0.71
Other vegetables	6	4.10	3.20
Ghee and Oils	2	0.92	0.52
Milk & Milk Products	10	3.31	2.81
Meat, Fish & Eggs	4	0.94	0.47
Fruits (and nuts)	3	0.58	0.21
Sugar & Jaggery	2	0.67	0.71
Total Cereal Foods	14	16.62	16.59
Total non-Cereal Foods	34	13.63	11.02

Source: Nutrition in India (1946-48).

A notable fact that emerges from these comparisons is that while the diet of an average American and a Canadian is rich in nutritive foods, the diet of an average Indian is quite poor. Compared to balanced diet requirements, the food of an average Indian today contains more than the required quantity of cereals and far less the quantity of vegetables, fruits, milk and milk products, sugar and meat.

The clothing pattern in India is, of course, quite different from that of the United States and Canada, firstly because of the difference in climate and secondly due to wide disparities in income per capita. Broadly speaking, an average Indian consumes about one-sixth the quantity of cloth—cotton, woollen and rayon all combined—than an average American or a Canadian does.

GRAPH A-3

FOOD CONSUMPTION IN UNITED STATES (1930 TO 1958)

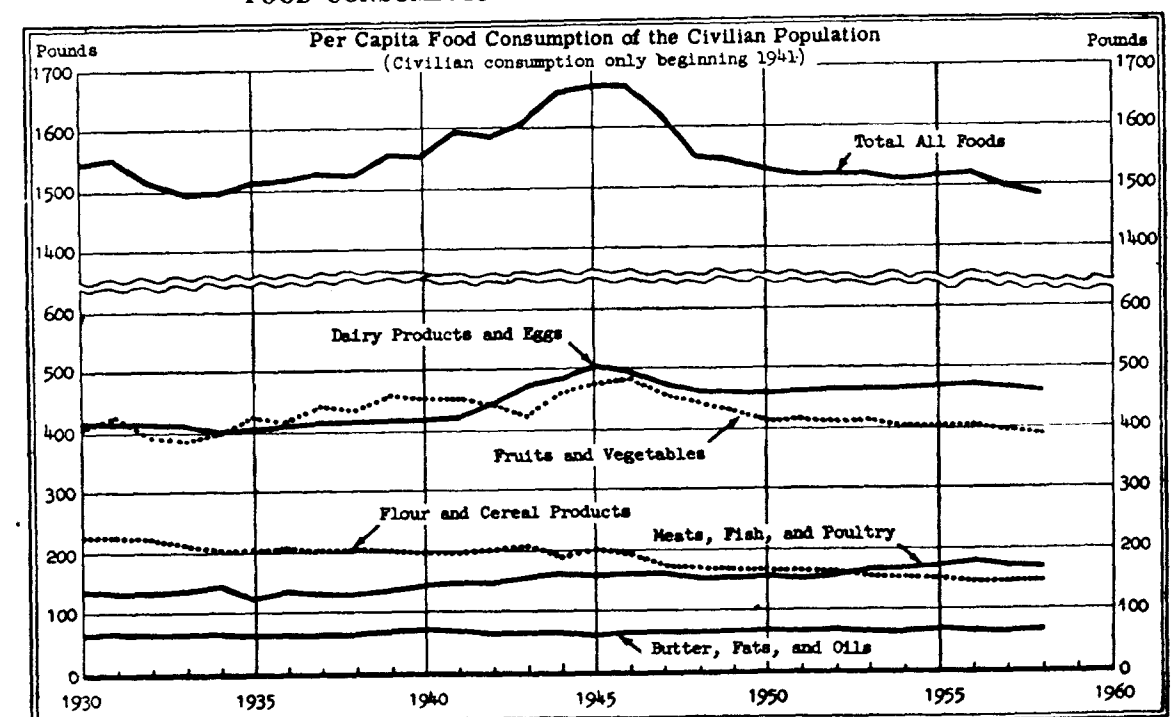


TABLE A - 18.

ESTIMATED CALORIE AND PROTEIN CONTENT OF NATIONAL AVERAGE FOOD SUPPLIES PER CAPITA IN INDIA AND OTHER SELECTED COUNTRIES

Country	Calories			Total Protein				Animal Protein				
	1948-49	1954-55	1958-59	1948-49	1954-55	1958-59	1948-49	1954-55	1958-59			
	to	to	T	to	to	T	to	to	T			
	1950-51	1956-57	1957-58	1950-51	1956-57	1957-58	1950-51	1956-57	1957-58			
	Number per day	Number per day	Number per day	Grams per day	Grams per day	Grams per day	Grams per day	Grams per day	Grams per day			
India	1,640	1,880	1,800	2,380	43	50	47	47*	5	6	6	N.A.
Pakistan	2,040	2,000	2,010	N.A.	49	47	49	49*	8	8	8	N.A.
Japan	1,900	2,100	2,220	N.A.	49	63	68	68*	9	14	17	N.A.
United States	3,180	3,150	3,100	3,100	91	94	92	93	61	66	66	65
Canada	3,110	3,150	3,070	3,110	93	97	95	95	57	63	62	62
United Kingdom	3,130	3,250	3,090	3,260	91	85	87	85	45	49	51	50
France	2,800	2,890	2,910	2,950	92	95	96	96	40	47	49	49
Denmark	3,240	3,400	3,420	3,350	105	95	93	92	60	56	57	57
Norway	3,100	3,160	3,070	3,080	99	88	87	86	53	50	51	50
Sweden	3,150	3,020	2,910	2,890	90	87	82	81	56	57	53	52
Italy	2,350	2,550	2,600	2,650	70	74	76	76	19	23	25	26
Netherlands	2,930	2,930	2,890	2,940	82	80	78	78	39	43	42	43
West Germany	2,730	2,990	2,960	2,990	79	78	80	80	32	43	45	45
United Arab Republic												
Egyptian Region	2,370	2,570	2,640	N.A.	70	75	78	N.A.	12	13	13	N.A.
Australia	3,220	3,230	T 3,200	N.A.	97	90	T 91	N.A.	66	59	T 60	N.A.
New Zealand	3,360	3,390	3,370	3,430	100	103	104	106	67	70	71	72

T: Tentative data.

* Excludes animal protein.

Source: F.A.O. Production Yearbook 1959.

TABLE A - 19.

NET FOOD SUPPLY PER CAPITA

(Kilograms per year)

Country	Period	Cereals	Potatoes & other Starchy Roots	Sugar	Pulses & Nuts	Meat	Eggs	Fish	Milk		Fats and Oils
									Fat	Protein (Fat contents)	
India & Pakistan	Pre-war	139	8	13	22	3	N.A.	1	3	2	2
India	1949-1950	112	8	12	23	1	N.A.	1	2	2	3
	1951-1953	121	11	11	24	1	N.A.	1	2	2	3
	1954-1956	130	11	13	25	2	N.A.	1	2	2	4
T	1957-1958	124	11	14	26	2	N.A.	1	3	2	4
United States	Pre-war	91	67	44	7	72	16	5	8	7	21
	1948-1950	77	52	41	8	82	22	5	9	9	20
	1951-1953	73	50	40	8	84	22	5	9	9	20
	1954-1956	69	49	41	7	92	21	5	9	9	21
	1957-1958	67	49	40	7	92	21	5	9	9	20
	1958-1959	67	47	41	7	90	20	5	8	9	21
Canada	Pre-war	93	60	43	6	62	14	5	8	7	19
	1948-1950	75	75	46	7	70	15	6	8	9	20
	1951-1953	75	67	43	5	73	15	6	8	9	20
	1954-1956	74	68	44	5	81	16	6	8	9	20
	1957-1958	71	68	43	5	75	17	6	8	9	19
T	1958-1959	70	66	44	5	75	17	N.A.	8	9	19
United Kingdom	Pre-war	95	82	42	5	67	13	12	5	5	21
	1948-1950	106	115	39	5	50	13	11	7	7	21
	1954-1956	88	98	47	6	68	13	10	7	7	22
T	1958-1959	84	93	50	6	68	14	11	7	7	22
Australia	Pre-war	101	49	53	2	120	12	5	6	5	16
	1948-1950	97	50	53	5	110	12	4	6	6	15
T	1957-1958	87	55	51	4	113	11	3	7	6	16
Netherlands	Pre-war	107	116	29	5	38	9	6	7	8	21
	1948-1950	98	159	36	4	28	5	7	7	9	23
	1954-1956	90	96	39	5	38	8	6	7	9	28
T	1958-1959	87	89	40	4	43	9	5	8	8	25
United Arab Republic											
Egyptian Region	1948-1950	174	11	13	12	10	1	3	4	2	3
	1957-1958	188	10	12	12	14	1	6	3	2	5

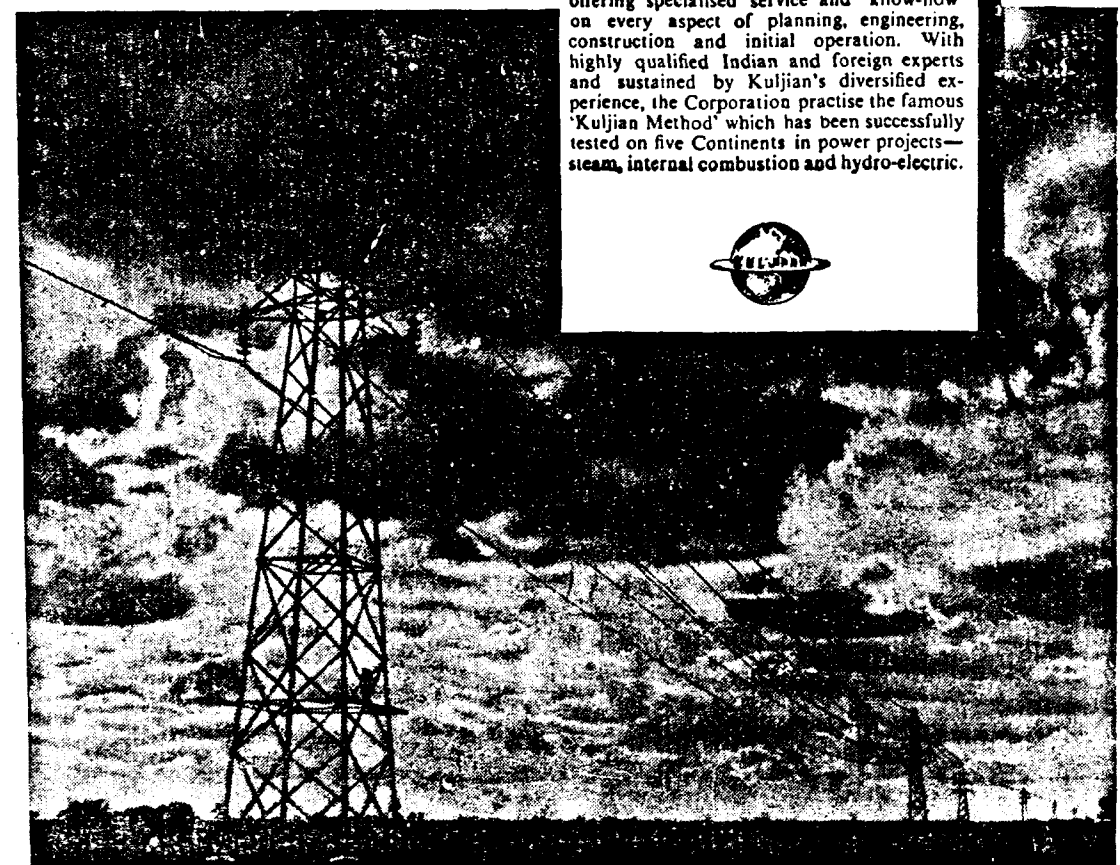
T: Tentative data.

Source: F.A.O. Production Yearbook 1959.

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ITC-4

Future Demand Pattern In India

THE HIGH standard of living that the people of North America enjoy today is undoubtedly the envy of the Indian people as also of all the other comparatively less developed countries of the world. It obviously sets the targets of consumption which we should try to achieve by 2000 A.D.

India, of course, may not be able to attain in the next four decades the high rate of food consumption that prevails in the United States and Canada today, for the simple reason that there is at present in this country a heavy backlog in the supply of supplementary and protective foods. Moreover, by 2000 A.D., population of India would have gone up by 360 million persons. What, however, we must achieve by then is at least the balanced diet as recommended by the Nutrition Advisory Committee.

ed quantities, India, with cereals production of over 60 million tons in the past two years, would have become self-sufficient so far as staple food supplies are concerned. But that has not been the case as yet and it will not be the case in the next ten to fifteen years.

The deficiency in the supply of supplementary and protective food, at least for another ten to fifteen years, has obviously to be made up by intake of foodgrains in a greater quantity than that recommended by the Nutrition Advisory Committee. Table A-22 sets out the pattern of demand for foodgrains, for the next forty years, on the basis of accelerated demand for them. It has been assumed that at least 17.4 ozs. of cereals and 3.5 oz. of pulses will be required per adult unit per day during the next five years if a modest advance is to be made in the provision of food in terms of calories.

TABLE A-20.
BALANCED DIET REQUIREMENTS OF THE INDIAN UNION

(In million long tons)

Items	Recommended allowance per adult unit per day (N.A.C.*)		1960-61	1965-66	1970-71	1980-81	1990-91	2000-2001
	Qty. (Ounces)	Calories						
Population (Millions)	..	..	431	480	528	608	693	790
Adult units (Millions)	..	..	358	399	439	505	576	656
Cereals†	..	14.0	1400	51.0	57.0	62.6	72.1	82.1
Pulses†	..	3.0	285	10.9	12.2	13.4	15.4	17.6
Leafy and other vegetables	..	10.0	60	36.5	40.6	44.7	51.4	58.7
Fruits and nuts	..	3.0	55	10.9	12.2	13.4	15.4	17.6
Milk and Milk products	..	10.0	330	36.5	40.6	44.7	51.4	58.7
Sugar and Jaggery	..	2.0	210	7.3	8.1	8.9	10.3	11.7
Ghee and vegetable oils	..	2.0	504	7.3	8.1	8.9	10.3	11.7
Meat, fish and eggs	..	4.0	221	14.6	16.2	17.9	20.6	23.4
TOTAL	..	48.0	3065	175.0	195.0	214.5	246.9	281.5
								320.7

* N.A.C. : Nutrition Advisory Committee.

† Net requirements.

The minimum food consumption requirements of the Indian Union in the next forty years on the basis of balanced diet are set forth in table A-20. Table A-21 gives an estimate of total foodgrains requirements on balanced diet basis. Seed, feed and wastage requirements have been included at the rate of 12½ per cent of total output and those of stock and safety margin at the rate of 10 per cent of total production. Had protective and supplementary foods been available in the requir-

It is not thought to be practicable that an average Indian's diet in 1965-66 will have the required number of calories and adequate amount of protein as recommended by the Nutrition Advisory Committee. So, for the basis of calculation of foodgrains requirements in 1970-71, it has been assumed that a minimum of 17.5 ozs. of cereals and 4.5 oz. of pulses per adult per day will be needed to make the diet a wholesome one.

In the next ten years it is construed that

TABLE A-21
FOODGRAINS REQUIREMENTS BASED ON THE ALLOWANCE RECOMMENDED BY N.A.C.*

(In million long tons)

Foodgrains	1960-61	1965-66	1970-71	1980-81	1990-91	2000-2001
1. Consumption requirements						
(a) Cereals	51.0	57.0	62.6	72.1	82.1	93.5
(b) Pulses	10.9	12.2	13.4	15.4	17.6	20.0
(c) Total (a+b)	61.9	69.2	76.0	87.5	99.7	113.5
2. Seed, feed and wastage requirements						
(a) Cereals	8.0	9.0	9.8	11.3	12.8	14.6
(b) Pulses	2.0	2.2	2.5	2.8	3.2	3.7
(c) Total (a+b)	10.0	11.2	12.3	14.1	16.0	18.3
3. Stock requirements and safety margin						
(a) Cereals	6.4	7.1	7.8	9.0	10.3	11.7
(b) Pulses	1.6	1.8	2.0	2.3	2.6	2.9
(c) Total (a+b)	8.0	8.9	9.8	11.3	12.9	14.6
4. Total requirements						
(a) Cereals	65.4	73.1	80.2	92.4	105.2	119.8
(b) Pulses	14.5	16.2	17.9	20.5	23.4	26.6
(c) Total (a+b)	79.9	89.3	98.1	112.9	128.6	146.4

* N.A.C. : Nutrition Advisory Committee.

consumption of cereals will remain at 17.5 oz. per adult per day, while that of pulses will decline to 3.5 oz. The measures that would have been taken in the meantime to increase the supply of protective and supplementary foods would make it possible to decrease the consumption of pulses.

By eighties it is presumed that supply of fruits, vegetables, milk and milk products and ghee and vegetable oils will be more or less in proportion to the balanced diet requirements. So consumption of cereals and pulses is likely to decline to some extent—not appreciably because some allowance will have to be made for the fact that Indians generally are not meat-

eating people. Consumption of cereals and pulses during this decade has been taken at 17 ozs. and 3 ozs. per adult per day.

In the nineties, supply of supplementary and protective food is expected to increase further. This will result in decreased intake of cereals and pulses. So consumption of these two foodstuffs per adult unit per day during this period has been taken at 16.5 oz. and 2.5 oz. respectively.

To the net consumption requirements have been added the requirements of seed, feed and wastage (at the rate of 12½ per cent of the total output) and of stock and safety margin (at the rate of about 10 per

TABLE A-22

FOODGRAINS REQUIREMENTS BASED ON ACCELERATED CONSUMPTION

(In million long tons)

Foodgrains	1960-61	1965-66	1970-71	1980-81	1990-91	2000-2001
1. Population (Millions)	431	480	528	608	693	790
2. Adult units (Millions)	358	399	439	505	576	656
3. Consumption Requirements						
(a) Cereals	51.0	70.7	78.6	90.0	99.8	110.2
(b) Pulses	10.9	14.2	17.5	18.0	17.5	16.7
(c) Total (a+b)	61.9	84.9	96.1	108.0	117.3	126.9
4. Seed, Feed & Wastage Requirements						
(a) Cereals	8.0	11.3	12.7	14.6	16.2	17.7
(b) Pulses	2.0	2.3	2.8	2.9	2.8	2.7
(c) Total (a+b)	10.0	13.6	15.5	17.5	19.0	20.4
5. Stock Requirements & Safety Margin						
(a) Cereals	6.4	9.2	10.1	11.6	12.8	14.2
(b) Pulses	1.6	1.8	2.3	2.3	2.3	2.2
(c) Total (a+b)	8.0	11.0	12.4	13.9	15.1	16.4
6. Total Requirements						
(a) Cereals	65.4	91.2	101.4	116.2	128.8	142.1
(b) Pulses	14.5	18.3	22.6	23.2	22.6	21.6
(c) Total (a+b)	79.9	109.5	124.0	139.4	151.4	163.7



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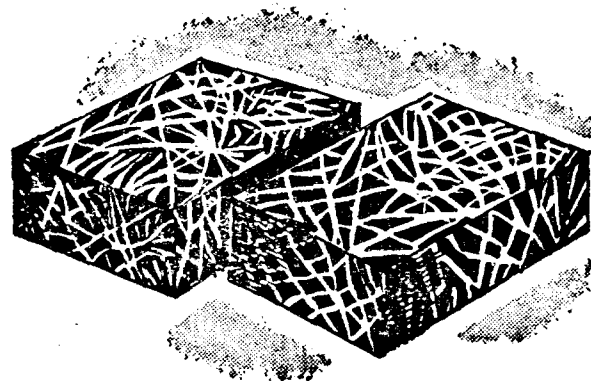
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cent of the total production). The overall demand for foodgrains in India on the above basis thus works out to 109.5 million tons (cereals 91.2 million tons, pulses 18.3 million tons) in 1965-66, 124.0 million tons (cereals 101.4 million tons, pulses 22.6 million tons) in 1970-71, 139.4 million tons (cereals 116.2 million tons, pulses 23.2 million tons) in 1980-81, 151.4 million tons (cereals 128.8 million tons, pulses 22.6 million tons) in 1990-91 and 163.7 million tons (cereals 142.1 million tons, pulses 21.6 million tons) in 2000-2001.

If, however, account is taken of the fact that feed requirements of livestock will go up (especially of the milch cattle) and growing urbanisation will necessitate greater allowance to be made for stock purposes, the

above estimates may prove to be only conservative (provided, of course, population growth maintains the assumed trend).

Now we turn to the likely demand pattern of other agricultural products during the next forty years.

The demand for cotton is closely linked with the demand for cotton textiles. In arriving at any precise future demand for cotton, a reference has necessarily to be made to the probable demand for cotton textiles. In a later section dealing with cotton textiles, estimates have been made in regard to the probable pressure of demand on this industry. It is assumed, for instance, that per capita consumption of cloth may not rise beyond 35 yards at the end of the present century.

TABLE A-23.

DEMAND FOR FOODGRAINS: 1960—2001

(In million long tons)

Based on Balanced Diet				Based on Accelerated Demand					
		Cereals	Pulses	Total			Cereals	Pulses	Total
1960-61	..	65.4	14.5	79.9	1960-61	..	65.4	14.5	79.9
1965-66	..	73.1	16.2	89.3	1965-66	..	91.2	18.3	109.5
1970-71	..	80.2	17.9	98.1	1970-71	..	101.4	22.6	124.0
1980-81	..	92.4	20.5	112.9	1980-81	..	116.2	23.2	139.4
1990-91	..	105.2	23.4	128.6	1990-91	..	128.8	22.6	151.4
2000-2001	..	119.8	26.6	146.4	2000-2001	..	142.1	21.6	163.7

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On this basis, demand for cotton textiles has been computed, adding to that the demand of yarn from hand-looms and powerlooms and the pressure caused by exports of cotton textiles. Taking all these factors into consideration and employing a rough and ready formula that 1500 yards of cloth are equivalent to a bale of cotton, estimates have been made in regard to the demand for cotton, decade by decade, for the next forty years. As against the present demand of about 6 million bales, it is estimated that demand will rise to 8 million bales in 1970-71 and to about 20 million bales in the last year of this century. How is this demand to be met? Shall we continue to depend on imports to meet our needs? For a long time, it seems, imported long-staple cotton will be needed for manufacturing fine cloth. But imports of superior quality cotton will have to be balanced by exports of our inferior short-staple cotton if we are to become self-sufficient in raw cotton requirements.

JUTE

For any reliable forecast of the future demand for jute goods, an analysis has necessarily to be made of not only the internal sources of demand, but also the world demand for jute goods. Dr. P. C. Bansal, in an article published in The Jute and Gunny Review (June 1960 issue) has made an assessment of the probable future world demand for jute products and India's share therein. He has come to the conclusion that, while new uses for jute are being found out, the threat to our jute manufactures from substitutes is real, and will determine to a large extent the future demand for jute products. Moreover, the latest techniques in bulk handling have also reduced the demand for gunnies. Taking all these factors into account, he has estimated that total demand for jute and mesta in the Indian Union will rise steadily to 14 million bales

in 1980-81. If the growth of economy takes place in the manner it has been visualised, the probable demand for jute and mesta will be in the region of 20 million bales at the end of the century. In other words, between 1960-61 and 2000-01, total output of Indian jute and mesta will have to increase nearly three-fold. Competition from Pakistan and other African countries is anticipated to be severe, but the overall world demand is expected to provide markets big enough for all the producing countries.

TEA

During the last decade domestic demand for tea has increased substantially. From about 7 ozs. in 1948 per capita consumption has steadily risen to about 11 ozs. in 1960. Production of tea has also increased; in 1958 and 1959, it was significantly above 700 million lbs. The setback in 1960 did lower the level of production somewhat, but it is anticipated that output will continue the upward course to meet the demands of both the domestic market and the foreign countries. By 1965-66, production is likely to rise to 850 million lbs. out of which 34 per cent will be for domestic consumption and the rest for exports. Bearing in mind the pattern of growth in domestic consumption as well as the demand from foreign countries, projections have been made which show that by 1980-81 the demand will amount to about 1,350 million lbs., nearly double the present level. At the end of the century, the demand is likely to be about 1,900 million lbs.

SUGARCANE, OILSEEDS, COFFEE AND RUBBER

Estimates have also been made on a rough and ready method, in regard to the future pattern of demand for such important agricultural commodities as sugarcane, oilseeds, coffee and rubber. Results are summarised in the table below:

TABLE A-24

DEMAND PATTERN OF OTHER AGRICULTURAL PRODUCTS (1960-61 TO 2000-01)

Item	1960-61	1965-66	1970-71	1980-81	1990-91	2000-01
1. Fibres						
Cotton (million bales)	5.6	7.20	8.04	10.90	14.70	19.40
Jute and Mesta (million bales)	7.5	9.0	10.7	14.0	17.0	20.0
2. Oilseeds (million tons)	7.6	9.5	13.0	19.0	25.0	32.0
3. Sugarcane (million tons)	72.0	92.0	115.0	145.0	170.0	190.0
4. Plantation Crops						
Tea (million lbs.)	710	850	1,000	1,350	1,650	1,900
Coffee (million lbs.)	90	140	180	270	380	510
Rubber* (million lbs.)	100	160	220	360	520	700

* Excludes synthetic rubber.

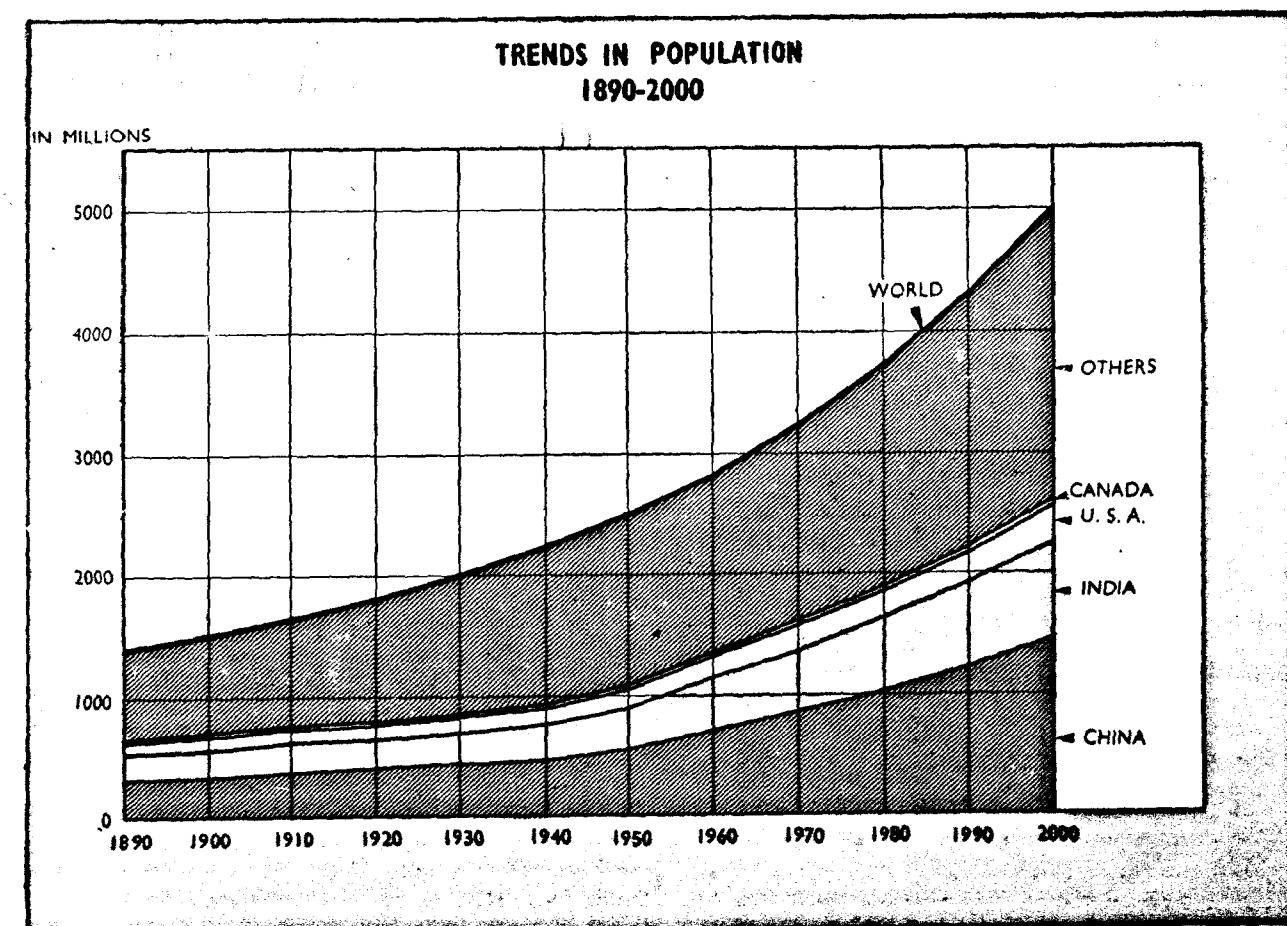
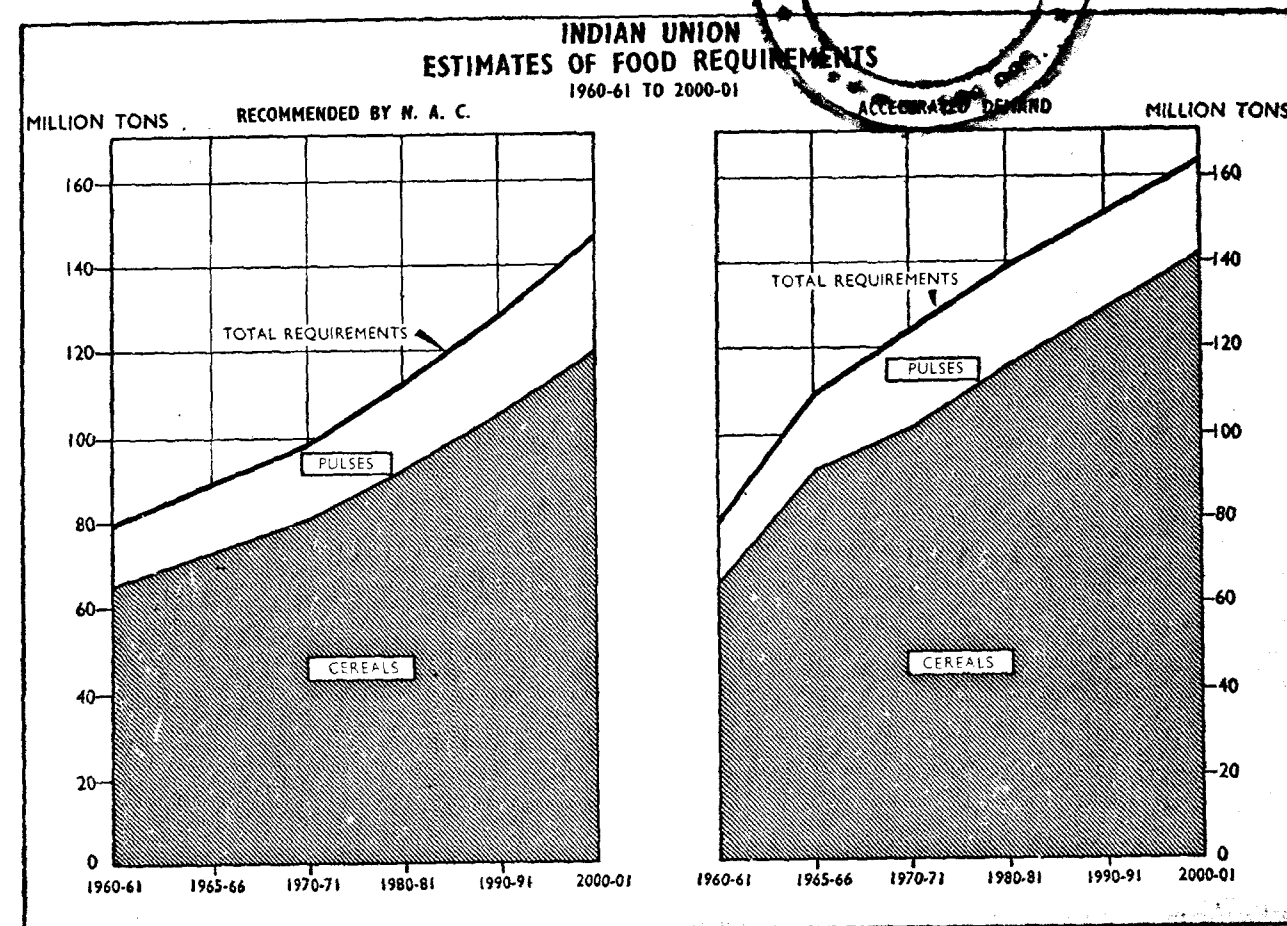
An Agricultural Policy For India

SO THE DEMANDS that Indian agriculture will be required to meet, if this country is to achieve in the next forty years anything like the prosperity that North America enjoys today, are stupendous indeed; they call for herculean efforts. But the task is by no means beyond India's capacity. What is required is a strong determination to achieve the goal and the translation of that determination into action.

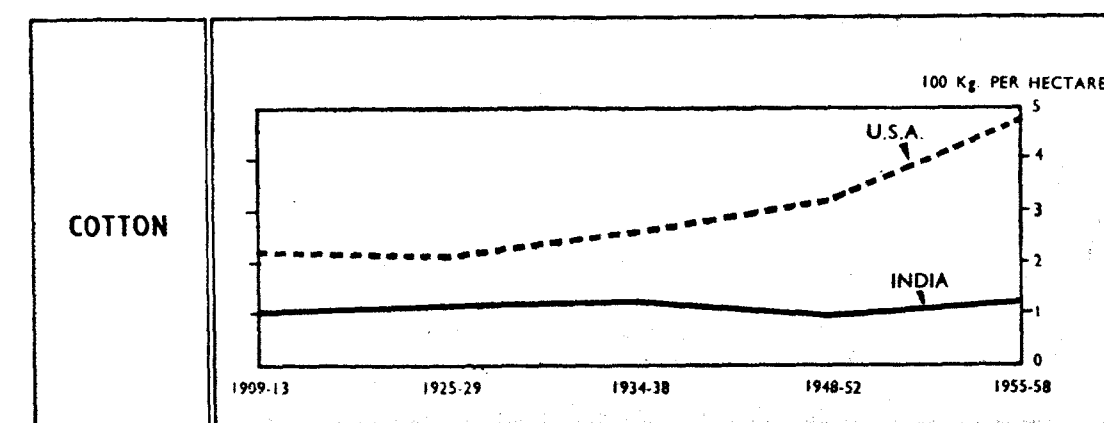
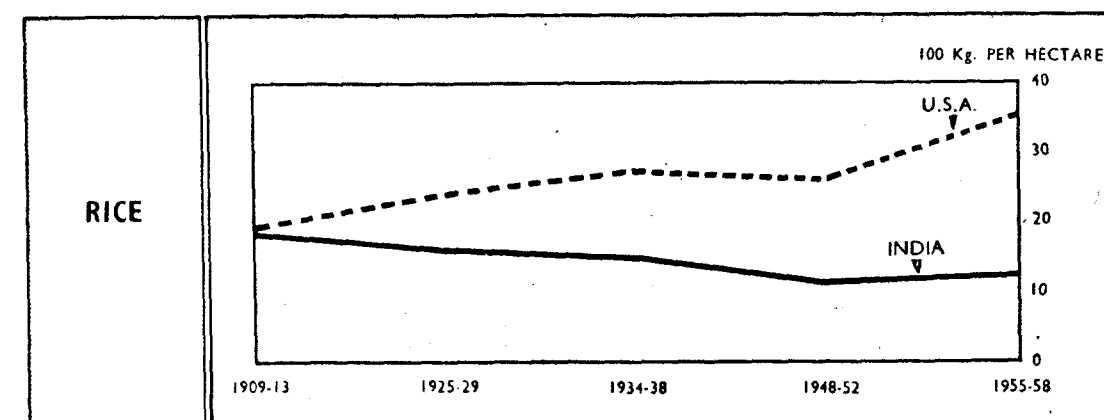
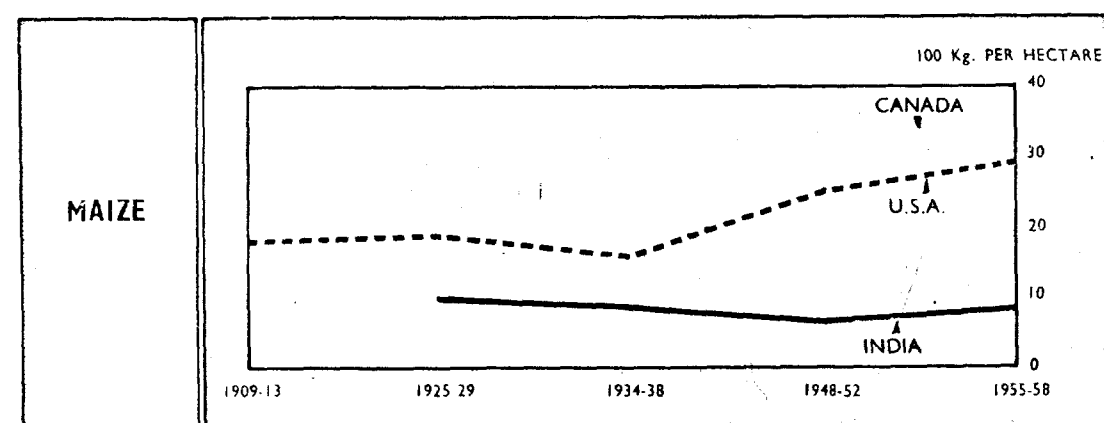
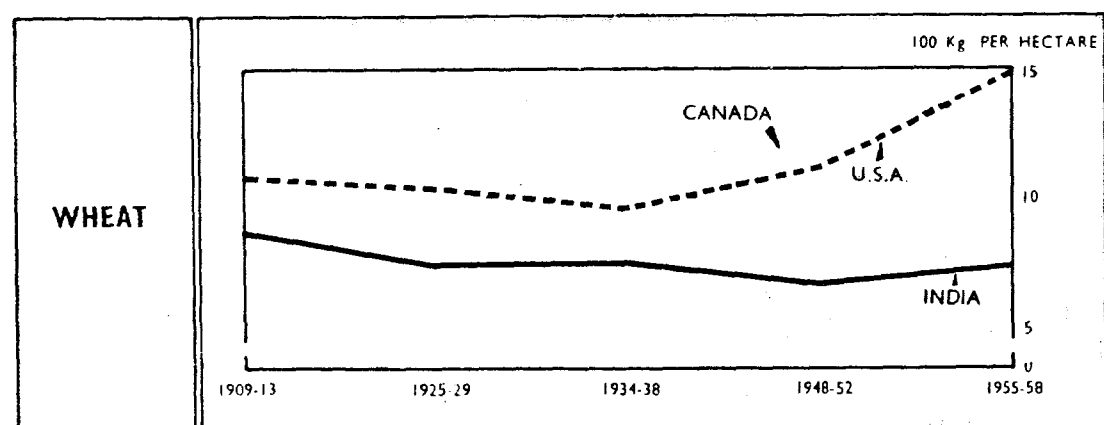
The way US agriculture has developed during the past few decades has some lessons for us; we will do well to grasp them. The economic systems of both India and the United States are continental in character; both the countries have vast domestic markets for their products, agricultural as well as industrial. Further, in both the countries, an individual's right to own

property is guaranteed under the Constitution. The pattern of development to India, therefore, can very well be similar to that of the United States, especially when India has chosen to tread the path of democracy.

The most important lesson that India has to learn from the United States in the field of agriculture is that if farm and livestock yields are to be raised, there is no other short-cut to achieve this than through massive application of modern technology to both farming and animal husbandry. And there is no escape from increasing yields per unit area and per head livestock in this country. With land resources limited, the growing needs of an expanding population can only be met through higher yields. Increase in population will require shifts in the pattern of land use; land available

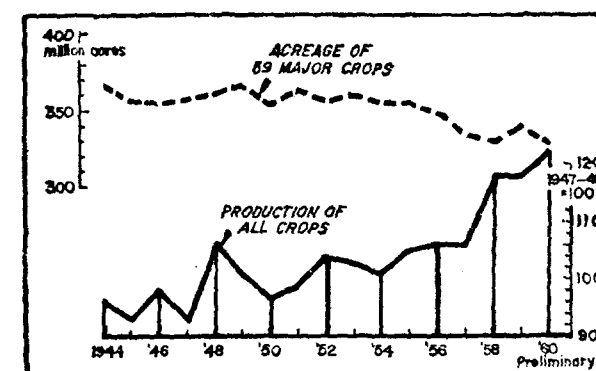


TRENDS IN AGRICULTURAL PRODUCTIVITY : 1909 TO 1958



for cultivation will gradually become less. And land can be released from cultivation—especially when it has to meet far greater demands than it does today—only if yields per unit area are pushed up. That has been the process in the United States and elsewhere. It cannot be different here.

GRAPH A-4
SHIFTS IN LAND UNDER CULTIVATION
IN U.S.A.



FERTILIZERS AND PESTICIDES

The only way to increase farm yields in India in the immediate future is through application of more and more fertilizers, pesticides and insecticides. It is heartening to note that realisation has dawned on the Government that import of chemical fertilizers to augment the meagre domestic supplies will pay more than depending on imports of foodgrains, even on PL 480 account, to meet deficit of food in the country. Relentless efforts that are being made to increase production of fertilizers by setting up new fertilizer factories in the country are equally welcome. But, while increasing the availability of fertilizers through greater indigenous production and more imports, attempts should be made to diversify their application. True, nitrogen is the limiting factor of fertility of soil in India. But the Indian soil does react favourably to potash and phosphoric acid when applied in conjunction

with nitrogenous fertilizers. A study made by Potash-chem in Bombay and Madras sometime ago confirmed this.

IRRIGATION AND SEEDS

Along with fostering the use of fertilizers, it is imperative that irrigation facilities should be developed fast and improved seeds should be made available to the agriculturist in the requisite quantity; then only the fullest benefits of use of fertilizers would be derived. The past mistakes of digging distribution channels after the completion of irrigation works have obviously to be avoided. The seeds distribution system has also to be improved; complaints have not been infrequent in the recent past of seeds being made available to the agriculturist sometimes even after the sowing season. The setting up of a separate corporation in the public sector to handle the work of multiplication of seeds and their distribution would be a step in the right direction; the task will only grow in the years to come.

Extension of the package programme for agriculture, under which all the means of agricultural production are provided to the agriculturist in adequate quantities at the right time can also go a long way in raising farm yields. There is also need at present to fix support prices for foodgrains as with the conclusion of the Indo-U.S. food deal last year, the food situation in this country has changed radically. This is necessary to avoid any shift in land from under foodgrains cultivation at least till the time yield per unit area goes up substantially.

MECHANISATION

From the long-term point of view it is essential that we should start thinking in terms of mechanising our agriculture. Tractorisation in India can, of course, progress only slowly. The holdings of majority of Indian agriculturists being small and uneconomic, their financial position being vulnerable and labour being available in abundance in the countryside, resort to

TABLE A-25
LAND UTILISATION IN INDIA AND OTHER COUNTRIES
(Figures in thousand hectares)

Country	Geographical Area	Forest Area	Built on Area, Waste Land and Other	Arable Land & Land under tree crops	Permanent Meadows and Pastures	Total Cultivable Area	Unused but Potentially Productive Land	(7) as per cent of (2)	(8) as per cent of (2)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
India	328,888	51,030	84,160	160,006	12,207	172,213	21,485	52.4	6.5
Pakistan	94,667	2,092	67,849	24,726	—	24,726	—	26.1	—
Japan	36,977	24,998	5,913	6,066	—	6,066	—	16.4	—
Burma	67,795	39,094	11,271	8,582	—	8,582	8,488	12.7	12.5
Thailand	51,400	32,129	11,478	7,793	—	7,793	—	15.2	—
U.S.A.	782,798	259,363	73,099	188,309	255,927	444,236	6,100	56.7	0.8
Canada	997,438	341,963	520,278	40,600	21,876	62,476	72,721	6.3	7.3
Brazil	851,384	517,936	172,409	19,095	107,633	126,728	34,311	14.8	4.0
Argentina	277,841	99,400	35,290	30,000	113,151	143,151	—	51.5	—
France	55,121	11,562	4,704	21,436	13,178	34,614	4,241	62.8	7.7
Italy	30,123	5,793	2,323	15,854	5,122	20,976	1,031	69.6	3.4
Netherlands	3,245	264	677	1,036	1,268	2,304	—	71.0	—
U.S.S.R.	2,240,030	880,317	768,658	221,366	369,689	591,055	—	26.4	—
Poland	31,173	7,507	3,263	16,223	4,180	20,403	—	65.5	—
Yugoslavia	25,580	8,831	1,782	8,327	6,640	14,967	—	58.5	—
Egypt	100,000	1	96,373	2,610	—	2,610	516	2.6	0.5
Ghana	23,787	15,200	3,277	5,310	—	5,310	—	22.3	—
Nigeria	96,672	32,062	42,293	22,317	—	22,317	—	23.1	—
Australia	770,416	39,860	268,089	24,762	437,705	462,467	—	60.0	—
New Zealand	26,867	9,300	3,983	479	12,623	13,102	482	48.8	1.8
WORLD TOTAL	13,531,000	3,987,000	N.A.	1,395,000	2,569,000	3,964,000	N.A.	29.3	N.A.

Source: F.A.O. Production Yearbook, 1959.

large-scale tractorisation can be thought of in this country only in the distant future when growth of industry and the tertiary sector would be able to decrease the pressure of numbers on land or when co-operative farming on small and uneconomic holdings becomes the order of the day. In the meantime, efforts should be directed to foster the use of lighter and smaller machines as is done in Japan where size of land holdings is as small as in this country. The Government, it is understood, has already sanctioned the setting up of a unit to manufacture Japanese type farm machines and implements in India in collaboration with a Japanese firm. These machines and implements may be made available to the Indian peasant on hire-purchase basis.

While it is understandable that the tractor can be made use of in Indian agriculture only to a limited extent at least for many years to come, it passes one's comprehension why retrograde steps should be taken to drive it out of use in areas where it has already been harnessed for various agricultural operations. An instance of this is to be found in the decision of the U.P. Government to apply land ceilings on farms in the Terai region. These farms, compact blocks and quite efficiently managed as they are and on which heavy investment and permanent structural improvements have been made, should have remained exempted from the purview of land ceilings according to the declared agrarian policy of the Government. The excuse for breaking up these farms to resettle refugees from East Bengal does not hold water. These refugees could be resettled elsewhere.

The long-term agricultural policy has also to have as its component the bringing of culturable wastes under the plough. There are nearly 21.5 million hectares of potentially productive land which are lying unused in India today. It should be our aim to harness this land for cultivation in the next ten to fifteen years. The difficulties in the way would be many, but they are not insurmountable. The Uppal Committee, which at present is going into the question of utilization of wastelands in India, has already submitted its proposals in respect of reclamation of culturable wastes in the Punjab, West Bengal and one or two other States. The State Governments, which are the primary agencies

connected with this work in this country today, would do well to concentrate their efforts in this direction. The record of some of the States in respect of this crucial activity so far has been far from encouraging. It is hoped remedial measures in these States will be taken soon.

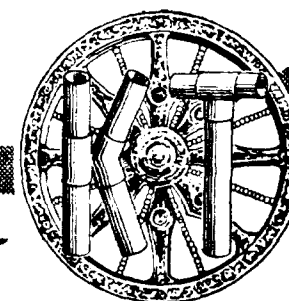
To increase the supply of supplementary and protective foods, it is essential that proper attention should be paid to development of fisheries, poultry, fruit and vegetable gardening and improvement of livestock. In a way this should have top priority in our plans, for if development in these fields lags behind, our dreams of having balanced diet in the next fifteen to twenty years would be shattered. If, on the other hand, supplies of these foods can be increased in a short span of time we can release some land from foodgrains cultivation for growing industrial raw materials.

Not all the supplementary and protective food that we produce today is being utilised fully. Attempts need to be made to make full use of the existing resources through better preservation and transport of these food materials.

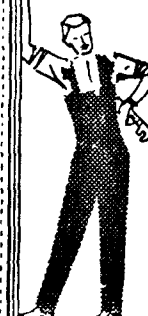
The supply of milk and milk products can, however, be increased only if the quality of our milch cattle is improved. The biggest hurdle in the way of improving the quality of livestock in India is the disproportionately larger number of cattle that we have. Religious sentiments of the majority of Indians do not allow slaughter of even the unnecessary and useless cattle, especially of cows. Their number can only be decreased, and that too gradually, by such measures as compulsory confinement of studs kept for natural service, mandatory castration of young ones not required for breeding and compulsory sterilisation of surplus cows and heifers etc. There is need also to reorientate crop pattern so that production of animal feed may be increased. In the United States and Canada, nearly 90 per cent of corn produced goes to feed cattle. That explains the high milk and meat yields of the livestock there. In India this position can arise only when enough food is available for human consumption. Extension of mixed farming can, however, be helpful in this regard in the short-term.

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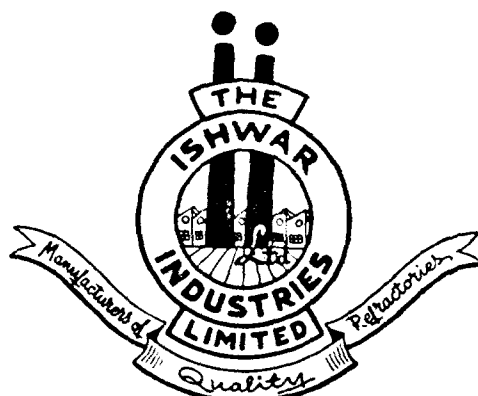
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Industrial Growth—Lessons from American Achievements

MASSIVENESS OF U.S. ECONOMY

Americans spent in 1959, 28,000 million dollars or roughly more than the entire outlay of India's Third Plan, on their clothing and about 10,000 million dollars, i.e., slightly less than the first Five-Year Plan outlay, on personal services ranging from cosmetics (\$2,500m) to dry cleaning expenses (\$1900m). The massiveness of such an economy appears on first sight something which is on too fantastic a level for any other country to aim at. For India, whose national income is roughly 6 per cent of America's can American experience be of any practical utility?

More than the present, the future outlook for Americans is so spectacular as to be for us breath-taking. Within the next ten years American Gross National Product is expected to increase by 50 per cent touching, what appeared before an unlikely achievement, of 750 million dollar level. Even this level is destined to be one of a short period glory, only to be surpassed by the two trillion economy which is over the corner by the turn of this century. Thus, it is more the causes that are to be probed rather than the physical divergence, for the former may provide pointers to things that could be emulated while the stupendous physical quantities can help in no way but leaving one in awe.

Such spectacular rises in the United States economy are essentially the results of three factors. Firstly, the technological revolutions in both the processes of production as well as management and sales, that contributes so much for a better and more economical use of materials (which are bountiful for America to start with, but which are not likely to last at this rate of depletion) and secondly, the continuous increase in labour productivity, which again has touched during 50's the unprecedented 3 per cent annual increase. Lastly, but by far the most important differential advantage, America has and will have over the other industrially advanced countries, is the existence of mass markets at home, enabling firms to put in costly programmes for developing the first two contributive factors by large research outlays and larger capital outlays.

It is the last factor coupled with the equally abundant supply of raw materials that makes it possible for India to aim at perhaps with an equal success, such hopeful future, bountiful as well as lasting. The bounty of American resources is mainly due to the late start in their exploitation as compared to old world. But India, though its outer soils are exploited from times immemorial, has vast resources within it, whose utilisation has but commenced recently. Thus, India is, perhaps, a "newer world" as compared even to America and its potentialities are bound to be as breath-taking, if not more. As about markets, India is the largest free market available anywhere in the world with about 400 million people with practically unlimited wants.

America and India are incomparable in physical terms as at present. But in perspective there seems to be nothing, which makes comparability of these essentially continental economies with large free markets and large resources, really untenable.

MASS MARKETS—AS DRIVING FORCE

The United States accounts for 44% of the world's manufactures and an equal amount in world's mining output. But against this, it is interesting that American share in the world's trade is rather small (8% on

average) when compared to smaller economies who are more dependent on external resources. This relative self-containment of America is typical of such continental system and India, when once it attains the status of self-generating economy, is bound to be of a similar type. Thus, in both cases, it is the markets within that would provide spurts to industrial production.

American disposable incomes by 1975 would rise to a level 500 billion dollars, i.e., as much as the total G.N.P. in 1960. Apart from the vast magnitude of this consumer spending, it is the radical change in the pattern of such spending which has the greatest significance. This rise in incomes leaves roughly half of it in the "discretionary belt" that is where choice, and a multiple choice in general, over the spending of this is provided to consumers. What would be the Indian experience in this respect?

GROWTH IN "DISCRETIONARY" MARKETS

Since independence both the industrial growth as well as the pattern of consumption show trends which are similar even though in physical quantities the rises are highly modest. On these trends, per capital incomes are expected to increase more than three times and per worker incomes for the first time touches almost Rs. 3,000 level by the turn of this century. The discretionary component is steadily rising and by 1970-71, it is expected to reach 27% of the total disposal income. On the basis of National Income projections provided in an earlier section and assuming the capital formation or savings takes away successfully 14%, 17%, 19% and 20% in the decades ending 1970, 1980, 1990 and 2000, the disposable incomes will be of the order of Rs. 49 billion in 1970-71 and would rise to a level of Rs. 241 billion by the end of the century. This seven-fold rise in National income would generate "discretionary income" which will be of the order of 33% of the total disposable income or in other words a five-fold rise since 1970-71. This phenomenal increase will have effects on production in general and particularly of durables and indirectly on such basic materials like steel, which will be as spectacular as have happened in America. The per capita income of Rs. 1,157 leading to a family income of around Rs. 5,000 will have as explosive results as even now the 5,000 dollar level exerts on an American family. What this 'income explosion' would mean in terms of demand for goods and in consequence on the Industrial Production is examined in brief in the following sections.

These should confirm, that quantitatively however, dissimilar is the comparison—even by the turn of the century India's steel production may be still roughly half of the U.S.A.'s—when the pattern or structure of society industrially as well as otherwise is considered there could be no doubt as to the absolute relevance of this comparison.

Nowhere, perhaps, such a huge potential driving force in the shape of free and large home markets for furthering of industrial production can exist. No proviso to exclude the U.S.S.R. and China to this statement seems to be necessary. The rates of growth in centralised economies and in the recovering European economies are, no doubt, higher. In fact, the declining proportions of American share in world's output since 1953 clearly indicate that growth even in the free under-developed countries and in free Europe have been progressive. Within a given time which cannot certainly be a short one even in case of Russia, whose rate of growth has been ruling at twice

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the level as in the U.S.A., a comparable giant to the U.S.A. in terms of gross national product is a remote possibility. But still, in sheer diversity, and in welfare terms, meaning thereby not only the quantity of goods but of quality of choice that is provided by the economy, a comparison with the U.S.A. can only be sought among free economies with mass markets. India is, perhaps, the only country which can generate and sustain such levels of production, consequent on huge markets it can have, in some future time, however distant it may be.

The massive character of the American economy which has been described does not entirely explain precisely how the dynamic character of the American economy has established itself at what, over a long period, is described as an all-time high. For the period from 1868 to 1929, the average rate of growth according to Prof. Kuznets was 3.8 percent per year. On this basis, which is also reflected in the post-war experience from 1945 to 1959 considered as one piece, the United States doubles its gross national product over twenty years. Should this continue, the G.N.P. of 500 billion dollars today would become a thousand billion dollars in 1980, and 2,000 billion dollars in 2000. This is the current G.N.P. of the world. In other words, forty years from now, the United States itself might have a G.N.P. equal to that of the entire world at the present time. It is not likely that any group or units will become competitive with the United States at this rate. This has decisive economic and military implications. It is extremely unlikely although this point is often argued, that the Communist countries will catch up with the Free World.

The fact itself is probably less important than the means by which the built-in strength of the American economy has been maintained over so long a period of time. The unique character of the American economy is that the productivity of the economy shows itself in every sphere, agriculture, industry and the tertiary occupations—in the last more than in the first two. The growth of "services" is currently more dynamic than the growth in both agriculture and industry. But the essential mark of American development is the application of 'scale', a phenomenon not visible in other countries. The Americans have succeeded in adding a new dimension to the capacity to produce and the capacity to consume which has produced this out-sized giant producing and consuming apparatus. The effect of size is fundamentally to be associated with two concepts.

Firstly, the spectacular use of technology, and, secondly, the expansion of markets. They are, indeed, related since labour saving and automatic machinery can only be employed effectively where the market is very large. The point to be appreciated is that the Americans made the market and did not find it there. The conspicuous example for this is that of Ford Motor Company in which Henry Ford raised the wages of his workers ahead of the market for cars. The use of technology in American sense has been quite different from European experience where methods have always been inhibited by the fear that the market was too small. The first step that we should study is the growth of the markets in the United States in relation to, say, a European market of the same commodity. One such obvious commodity is automobiles. Another is radios; the third might be refrigerators, followed by washing machines.

The second important point, namely that the exploitation of increasing returns is limited by the extent of markets, was first demonstrated by the American Economist, Leyon Young, who wrote in the Economic Journal in the twenties, on the point that the economists have over-simplified the benefits for increasing returns which could not improve so quickly the limitations of the markets which prevented the exploitation.

The Americans alone in the first half of the century made what was called the 'break-through' on both the technological and market fronts, partly because the Europeans were unable to make the break-through on the market front, and partly because their technology was also a little behind, although in some countries, notably Germany, comparatively efficient.

At the beginning of the century high maturity and mass consumption ran together. This was because the problems of technology and markets were simultaneously solved by American businessmen. For many years, indeed—perhaps for nearly a century—the leading West European countries remained in a stage of high maturity without entering the field of mass consumption. The mass consumption outlook has only overtaken the West in the post-war decade with, of course, a few exceptions such as soap. Indeed, in a few cases, where Europe made a break-through to the mass consumption market, it was primarily American experience which was the decisive because of new orientation.

The contention of the Eastern Economist is that we are markedly influenced by the European dilemma of the utilisation of modern technology because of the limitation of the size of the market and we have an even greater limitation in that we have an unemployment problem more obstinate than any that has faced the Europeans. Nevertheless, the fact remains that if we are to attain a mass consumption stage, it may be necessary to begin with a mass consumption outlook. That is very far from being the case in the Indian Union at the present time.

INDIA AND AMERICA: PROBLEMS OF TECHNOLOGY

It is obviously impossible for the Indian Union to measure itself against the United States in regard to the exploitation of either technology or the size of the markets. It is not impossible, however, for the Indian Union to measure itself against any European country or against Japan and to surpass them within a measurable time. For, in terms of industrial raw materials, the Indian Union is far more happily supplied than is any continental country or Japan. In the case of cotton, iron ore, coal reserves, etc., there is likely to be no major shortage. Significant shortages are likely to appear in respect of oil (still to be proved), coking coal (of which new deposits hold promise) and of metals particularly in the copper-lead zinc, tin group, where for industrial purposes, India will almost always be short. This gives special point to the exploitation of technology which has been, as stated previously, the source of American industrial strength. The President's Raw Material Policy Commission (The Paley Report) was conceived against what is described as "the threat of slowly fading supplies which, if not compensated, could produce a rise in cost to the point of arresting those increases in the standard of living which have hitherto constituted America's major contribution to the economies of a truly dynamic capitalism." India's problem is exactly similar in that our raw material situation hinders transition from the relative stagnant economy of the early fifties to the growing economy of the sixties and to measure up to the vision of economic development which has been set out in the earlier sections.

RAW MATERIALS PROBLEM

It is not generally recognised that the United States and the Indian Union have thus common problem of developing raw materials on a scale adequate enough to sustain continental systems. It is, however, clear that even in respect of a million tons of paper, (a basic consumer good) we have had to call in bagasse, a raw element not used in big paper making

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countries. Similarly, in regard to timbers, notwithstanding the fact India has got remarkable wealth in the Himalayan regions and the Central India, both soft woods and hard woods (such as sleepers) are in short supply. But the United States is developing over the years solutions to adjust such problems. And what might be described as the common technological challenge to India and the United States is largely to be found in the solution, by chemical and engineering research, to raw materials' problem and by production research to economise the use of those in short supply. More precisely, the Paley Commission described the demands which the raw materials problem placed upon technology under six main heads: "(1) To foster new techniques of discovery; (2) to bring into the stream of use materials which so far evade our efforts; (3) to apply the principle of recycling more and more broadly; (4) to learn how to deal with low concentrations of useful materials; (5) to lessen or eliminate the need for a scarce material by substituting one that exists in greater abundance; and (6) to develop and use more economically the resources that are renewable in nature."

These are also, it is true, the problems of whole world, but the current stage at which they are operating in India and in the United States make our problems more alike than elsewhere.

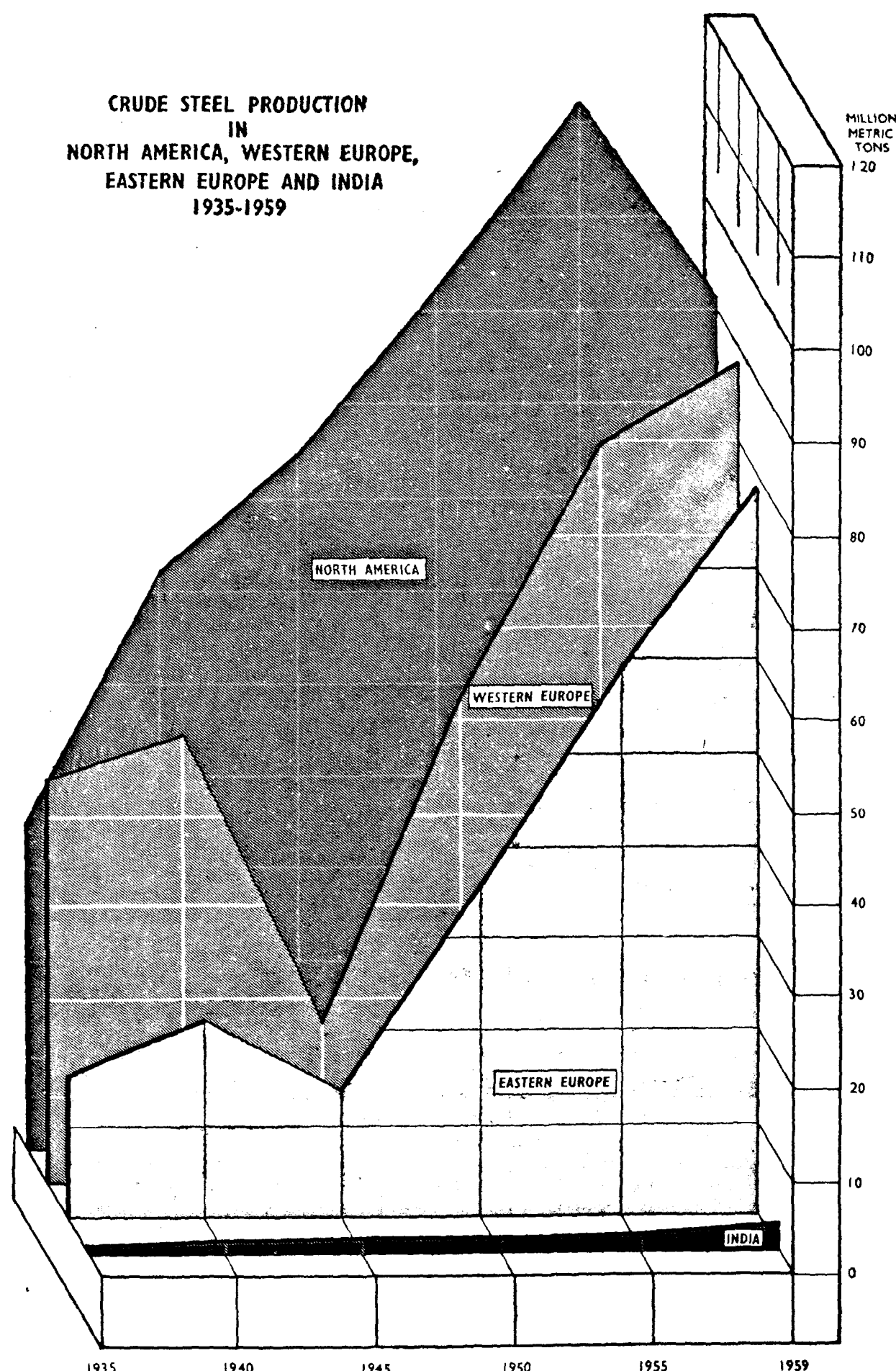
NEED FOR INCREASED COLLABORATION

This constitutes one of the major problems of co-operation between the two countries. Another is the question of means by which technical "know-how", where necessary by way of plant and machinery, can be obtained. Here historical development has been disappointing, as American business investment at Rs. 59.85 crores by the end of 1958, is regrettably small. But the current is flowing strongly at the present time, and collaboration agreements are beginning to take on both qualitatively and quantitatively a far more imaginative pattern. In particular, new process such as those for synthetic rubber and for various kinds of chemicals have entered India from America for the first time. Similar is the case with petro-chemicals which are to be developed at Visakhapatnam from the refinery. American methods of operation in the automobile industry are also being exploited in association with both the major units in the country. Union Carbide associates have brought in a whole range of chemical processes as well as their main line of "flash-lights and batteries".

INDUSTRIAL ORGANISATION

Not the least of America's achievement in the industrial field is connected with the pattern of her industrial organisation. In essence, this has been a supreme application of the principle of division of labour which is as old as Adam Smith and as common as every factory after the industrial revolution first dawned. But the American applications have been made possible by the vastness of the market and resulted in the extension of division of labour to limits, firstly, not actively sought and secondly not actively exploited in other countries. The most general illustration of this remarkable capacity of division of labour is to be found in the automobile industry where the great giants, the General Motors, Ford and Chrysler did not make in all their factories, more than 25 to 30 per cent of the total value of the product. This is also illustrated in the great public sector undertakings in the United States where single projects in the Navy or in the Army might have 2,500 to 3,000 contractors. Great techniques of co-ordination of production, sales and assembly are thus associated with every industrial factory. And not the least of the achievements of the United States is in the formulation of these techniques. One illustration of the capacity of management in the United States to adjust itself to these conditions which it has created, is the application of computers to a series of calculations which enable the optimum distribution of functions to be obtained under a very wide range of what is called "operation industrial management." Quite apart from the problem of breaking down an industrial problem into its theoretical and operational components, vast flow of academic research on these subjects is financed by industry directly so that universities and industrial units in the public and the private sectors have a flow of knowledge which is almost unique to the United States. A particular illustration which has recently received notice by imitation — as imitation is the sincerest form of flattery — is described as the "line of balance", i.e., a scientific technique worked out mathematically by the American Navy to co-ordinate all elements in a construction unit so as to provide, firstly, a continuous running check on the rate of progress, and secondly, a check on the pattern of expenditure. The line of balance fixes a point at which both should run for optimum utilisation of both factors. This technique has obvious applications in this country both in the public and the private sectors.

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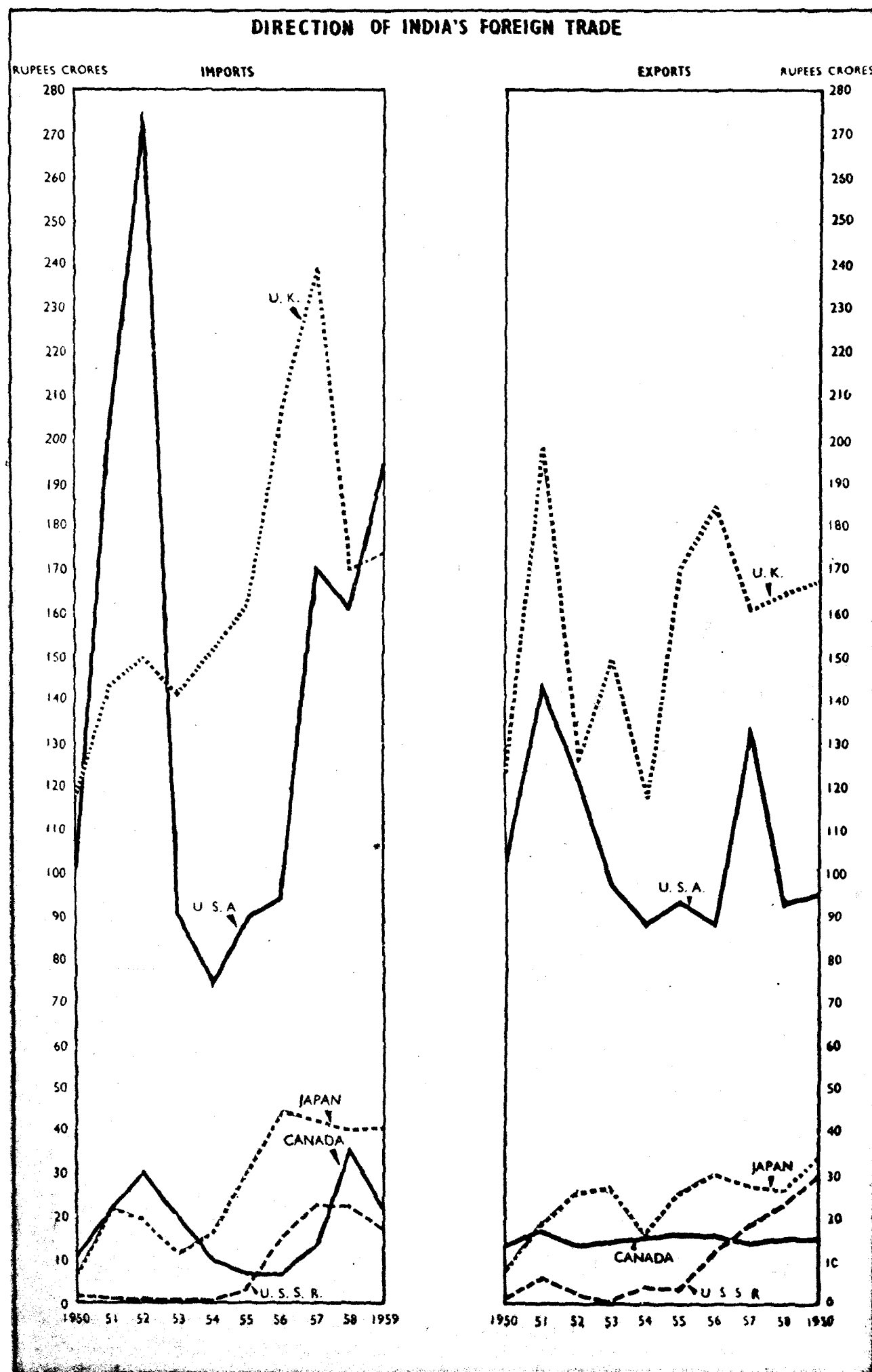
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Industrial Growth: 1950-51 To 2000-01

"THE EASTERN ECONOMIST" in its Annual Number, 1956, made broad estimates of the pattern of growth of the industrial structure in terms of an all-India index of industrial production with base 1951=100. It was anticipated five years ago that industrial production during the Second Plan would rise by not more than 50 per cent. The index which stood at 130 at that time was anticipated to rise not beyond 194. Present estimates indicate a more optimistic picture. It is estimated by the Planning Commission that the level of the index is likely to rise to about 221 in 1966 as against 139 (revised) for the last year of the First Five-Year Plan. In view of this new dynamism which has been imparted to the industrial structure during the Second Plan and also because of the expanded industrial programmes during the Third and the Fourth Plans, the rate of progress is anticipated to be much higher. Recent progress has shown a rate of rise of more than 10 per cent per annum with spans of relative stagnation due to foreign exchange difficulties. In the table below are presented estimates of growth in the level of industrial production in terms of index numbers. In the earlier years, the rate of progress anticipated is a little more than 10 per cent per annum. As the structural base of the industrial economy broadens, it is anticipated—in line with the experience of other countries—that the rate of progress in percentage terms would definitely slow down. The index shows the multiplication of the present level of industrial production to eight times.

THE INDEX OF INDUSTRIAL PRODUCTION

1955-56—2000-01

(Base: 1951=100)

Year	Index
1955-56	139
1960-61	221
1965-66	362
1970-71	440
1975-76	650
1980-81	850
1990-91	1300
2000-01	1700

Steel Industry

THE UNITED STATES of America has been truly described as a giant amongst the producers and consumers of steel in the world. With a capacity of more than 145 million tons, it produces a little more than one-third of the total steel output of the world. It is true that during the period 1945-49, the United States produced more than half the total output of the world but it was due to the widespread destruction caused all over the world by World War II and the consequent fall in the share of the main producers in Europe. The European recovery brought down U.S.'s position only in percentage terms since there has been a steady increase in absolute terms. Between 1950 and 1960, the capacity of the U.S.A. in the steel industry registered a spectacular growth of 50 per cent from 100 million tons to nearly 150 million tons. The rate of growth of the U.S. steel industry, in fact, has been much superior to that of any other country including the U.S.S.R. with all its central planning and totalitarian control. The manner in which the U.S. gross national product has been growing till 1960 and is anticipated to grow in the future, the consumption of steel in the U.S.A. will certainly continue to rise.

What will be the total consumption of steel 40 years from now, in the world, in the United States of America and in India? The Economic Commission for Europe has attempted long-term trends of the European steel industry; since the steel industry of Europe could not be studied in isolation, the estimates were made by the Commission in regard to regional patterns of growth, country by country and continent by continent. The Commission has made projections upto the period 1972-75 only. The findings of the Commission are set out in the tables on page 114 and 117. It will be seen from the table that the total steel consumption in the world was estimated to rise from about 297 million tons in 1957 to 631 million tons in 1972-75. This shows that steel consumption in the world would more than double in 25 years, though the per capita consumption of steel would rise by only 80 per cent from 106 kilograms in 1957 to 189 kilograms in 1972-75. Per capita consumption in the U.S.A. is likely to be the highest.

Western Europe at the end of the next 25 years is likely to raise its consumption to a little more than half of the per capita consumption of steel in the United States of America. In the case of the Indian Union, it is estimated that the total consumption may be in the region of 28 million tons, which seems to be quite a realistic estimate. If this is achieved, it will take per capita consumption to 60 kilograms, only one-third of the average per capita consumption in the world. The total consumption of steel in the United States is estimated to rise not beyond 145 million tons in 1970-75. It means that the capacity of the U.S. steel industry will definitely cross the 200 million mark. Recent history of the steel industry in the U.S.A. has shown that there has been a large unutilised capacity in the United States. The forecast made by the United States seems to be influenced by this relationship between actual consumption of steel and the installed capacity.

The Indian Union had set before itself the target of 6 million tons steel (ingots) in 1960-61. It is now clear that because of the stresses and strains through which the Second Plan passed, there is likely to be a major shortfall in the production target of steel. Even though the capacity for 6 million tons has been set up, actual production will take some time to reach that target. In the year 1960-61, the total output of steel (ingots) is not likely to exceed 3 million tons. The Indian steel industry looks forward to the future with great hope. The draft outline of the Third Plan has placed the target for 1965-66 at 10.2 million tons of mild steel (ingots). If this target is realised there will be ample scope for expansion in the Fourth and the Fifth Plans to speed up expansion so as to reach the target of consumption at 28 million tons estimated by the United Nations. In the last 25 years of the present century, it will not be difficult to add another 25 million tons so as to take the total to 50 million tons. In other words, by the end of the century, per capita consumption of steel in the Indian Union will be about 100 kilograms—the same as the present per capita consumption in the world.

STEEL CONSUMPTION IN 1957 AND ESTIMATED TREND VALUE FOR

1972-1975

(Thousands of tons crude-steel equivalent)

COUNTRY	1957		Trend-Value 1972-1975		Percentage Increase	
	1,000 Tons	Kg. Per Capita	1,000 Tons	Kg. Per Capita	Absolute	Per Capita
Austria	1,444	206	3,090	420	109	104
Belgium-Luxembourg ..	2,929	315	5,200	505	78	60
Denmark	912	203	1,900	385	108	90
Finland	923	213	2,100	420	128	97
France	12,770	290	25,000	545	96	88
Saar	800	800	1,000	900	25	13
Greece	271	33	800	84	195	155
Ireland	155	53	300	105	94	98
Italy	6,733	139	16,000	320	138	130
Netherlands	2,876	261	6,500	524	126	101
Norway	907	260	1,800	474	98	82
Portugal	392	44	1,200	114	206	159
Spain	1,614	55	5,200	167	222	204
Sweden	3,096	420	5,000	625	61	49
Switzerland	1,360	266	2,700	463	99	74
Turkey	298	12	1,500	45	403	275
United Kingdom	19,116	372	32,000	611	67	64
West Germany	21,097	393	36,000	653	71	66
Yugoslavia	1,124	62	4,200	208	274	235
Total Western Europe ..	78,798	229	151,500	411	92	79
Bulgaria	496	65	1,700	194	243	199
Czechoslovakia	4,814	361	10,700	649	122	80
East Germany	4,476	256	7,300	405	63	58
Hungary	1,514	154	2,500	236	60	53
Poland	4,932	174	11,500	390	133	124
Rumania	1,442	82	4,100	216	184	163
U.S.S.R.	49,337	243	113,000	465	129	91
Total Eastern Europe ..	67,011	223	150,800	444	124	99
Canada	6,689	403	12,800	625	91	55
United States	97,178	568	145,000	715	49	27
Total North America ..	103,867	553	157,800	701	52	27
Argentina	1,409	71	3,500	134	148	89
Brazil	1,876	31	6,500	86	246	177
Chile	498	70	1,000	122	101	74
Colombia	389	30	1,200	71	208	137
Cuba	290	45	600	77	107	71
Mexico	1,351	43	3,600	90	166	109
Peru	179	18	600	50	235	178
Uruguay	141	53	300	96	113	81
Venezuela	1,556	254	4,000	432	157	70
Others	476	15	1,000	30	110	100
Total Latin America ..	8,165	42	22,300	89	173	112

(Continued on page 117)

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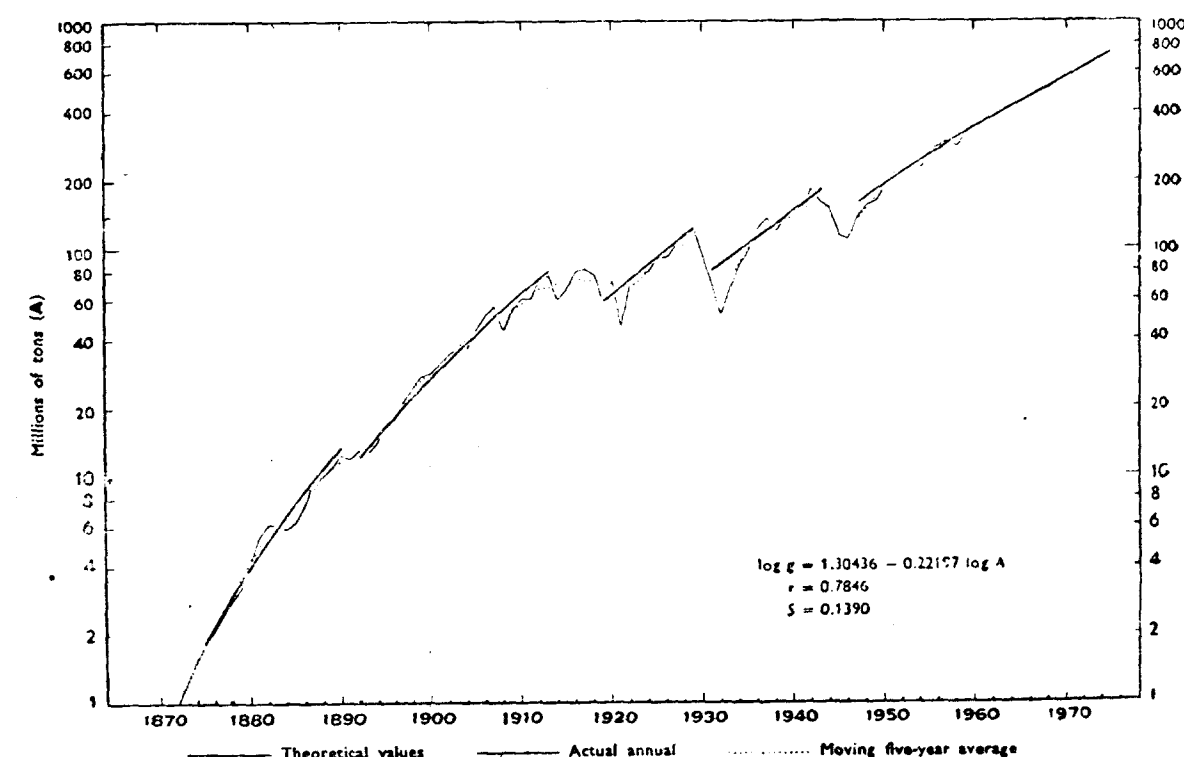
STEEL CONSUMPTION IN 1957 AND ESTIMATED TREND VALUE FOR

1972 — 1975

(Thousands of tons crude-steel equivalent)

COUNTRY	1957		Trend-Value 1972-1975		Percentage Increase	
	1,000 Tons	Kg. Per Capita	1,000 Tons	Kg. Per Capita	Absolute	Per Capita
Union of South Africa...	2,222	157	5,000	256	125	100
Other Africa	1,648	7	4,000	16	143	129
Total Africa ..	3,870	17	9,000	32	133	111
Egypt	406	18	1,400	50	245	178
Iran	292	15	1,400	50	379	233
Iraq	170	26	600	80	253	208
Israel	263	137	800	320	204	134
Others	516	31	1,000	50	94	61
Total Middle East ..	1,647	22	5,200	55	216	150
India	3,619	9	28,000	60	674	567
Indonesia	317	4	300	8	152	100
Japan	12,627	139	35,060	324	177	133
Malaya	278	44	700	88	152	100
Pakistan	307	4	2,000	22	551	450
Philippines	396	17	1,200	44	303	159
Thailand	154	7	600	22	290	214
Others	2,348	18	5,000	27	113	50
Total Far East ..	20,046	25	73,300	73	266	192
Australia	3,125	324	7,000	560	124	73
New Zealand	366	164	760	291	108	77
Total Oceania ..	3,511	235	7,800	409	122	174
China (Mainland) and North Korea	10,000	16	53,000	66	430	313

Development of world crude-steel production (actual, moving five-year averages and theoretical values in millions of tons)



India's Energy Requirements

IN RECENT years, India has been becoming increasingly concerned about her energy supplies. Energy consumption has been mounting, and mounting steadily. Shortages have already been encountered. What, one might reasonably ask, are some of the underlying factors responsible for the upsurge in the demand for energy? Introduction of each new piece of equipment has augmented the demand for energy. This need for more fuel, in turn, has called still more machinery and equipment into play. The effect has been cumulative, and energy, the common ingredient of all these activities, has gone on compounding both as to supply and demand.

That there is a close relationship between energy consumption and economic growth has been known for a long time. In the north-eastern United States, it was the easily-won coal, accompanied in later years by an influx of oil and natural gas, which set the stage for the growth of the most complex, and at the same time the most dynamic, industrial heartland which the world has ever known. Recently, it has been shown that long-run changes in industrial output and fuel consumption are also closely related one to the other. There are strong grounds, therefore, for taking the statistics on energy consumption to be a quantitative measure of economic progress. A recent examination of the relationship between energy consumption and economic growth suggests that, for the world as a whole, each 2% increase in energy consumption has been accompanied by a 3% per annum rise in industrial output.

A good deal has been written in recent years about the extent of the demand for energy. The United Nations, in their publication "World Energy Requirements in 1975 and 2000", puts the historical rate of increase in the order of 3½% per year. We may reasonably expect that the world's energy requirements might go on increasing at a rate of around 3% per annum compounded. This is equivalent to a doubling demand every 25 years. A point of reference is often to be found in statistics pertaining to the United States. The best-known United States projection, that of the Paley Commission published in 1952, envisaged a 3% annual rate trending upward from 1950 to 1975. Based upon assumptions as to population growth and improvement in productivity which now appear to have been unduly conservative, it has had to be raised upward. The U.S. Department of the Interior has more recently come up with a slightly higher forecast of around 3.25%. Various individual and organisations reviewing recent trends have been inclined to go even higher. The Royal Commission on Canada's Economic Prospects consider an annual rate for Canada of 4% or even 4.5% a year reasonable. The rate of increase in energy requirements in individual cases depends upon (a) a greater emphasis on primary processing, (b) a relative decline in efficiency in use (such as accompanies a shift from hydro to thermal power), and (c) exceptional increases in population and labour productivity. In view of these considerations, an annual rate for India of 5% or even 6% does not appear to be unreasonable.

There is another way of forecasting energy requirements more or less directly from a projection of Gross National Product (G.N.P.). In earlier and less sophisticated studies the two were assumed to run in parallel. Thus, a 1% increase in G.N.P. resulted in a comparable rise in the demand for fuel and power. A closer examination of the facts reveals that usually energy inputs have lagged somewhat behind this all-inclusive measure of economic growth. In Western Europe, a 1% rise in G.N.P. has, over the past decade,

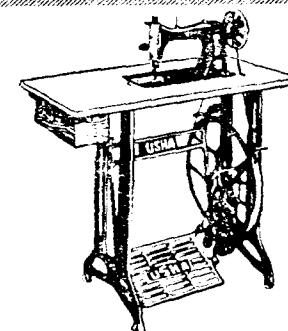
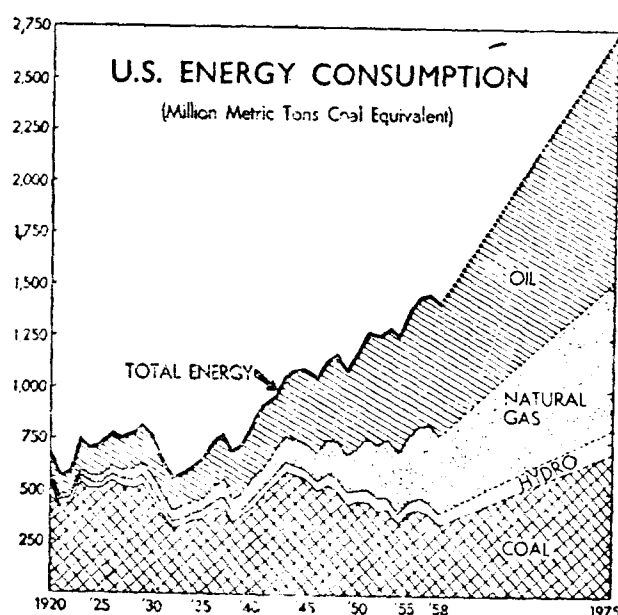
been accompanied by a 0.8% increase in energy demand. American analysts working in this field envisage 0.85 to 0.90 as being more relevant to the next two or three decades in the United States. The Canadian forecast, according to the Royal Commission on Canada's Economic Prospects, is for a ratio starting at 0.85 and rising progressively to 0.95 during the 20 year to 30 year period. On the average, over the next 25 years this is equivalent to a 0.92% rise in energy requirements for every 1% rise in Canadian G.N.P. For India, we may reasonably expect the Canadian rate to apply with a fair degree of accuracy.

It is interesting to note the relative importance of various sources from which India's energy requirements are met with at present; table I below attempts this.

TABLE I—Percentage consumption of Primary Energy by source of origin, 1950-56

Year	Coal	Hydro	Oil	Total
1950	82.96	6.34	10.70	100.00
1951	80.66	6.70	12.65	100.00
1952	81.91	6.09	12.00	100.00
1953	81.80	6.11	12.09	100.00
1954	81.60	6.23	12.17	100.00
1955	80.64	6.64	12.72	100.00
1956	79.55	7.16	13.29	100.00

It will be seen from the table that coal is the single source of energy that meets India's four-fifth of the total energy requirements and there has been no appreciable change in this position for a number of years in the recent past. It should, however, be apparent on closer scrutiny that the relative importance of coal in meeting our energy requirements has been declining in more recent years, and the relative importance of the other two sources of energy, namely, hydro-electric power and oil, are rising. And this trend is likely to persist in view of what India wants to achieve through her plans and because coal is being substituted by petroleum, a more readily transportable source of energy and one that can be utilised with greater ther-



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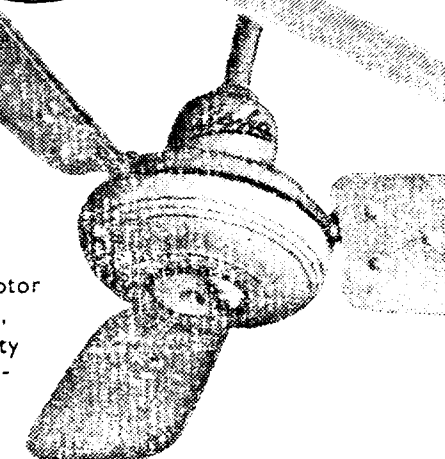


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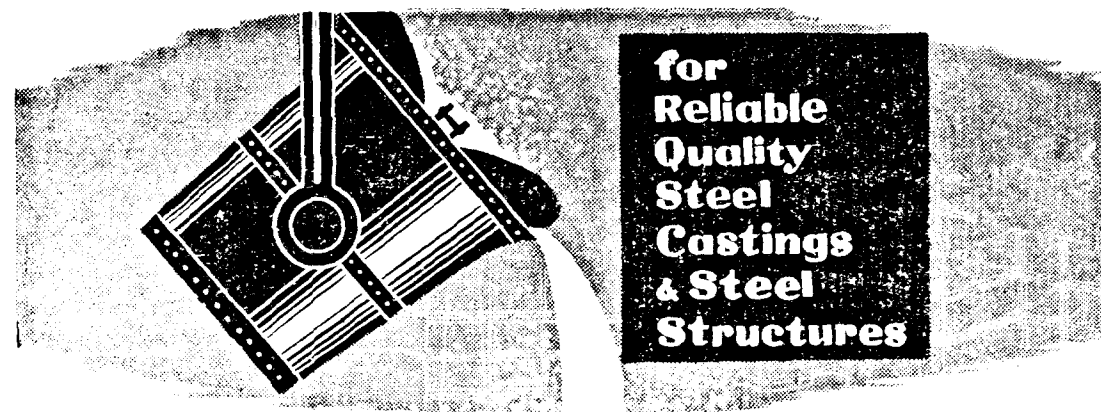
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mal efficiency than that normally attainable with coal. Moreover, extraction of coal becomes more difficult as the pits are made deeper, as coal faces recede from the shafts and as high temperature reduce output per worker.

This brief study may be concluded with a look at the supply position of India's energy resources. Table 2 attempts this.

It will be seen from the table that though expansion of energy supplies will, for some time more, be mainly in the direction of coal and coal-based fuels, there will be greater reliance on oil and hydro-electricity. Though hydro-electricity may provide a valuable contribution, it should not be over-estimated. The capital costs are very high for hydro-electric projects. Nuclear power stations are hardly a substitute for them. There are serious limitations to any grandiose plans for the production of atomic energy in view of barriers of capital costs and practical technology. All these point to the moral that it is in respect of oil that the country should place greater faith. There has been of late greater realisation on this score and efforts are being made to discover oil in the country. As an inducement, the Government have relaxed rules for oil exploration in the country and have made offers to foreign companies to come into the field, but much more tangible needs to be done.

TABLE II

SUPPLIES OF PRIMARY ENERGY IN INDIA
ACCORDING TO SOURCE AND THE PER
CAPITA AVAILABILITY OF ENERGY

(In '000 tons of coal equivalent)

Year	Coal*	Hydro	Oil**	Total	Per capita
1900	4,750	0.200	90	4840.2	0.0204
1930	22,569	720	2,250	25,539	0.0755
1940	29,388	1,000	2,780	33,168	0.0852
1945	29,167	1,850	7,280	38,297	0.0936
1950†	32,296	2,340	3,950	38,586	0.1076
1951	34,430	2,550	4,817	41,797	0.1156
1952	36,303	2,410	4,750	43,463	0.1182
1953	35,979	2,500	4,950	43,429	0.1166
1954	36,888	2,650	5,200	44,738	0.1186
1955	38,225	2,980	5,700	46,905	0.1226
1956	39,431	3,300	6,204	49,935	0.1289

* Gross production (including exports).

** Actual consumption (production plus imports).

† Figures prior to 1950 refer to undivided India.

Cotton Textiles

THE INDIAN cotton textile industry, in spite of various handicaps, has an important role to play in the economy. For instance, apart from feeding a huge home market, a considerable part of the output, about twenty per cent of the total, has to be exported to earn valuable foreign exchange. An industry with a history of 100 years, it has at present 516 mills, with a capacity to produce 1,750 million lbs. of yarn and about 5,500 million yards of cloth. The major problem faced by the industry is that of renovation. During the war years the industry had to bear the strain but hardly any replacements of machinery were available. New types of machinery too were not being installed. Even now, only 6 to 7 per cent of the total looms in India are automatic. In Japan, India's competitor in Asian market, about 67 per cent of the looms are automatic and in America almost hundred per cent of the looms are automatic. Consequently, the Textile Enquiry Committee recommended in 1958 that it was very necessary to increase the percentage of automatic looms as far as possible. As an experimental measure, it recommended the introduction of about 3,000 automatic looms. Besides this programme, it also recommended the replacement of the existing ones by 2,500 automatic looms. It may be observed that even the execution of these programmes will not take the industry any far. Table I below shows in this connection an interesting aspect. While the number of spindles has increased between 1953 and 1959 by about 17 lakhs, the number of looms has actually declined from 207,252 to 205,973. This important development can be explained only by the fact that the automatic looms that are being introduced or are replacing the present ones are creating greater needs of yarn. Another factor that can explain this development is that yarn forms an important raw material for weaving of cloth in the sectors beyond the mills — the powerlooms and handlooms. Besides, a large spindleage, about 25 per cent of the increase, has been added to the composite mills thereby making them independent of their requirements of yarn from spinning mills.

The growth pattern of American textile industry

has certain significant instances which throw some light on the probable course that the Indian textile industry may take during the next forty years. One broad feature of the American textiles has been that the monopoly of cotton textiles in the home as well as the export market was broken progressively by synthetic fibres during the last twenty years. In 1920, for instance, as against 2,828 million lbs. of cotton consumption by the textile industry, wool, rayon and silk consumption was 314 million lbs., 9 million lbs. and 29 million lbs. respectively. (Table II). By 1940, when cotton consumption had reached about 4,000 million lbs., man-made fibres had touched 500 million lbs. mark and had overtaken the consumption of wool which was about 400 million lbs. By 1950, when cotton consumption reached the 5,000 million lbs. mark, showing a 25 per cent increase during the decade, the man-made fibres consumption had reached about 1,500 million lbs., showing a 300 per cent increase. This trend continued in the following years. Another significant trend in the American textile industry was the popularity of ready-made garments which is a peculiarity of an industrialised society. A large number of clothing factories were established which could compete the best made-to-order types of clothing. Thus we can easily expect the textile industry to progressively introduce increasing number of automatic looms and comparatively larger consumption of man-made fibres. The use of ready-made garments is also likely to be popularised in the industrial centres in India.

AVAILABILITY IN 2001

The per capita consumption of cloth in the Indian Union has been slow in rising during the last 15 years. Till 1951, the level remained low at 12 yards per head because of a number of causes such as shortages of cotton crop, obsolescence of machinery etc. The era of shortages was eliminated from 1952 onwards and in 1960 per capita availability of cloth increased to 16 yards per head. It means that during this period, when incomes rose by 40 per cent, the per capita in-

crease has been of the order of not more than 4 yards. What will be the probable demand for cloth at the end of the century? It is estimated here that in relation to the overall rise in national income and per capita income, the level, forty years from now, may not exceed 35 yards per head. On that basis, estimates have been worked out on the probable production of the organised mill sector and handloom sector. The results of the analysis are presented in table III below.

TABLE I.
EQUIPMENT & PRODUCTION SINCE 1900

Year	No. of Mills.	No. of Spindles	No. of Looms	Production	
				Yarn (In Mil. Lbs.)	Cloth (In Mil. Yds.)
1900	193	49,45,783	40,124	353	341
1910	263	61,95,671	82,725	610	1,043
1920	253	67,63,076	1,19,012	660	1,581
1930	348	91,24,768	1,79,250	867	2,494
1940	388	1,00,05,785	2,00,076	1,276	4,092
1950	425	1,08,49,026	1,99,775	1,174	3,665
1951	445	1,12,40,635	2,01,484	1,304	4,076
1952	453	1,14,27,034	2,03,786	1,449	4,599
1953	457	1,17,21,139	2,07,250	1,505	4,879
1954	461	1,18,88,165	2,07,763	1,561	4,998
1955	461	1,20,68,544	2,07,347	1,630	5,094
1956	465	1,23,75,805	2,06,580	1,671	5,306
1957	499	1,29,06,622	2,06,126	1,780	5,317
1958	511	1,32,71,890	2,05,598	1,685	4,927
1959	516	1,35,54,060	2,05,973	1,723	4,925

TABLE III.
AVAILABILITY OF CLOTH: 1965 — 2001

(In million yards)							
Production of Cloth				Exports	Net Availability	Population (millions)	Per Capita Availability In yds.)
Period	By organised sector (mill-made)	By de-centralised sector (power looms, hand looms and khadi (traditional and ambar))					
1965-66	.. 5,800	3,500	850	8,450	480	17.6	
1970-71	.. 7,560	4,000	1,000	10,560	528	20.0	
1980-81	.. 11,400	5,000	1,200	15,200	608	25.0	
1990-91	.. 16,590	5,500	1,300	20,790	693	30.0	
2000-2001	.. 23,550	5,500	1,400	27,650	790	35.0	

Jute Industry

OVER THE next four decades, the prospect for the jute manufacturing industry appears to be much brighter than what it is today in the global perspective. Today there is too much preoccupation with raw jute shortages and keen competition from newly emerging jute manufacturing countries like Pakistan, a number of countries in South-East Asia and elsewhere which have set up a very limited number of jute mills for their domestic requirements and, what is vital, the search for substitutes for jute as containers or packaging materials. In one sense, there is some justification for the present pre-occupation with the threat to the future expansion of the market for jute goods. But a little introspection would reveal that at least two valuable lessons will have been learnt by India since Independence.

Undoubtedly, the partition of the Indian sub-continent has completely transformed India's position before 1947 as the monopoly producer and supplier of jute to the world. Partition has transferred the cultivation of the golden fibre to Pakistan in a substantial

Thus, during the next forty years, the mill sector is likely to multiply its output three times.

The only threat to the growth of the cotton textile industry may come from synthetic fabrics which have already captured vast areas in the foreign markets. The experience of this country in regard to the synthetics is too limited to allow any forecasts to be made. All that can be said is that any reduction in the anticipated growth of the cotton textile industry will be caused by such synthetic fabrics as nylon, rayon, etc. The area of invasion cannot be precisely estimated.

TABLE II.

U.S. MILL CONSUMPTION OF TEXTILE FIBRES

(Million lbs.)

Year	Total	Cotton	Wool	Man-made	Silk
1920	3,180	2,828	314	9	29
1925	3,549	3,075	350	58	66
1930	3,069	2,611	263	119	76
1935	3,494	2,755	418	259	62
1940	4,884	3,954	408	487	36
1945	5,978	4,511	645	821	1
1950	6,828	4,680	647	1,492	8

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ed as an all-time danger. What the jute industry needs to do is to keep constant vigilance on capturing for itself a growing share of the world demand for containers and packaging materials in the future as well as evolve new uses for jute goods.

It would appear that the threat of substitutes has been, perhaps, exaggerated. Paper bags came into popular vogue in America and elsewhere as the price of burlap proved to be quite high. Similarly, cotton cloth was used on an increasing scale for storing flour. A few more substitutes were also found. But as soon as the price of jute manufactures returned to reasonable levels, the trend became evident that jute could not be ousted on a substantial scale. It is an encouraging sign for the future growth of the jute manufacturing industry that new uses are being found for jute in carpets, cables, twines, ropes, floor covering, in building requirements and so on. The case of fire and acid proof hessian, serving as a potential substitute to conventional walls of solid construction in factories and other industrial buildings, typically indicates new avenues for jute goods.

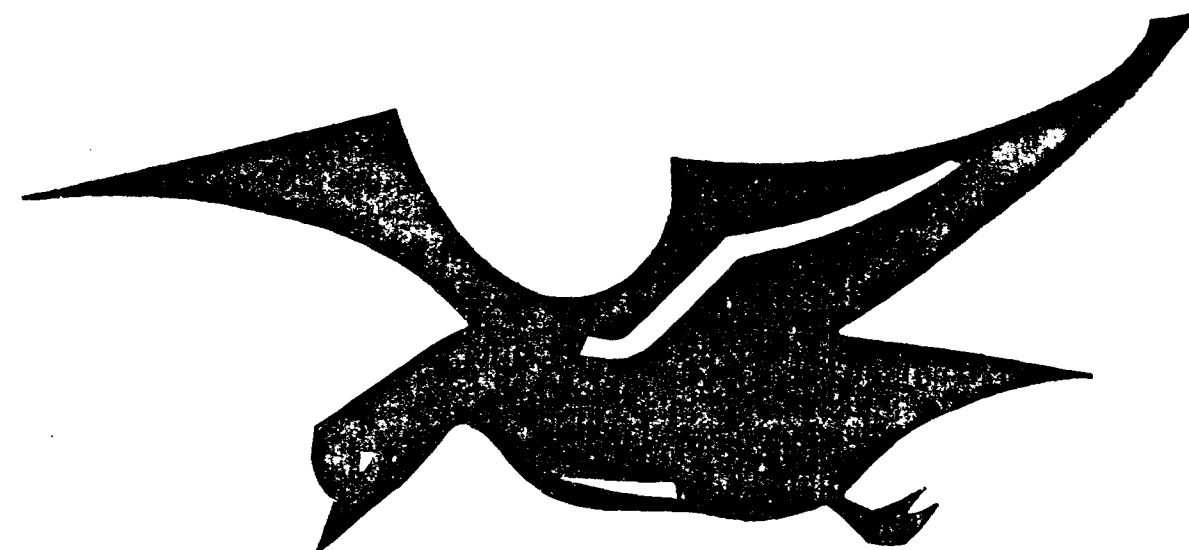
Cement Industry

THE GROWTH pattern of the cement industry during the last thirty years has shown a rate of rise of more than 8 per cent per annum. From less than one million tons in 1936-37, the capacity has risen to more than 8 million tons in 1959-60. The draft outline of the Third Plan has envisaged a rise in capacity to 15 million tons in 1965-66. One major factor which has conditioned the growth of the cement industry is the indigenous supply of machinery which has been slow in picking up. It is anticipated that some time during the middle

The production of jute increased at an encouraging rate since India launched the First Plan. From 3.3 million bales in 1950-51 it went up to 4.2 million bales in 1955-56 and at the end of the Second Plan it is estimated to reach 5.5 million bales. At the present time, in view of the difficulties of expanding home production of raw jute and of quality raw jute the target for the Third Plan has been fixed at 6.5 million bales. The jute manufacturing industry in this country has its own problems of redundancy of labour which it has to maintain at a high cost and looms have to be sealed as working to full capacity has not proved feasible.

Between now and 2,000 A.D. the world demand for jute may increase three-fold from 1 million tons to 3 million tons. This is after making allowance for the growth of substitutes, but on the assumption that the spectacular increase in the demand for jute goods, particularly in the developing countries, will give the momentum to the rising demand. Out of the increase of 2 million tons (equivalent to 12 million bales) of jute manufactures in the world market four decades hence, India should be able to retain a good share ranging between 70 and 75 per cent.

of the Third Plan, the indigenous supplies of machinery will increase and will make the modest target of 15 million tons of cement in 1965-66, a reality. It is estimated that at the end of the Fourth Plan, i.e., in 1970-71, the total capacity will be nearly 22 million tons and at the end of 1975-76, it may attain the target of 30 million tons. At the end of the century, the capacity of cement in the country is likely to range between 45 to 50 million tons. This pattern of future growth is commensurate with the



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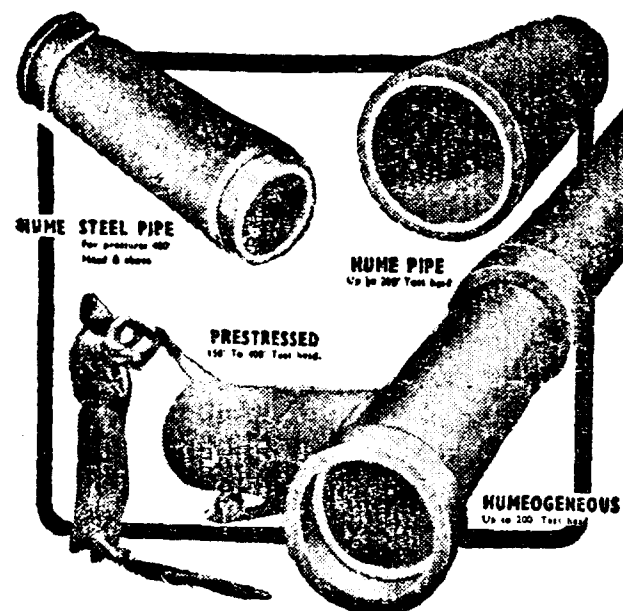
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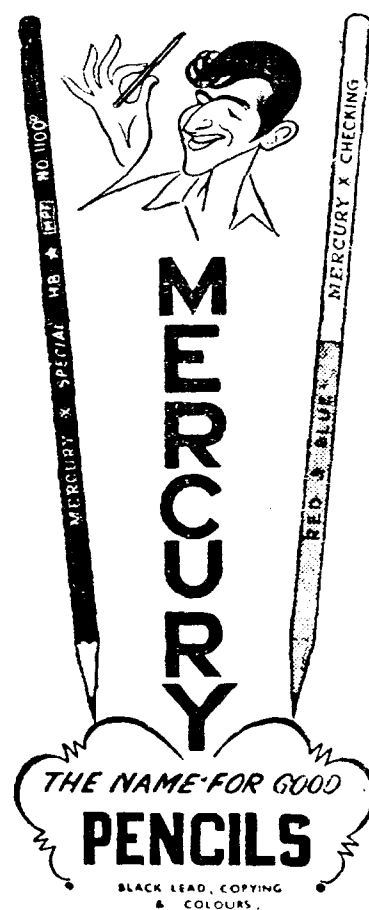
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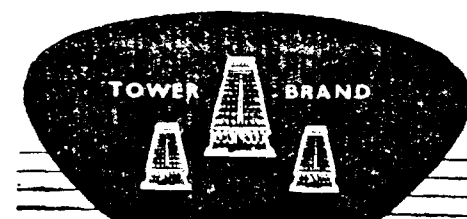
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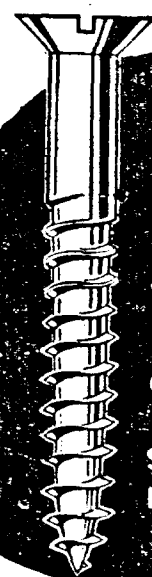
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CEMENT PRODUCTION (India Excluding Burma)

('000 tons)

1932-33		593
1934-35		781
1936-37		997
1938-39	.. .. .	1,512
1940-41	.. .. .	1,727
1942-43	.. .. .	2,183
1944-45	.. .. .	2,044

CEMENT PRODUCTION IN INDIA

('000 tons)

	Installed Capacity	Production
1946	2,015	1,542
1947	2,116	1,448
1948	2,116	1,553
1949	2,815	2,102
1950	3,125	2,613
1951	3,556	3,195
1952	3,796	3,537
1953	4,188	3,780
1954	4,444	4,393
1955	4,744	4,487
1956	5,700	4,928
1957	6,534	5,602
1958	7,060	6,068
1959	8,323	6,827
1960*	8,470	7,576

PROJECTIONS: 1965-66 — 2000-01

('000 tons)

1965-66	.. .. .	15,000	14,000
1970-71		22,000	20,000
1980-81		30,000	27,000
1990-91		40,000	36,000
2000-01		50,000	45,000

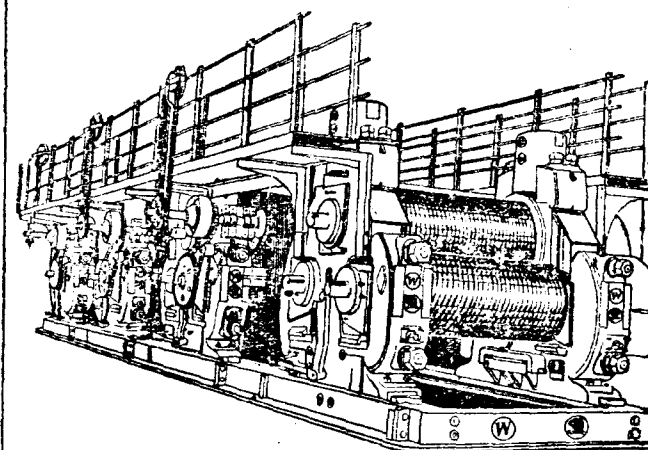
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Chemical Industry

THE GROWTH of the chemical industry is fundamental to the growth of overall industry in any economy. Developing countries find themselves faced with the prospect of having to start practically from scratch in building up a sound structure of the chemical industry so essential for the orderly expansion of the industrial sector of their economies. In India, some of the chemicals were already taken up for indigenous production before Independence. But, by and large, the integrated growth of this crucial industry may be said to have got off to a real start after Independence and particularly after the era of planning started in 1950-51. Some of the basic chemicals included in the category of fertilizers are reviewed briefly elsewhere in this Section. Here attention is focused on some of the important chemicals which represent the character of the growth of the chemical industry of India in general.

Speaking broadly for the first decade after planning (to be precise, for the period 1951-59), it would be interesting to follow the progress of production of some of the major chemicals. The output of sulphuric acid increased between 1951 and 1959 from 106,900 tons to 269,000 tons showing an annual rate of increase of 13.37 per cent. Caustic soda showed a modest output of 14,700 tons in 1951 from where it rose fast to 66,000 tons in 1959. There was thus an impressive increase of 18.37 per cent in its production. Soda ash increased from 37,500 tons to 94,000 tons, recording an increase of 11.17 per cent. Bichromates had reached the relatively higher level of 3,276 tons in 1951 from where it was pushed to 4,320 tons in 1959 (with some setbacks even below the 1951 output in the intervening period). It had a rate of annual growth of 7.70 per cent. Paints and varnishes have a relatively longer history of growth. Their output increased from 33,500 tons in 1951 to 54,000 tons in 1959—marking a yearly increase of 5.35 per cent. Matches represent an instance of an older industry, dating to the early phase of the inter-war period and their output increased from 478,400 cases (50 gross boxes of 60 sticks each) in 1951 to 642,000 cases in 1959. The pace of expansion was low at

0.69 per cent per annum by reason of the fact that the year 1951 indicates a high base of output. Soap recorded an increase from 83,400 tons to 126,000 tons giving an annual rate of increase of 6.10 per cent. Rayon yarn (viscose) is a typical instance of a new industry, where spectacular growth was recorded by reason of the fact that the market was successfully tapped and the sales potential was vigorously exploited. From 2,040 tons of output in 1951 there was a spurt in production to 15,060 tons, recording a remarkable annual growth of 47.40 per cent. All these percentage increases have been calculated from year to year at the compound rate formula.

India's young chemical industry has given promise of accelerated growth in the first decade of planning. It would be interesting to venture some projections in the course of the next decade. Drugs and pharmaceuticals which have an ever-expanding market may be presumed to expand from a total output estimated to be of the value of Rs. 62.5 crores in 1960-61 to something like Rs. 185 crores in 1970-71. Paints and varnishes will be increased to 160,000 tons; sulphuric acid could be pushed up to anywhere around 3,000,000 tons, caustic soda to 550,000 tons, soda ash to 760,000 tons. To take other items, output of film products will be stepped up to Rs. 20 or 22 crores, that of dry cells may go up to 500 million units and sulphur, a strategic chemical, will attain the level of output of 190,000 tons.

In the last three decades of the present century, the rates of growth of individual chemicals cannot, of course, be maintained in the same proportion as during the coming decade 1961-70. There will be varying degrees of demand for the different chemicals and in response to them the rates of growth will in most cases rise and in some cases they may range lower. But it would appear that, taking the base 1955-56=100, the index of chemicals and chemical products, which will rise from 176 to 500 during the Third Plan, may be raised to 1,200 by 2,000 A.D. In this specific case, as in many others, estimates of growth can only be made in very broad terms.

Engineering Industries

WITH THE pronounced accent on the development of industry in the Second Plan, the trends in the expansion of the engineering industries, both in the light as well as heavy sectors, have given concrete proof that these industries are among the foremost pace-makers of progress. During roughly the first decade of planning, as much as 20 per cent of the rise in the General Index of Industrial Production was attributable to the impressive expansion of the engineering goods industries. As will be seen later, beginnings in taking up the manufacture of different items were made in different years and the domestic manufacture of some of the items is of very recent growth. This has one significant meaning, namely, that India's engineering industries have a promising future of accelerated growth.

Of equal importance is the fact that, in respect of many items of light engineering goods, India has made small but steady and very hopeful beginning of establishing export markets. Between 1957 and 1959 the total value of the exports of light engineering goods increased from Rs. 4.61 crores to Rs. 6.97 crores. The rate of expansion in exports is being maintained and it would be safe to estimate that by 1960-61 engineering goods exports will have easily touched the level of Rs. 10 crores. Among the important items of exports

are ceiling fans, textile, oil mill and sugar machinery, machinery and general appliances, sewing machines (household), aluminium household utensils, brass manufactures and, to mention important manufactures, bicycles, pumps and diesel engines. It is also interesting to note the growth in the exports of some of the other items of engineering industries in 1959, which is as follows: Motor vehicles (bodies, chassis etc.) Rs. 10.5 lakhs (1958) and cutlery other than knives Rs. 13 lakhs, primary dry cell batteries, Rs. 10.5 lakhs, lighting fixtures Rs. 10 lakhs, electric accessories Rs. 4 lakhs, and so on.

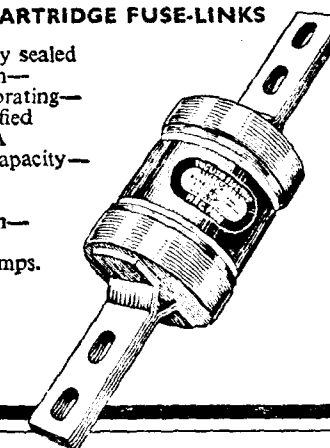
The growth of heavy engineering industries is remarkable for the reason that most of the items now produced in India are of recent origin—as recent as the year 1956. To this category belong steel tubes and pipes, sugar mill machinery, jute mill machinery, cement mill machinery, tea processing machinery, agricultural machinery, road rollers, chemical and pharmaceutical machinery, oil mill machinery weighing machinery, construction machinery, flour etc. mill machinery, mining machinery, vehicular diesel engines, and so forth. Items, such as, steel structurals, bolts nuts etc. machine tools, power driven pumps, welding electrodes, grinding wheels, coated abrasives, agricul-

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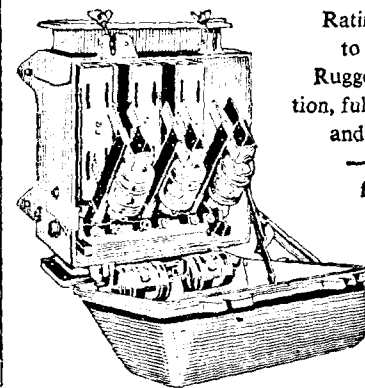
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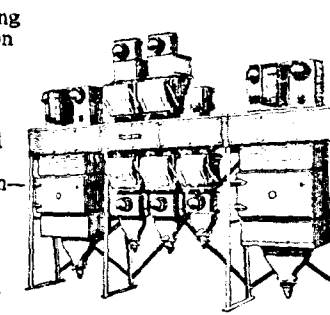
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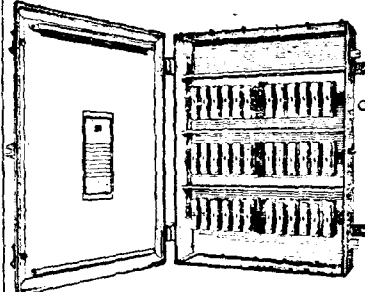
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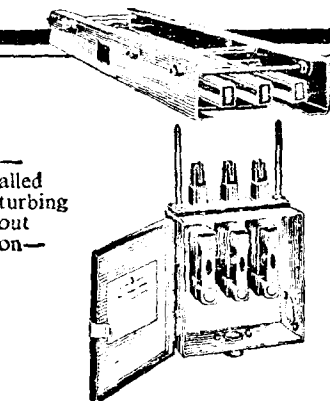


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tural implements and some others have an earlier historical growth. In the domain of light engineering industries, only a few items, such as, automobile ancillaries, air conditioners, typewriters, scooters, trailers, motor cycles, telephones have a recent origin dating to 1956. But the whole range of products extending from automobiles, bicycles, power transformers, dry cells, wood screws, winding wires, hurricane lanterns, sewing machines, radios, and so on have a much longer span of growth.

Taking the base 1957=100, it is instructive to note the rapid growth of some of the items in the year 1959: steel tubes and pipes 130, steel structurals 156, vehicular diesel engines 249, stationary diesel engines, 179; power driven pumps 154, jute mill machinery 168, agricultural machinery 272 and among the light engineering industries the following items: bicycles 135, electric fans 142, electric motors 126, automobile ancillaries 191, sewing machines 149, steel files 142, winding wires 285, telephones 173, and so on. Of course, in assessing these indexes of individual items, proper allowance ought to be made for the fact whe-

ther they are of recent origin with a low output in the base year or they are older items with large output in the base year.

No attempt will be made here to estimate even in broad terms the expansion of the heavy and light engineering goods industries. These industries are of relatively recent origin and India's steel industry which is basic to their growth has been put on a new basis of dynamic growth only in the Second Plan. At the present time India is relying very heavily on imports of capital goods and machinery, but as the take-off in the economy is completed and growth is put on a self-generating basis, it will be readily appreciated that the engineering goods industries of India will enter upon another vigorous phase of spectacular growth. Practically all the major items of machinery and equipment will be manufactured indigenously, dependence on imports being limited mostly to specialised varieties whose manufacture may not be worth while to undertake on an optimum scale. This gives a brief idea of the magnitude of the future growth of the engineering industries.

Sugar Industry

THE SUGAR industry—the second largest organised industry in the country—has had a spectacular growth after independence. In 1949-50, the total output of white sugar was less than 10 lakh tons, one-tenth of which was produced in the Southern States of Andhra Pradesh, Madras, Mysore and Kerala. The level of output took a sudden spurt from 1954-55 when production rose to nearly 16 lakh tons. By 1956-57 an all-time peak above 20 lakh tons of white sugar was reached. Then followed two years of stagnation when production ruled below 20 lakh tons, primarily due to heavy burden of taxation and control in ex-factory prices. The recent incentives in regard to the excise duty have once again imparted a dynamic touch to the industry and the total output for the last year of the Second Plan is anticipated to exceed the Plan target by a wide margin. Current estimates show that production would be around 27 lakh tons as against the target of 25 lakh tons.

The demand for white sugar is closely linked with the rise in the living standards of the people. Correlating the pattern of growth in income envisaged during the next forty years with the consumption of sugar on per capita basis, estimates have been made in regard to the level of likely demand and probable production of white sugar in the next forty years. The results are given in the table alongside. It will be seen that at the end of the Third Plan the target of 30 lakh tons of white sugar fixed by the Planning Commission will certainly be achieved. At the end of the century the total production will most likely touch the level of 75 lakh tons. A healthy feature of this growth is the diversion of pressure from the North Indian States of Uttar Pradesh and Bihar to South Indian States. A clear pattern of this is already available. Between 1949-50 and 1958-59 the four Southern States have trebled their output of sugar production. Whereas in 1949-50, the output of white sugar in the factories located in the Southern States was a little more than one lakh tons, it is anticipated to exceed three lakh tons in 1960-61. If this healthy trend is continued, the share of the South Indian States is likely to steadily increase and at the end of the century may contribute nearly one-third to the total volume of output. In that case the Southern zone will be able to feed itself from its own factories and will cease to depend on U.P. and Bihar.

PRODUCTION OF SUGAR

Year (November to October)	Production ('000 tons)
1949-50	979
1950-51	1,116
1951-52	1,497
1952-53	1,297
1953-54	1,000
1954-55	1,590
1955-56	1,862
1956-57	2,029
1957-58	1,978
1958-59	1,912
1959-60	2,400
1960-61	2,700

PROJECTIONS: 1965-66—2000-01

1965-66	3,000
1970-71	3,600
1975-76	4,300
1980-81	5,000
1990-91	6,200
2000-2001	7,500

Fertilizer Industry

THE FERTILIZER industry can look forward to a period of rapid development. The average consumption per hectare at 1.4 kilograms per annum indicates a very poor level of consumption in relation to such advanced countries as Japan and the United States, which have, by using fertilizers, increased their agricultural production at a very fast rate. The Indian Union has already chartered its path so far as the production and consumption of fertilizers in the next five years is concerned, and the Third Plan has set the target of one million tons (nitrogenous content.) The Kane Committee, however, recently went into the problem and has suggested a much more ambitious target of 1.5 million tons.

The production of fertilizers, specially ammonium sulphate, has taken a steep rise in recent years. The average rate of growth in the case of ammonium sulphate, which is one of the chief fertilizers being manufactured in the country, worked out to be over 23 per cent per annum. In the case of super-phosphates also, the rate of growth has been about 20 per cent per annum. These percentages do look impressive,

OUTPUT OF FERTILIZERS IN INDIA

(Thousand tons)

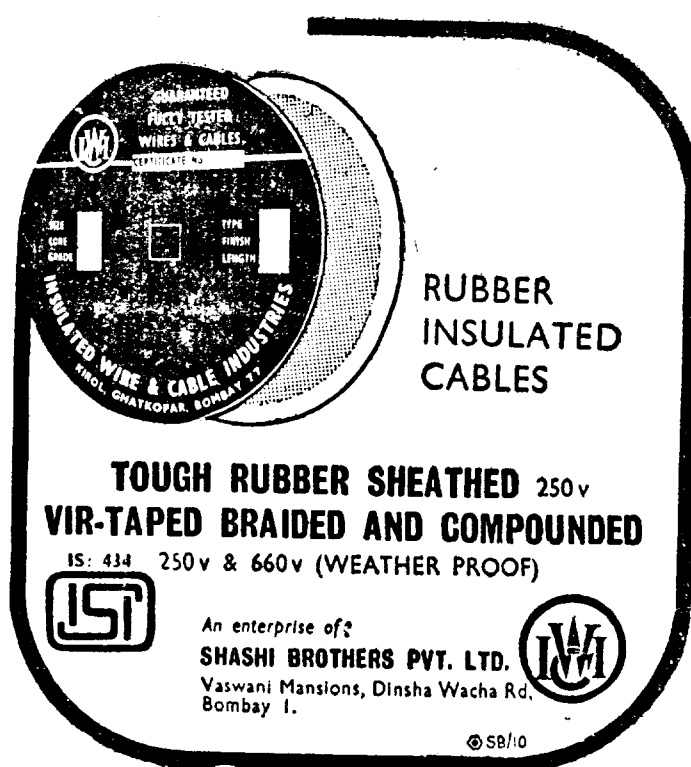
Year	Ammonium Sulphate	Superphosphates
1933	9.7	—
1934	14.0	—
1935	17.6	—
1936	16.0	—
1937	17.8	—
1938	14.5	—
1939	19.7	—
1940	25.4	—
1941	29.7	—
1942	27.3	—
1943	21.7	—
1944	23.5	—
1945	22.0	—
1946	22.5	4.5
1947	21.3	5.0
1948	35.2	21.5
1949	45.6	46.8
1950	46.8	52.8
1951	52.8	61.2
1952	220.8	46.3
1953	319.2	43.0
1954	340.8	105.6
1955	393.6	74.4
1956	368.8	81.6
1957	379.2	141.6
1958	384.2	226.3
1959	378.5	244.4

but it has to be conceded that the level from which production commenced was extremely low. In terms of the total volume, much ground still needs to be covered. The volume of ammonium sulphate produced in 1960 was less than 4 lakh tons; the output of super-phosphates was less than 3 lakh tons. The table in column 1 shows the trends in production in the case of both these fertilizers.

The fact that the pressure of demand is high can be gauged from the fact that during the last three years, the imports of fertilizers have been putting a heavy pressure on India's foreign exchange resources. Imports of fertilizers in 1959 cost more than Rs. 7 crores.

The awareness in regard to the utility of fertilizers amongst India's masses that has occurred through the Community Development Movement is likely to create a demand which may be truly described as "explosive". It is a pity that the fertilizers industry has been included in Schedule B of the Industrial Policy Resolution of 1956 which will tend to progressive State ownership, leaving very little latitude for the private sector. Recently, it seems there has been some relaxation and the Government of India is actively thinking of enlisting the support of the private sector for setting up new units in order to meet the ever-increasing demand.

Because of the "explosive" character of the growth of this industry, it is hazardous to try to forecast the probable demand at the end of the century. It is certain that the Indian Union, by the end of the century, will have attained self-sufficiency in food which will have come mostly through the "fertilizer revolution". It is anticipated that the total output of fertilizers in the Indian Union will at the end of the century exceed 10 million tons.



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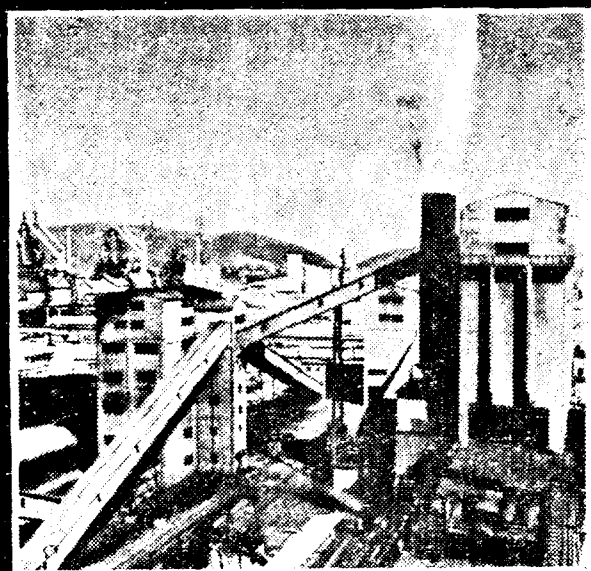
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(M. Yds./Sq. Yds.)

Country	1955	1956	1957	1958	1959
U.S.A. (M. yds.)	10,174.60	10,317.08	9,533.76	8,973.08	9,572.76*
China (M. yds.)	3,816.00	5,040.00	5,524.00	7,008.00	8,968.00
India (M. yds.)	6,846.48	7,090.60	7,264.40	7,054.96	7,183.43
U.S.S.R. (M. yds.)	6,456.00	5,964.00	6,120.00	6,332.00	5,520.00(a)
Japan (M. sq. yds.)	3,011.84	3,475.64	3,838.08	3,164.64	3,293.80
France (M. sq. yds.)**	1,821.88	1,858.92	2,135.92	2,083.94	1,978.12*
Germany West (M. sq. yds.)	1,419.20	1,547.76	1,632.20	1,539.76	1,496.00*
United Kingdom (M. yds.)	1,781.00	1,611.56	1,627.60	1,428.60	1,336.80
Italy (M. sq. yds.)	1,011.44	1,063.56	1,166.32	1,144.48	1,227.00*
Poland (M. yds.)	610.00	608.80	623.20	657.20	558.92*
Czechoslovakia (M. yds.)	389.16	400.04	421.80	459.04	480.48*
Germany East (M. sq. yds.)	240.00	252.00	241.00	260.00	284.00*
Hungary (M. sq. yds.)	279.48	216.12	248.80	261.28	259.29*
Rumania (M. sq. yds.)	291.04	229.96	229.28	248.04	252.56*
Bulgaria (M. yds.)	144.00	156.00	168.00	184.00	N.A.

Source: U.K. Cotton Board

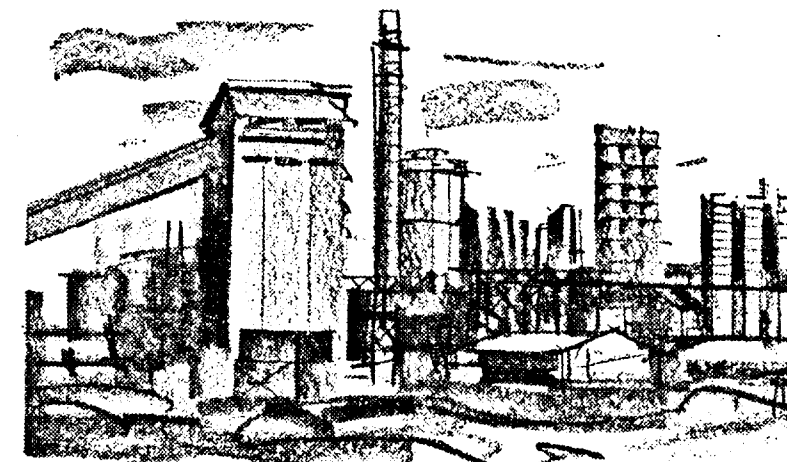
** Including cotton/linen and cotton spun rayon mixtures but in which cotton predominated.

* Estimated.

(a) Textile Mercury and Argus.

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U.S. ENERGY CONSUMPTION

	1955	% of total 1955(a)	1958(b)	Forecast 1975	% of total 1975(a)	Approx. % increase 1955-75
Coal						
(Million met. tons)	405	29.3	348	695	26	70
Oil						
(Million bbl.)	3,034	43.8	3,280	5,920	44	90
Natural Gas						
(Billion cu. ft.)	9,614	23.1	10,623	19,900	26	110
Hydro-Power						
(Billion Kwh)	120	3.8	143	265	4	120

Derived from statistics in R.F.F. papers and from Bureau of Mines.

(a) Reckoning all energy sources in terms of coal equivalent.

(b) Bureau of Mines estimates.

THE PATTERN OF ENERGY SUPPLY IN CANADA

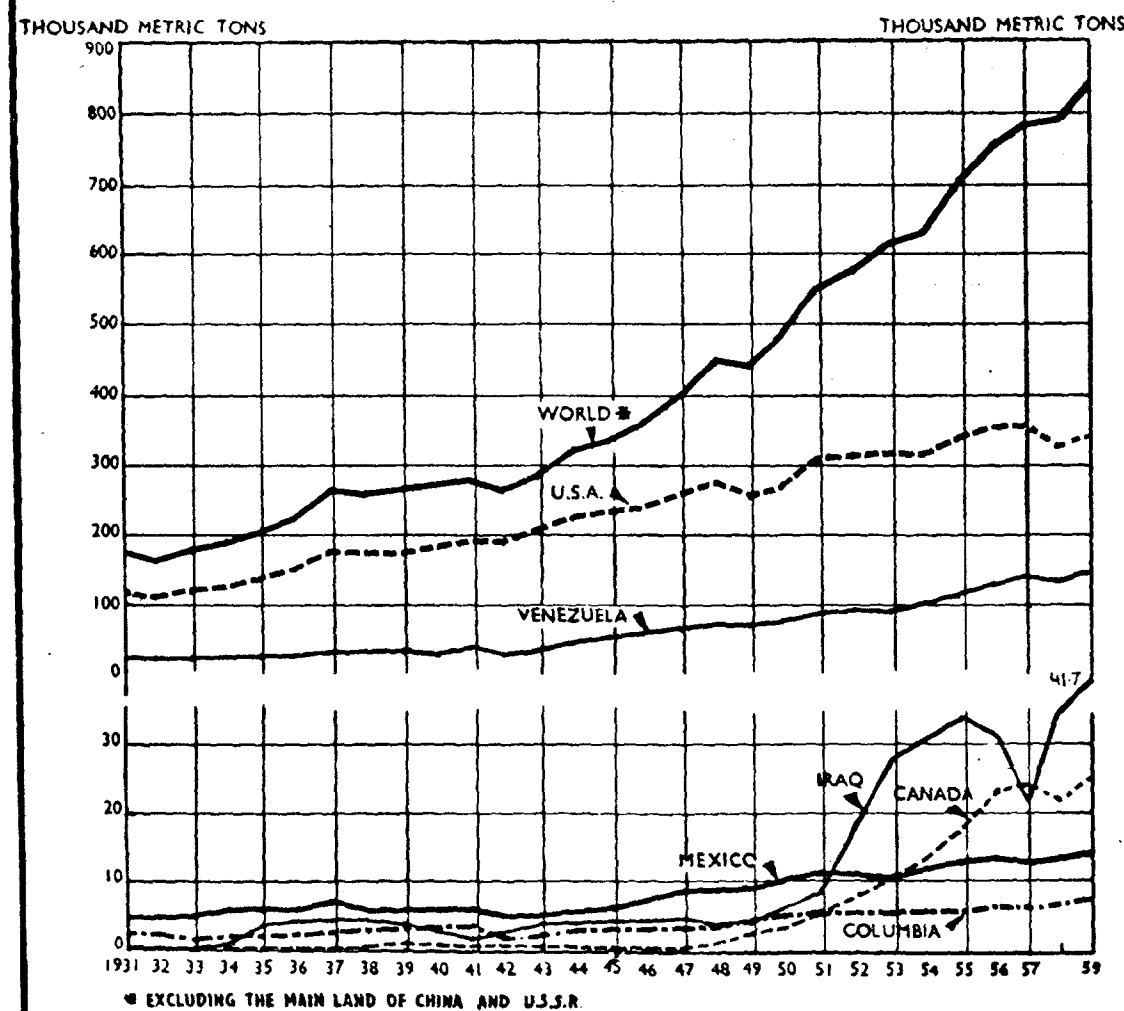
(Each source as a percentage of total energy consumed, measured in terms of tons of coal-equivalent)

Energy Source	1926	1953	1980 (estimated)
Coal (including coal for electric generation)	69	39	16
Petroleum	10	42	45
Natural Gas(a)	2	4	25
Wood	16	7	1
Water Power(b)	3	8	11
Nuclear Energy(b)	—	—	2
TOTAL	100	100	100

(a) Including natural gas liquids.

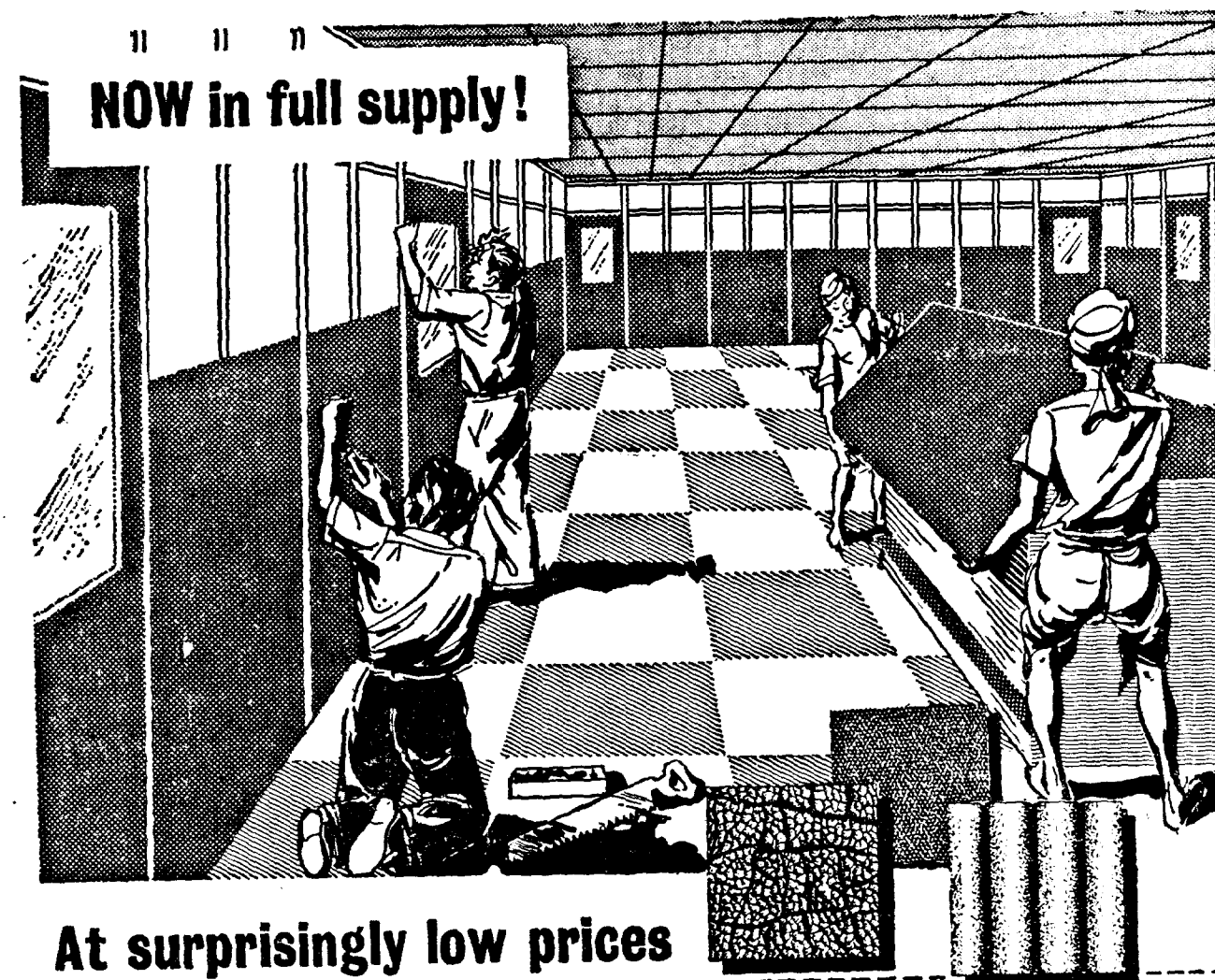
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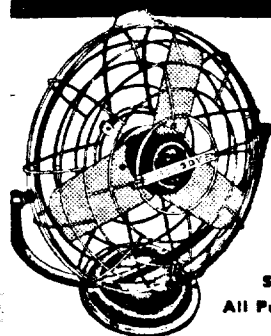
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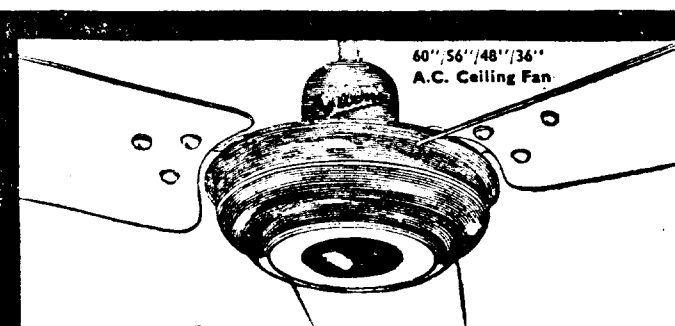
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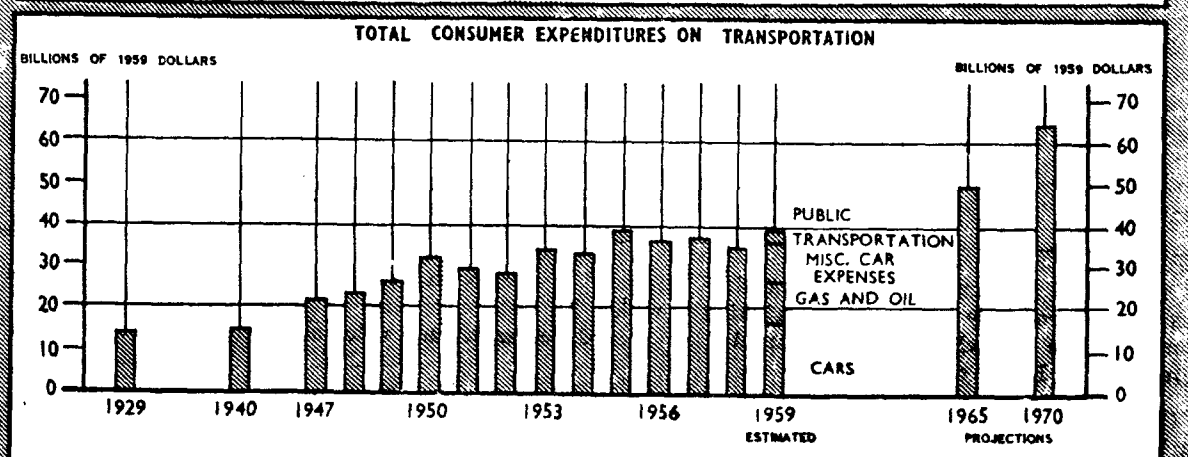
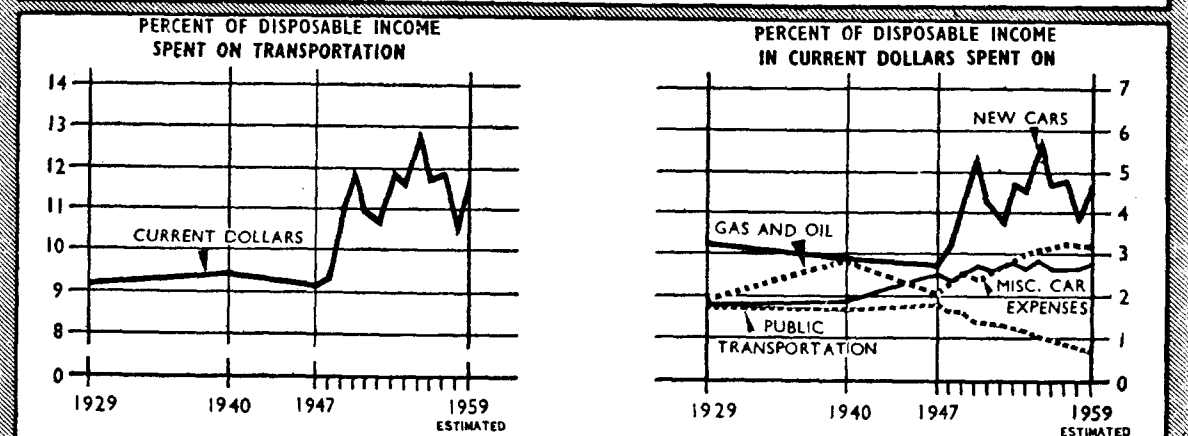
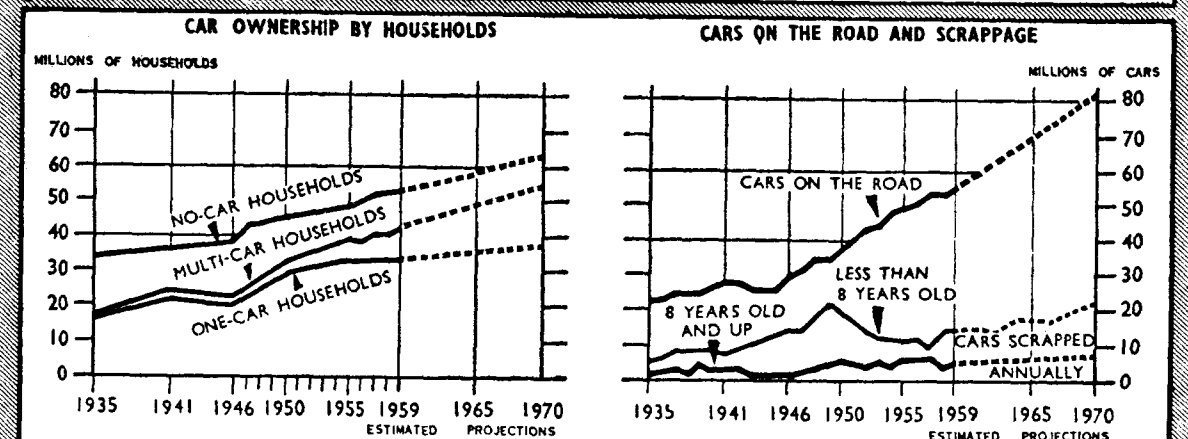
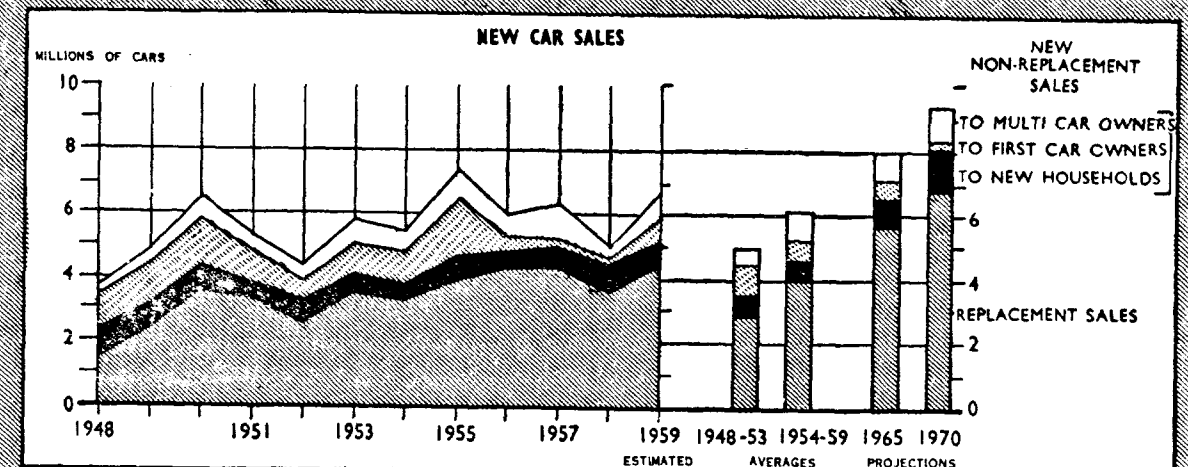
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Corporate Taxation: India, the U.K. and the U.S.A.

(Contributed by the Economic Intelligence Unit of the Indian Institute of Public Opinion)

CONSIDERABLE confusion exists in regard to the level of corporate taxation in the Indian Union as against that prevailing in other countries, particularly the United Kingdom and the United States. This is unfortunate because there has been a sudden growth of interest in private foreign investment in this country, and no clear indications are available as to the comparative merits of investment, whether in the form of an all-Indian company or a subsidiary or branch of a foreign company. It is, therefore, of topical interest that an attempt is made here to compare levels of corporate incentives in the three countries in the appropriate perspective.

The Government of India has foreseen the demand for information of this kind and has published a study described as "An Outline of Direct Taxes in India" which sets out several cases of particular interest. Unfortunately, the corresponding United States and the United Kingdom cases are not available in this publication. Broadly, however, it shows what needs to be

adequately realised, both at home and abroad, that the current (or standard) Indian rates of corporate taxation, of 45 per cent for an Indian company and 63 per cent for a foreign company, very seldom correspond with actuals in any year of operation of a company. This, indeed, is the case in the UK and the USA also, and nothing is so misleading as to suppose that, because the standard rates of tax are different in two countries, therefore, the overall incentives align themselves in proportion to these rates of taxation.

Two major elements operate in the Indian Union which greatly affect profitability of a new enterprise in the Indian Union, both for an Indian company and for a foreign company, in relation to the corresponding advantages in the UK and USA. These two elements are the development rebate covered by Section 10(2) (vi-b) of the Income-Tax Act and the "Tax Holiday" covered by Section 15C*. These two provisions are decisive in determining whether or not over the initial period of a company's life, an advantage is obtained in

TABLE I
INCIDENCE OF CORPORATE TAX IN INDIA U.K. AND U.S.A.
(FOR A DOMESTIC CORPORATION)

(In Percentages of Gross Profits)

Year of Production	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Appropriation															
Gross Profits	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Depreciation	62.5	56.2	50.8	45.4	40.8	36.2	33.3	30.0	27.1	24.2	21.7	19.6	17.5	15.8	14.2
Management's Remuneration	1.9	2.3	2.5	2.7	3.0	3.3	3.4	3.5	3.6	3.8	3.9	4.0	4.1	4.4	4.5
Profits Before Tax	35.6	41.5	46.7	51.8	56.2	60.5	63.3	66.5	69.3	72.0	74.4	76.4	78.4	79.7	81.3
Tax															
India	—	—	—	12.1	13.1	27.2	28.5	29.9	33.2	32.4	33.5	34.4	35.3	35.9	36.6
U.S.A.	17.4	20.5	23.2	25.8	28.1	30.4	31.8	33.5	35.0	36.3	37.6	38.6	39.7	40.3	41.2
U.K.	—	—	23.1	25.3	27.4	29.5	30.8	32.4	33.8	35.1	36.3	37.2	38.2	38.8	39.6
Profit After Tax															
India	35.6	41.5	46.7	39.7	43.1	33.3	34.8	36.6	38.1	39.6	40.9	42.0	43.1	43.8	44.7
U.S.A.	18.2	21.0	23.5	26.0	28.1	30.1	31.5	33.0	34.5	35.7	36.9	37.8	38.7	39.4	40.1
U.K.	35.6	41.5	23.6	26.5	28.8	31.0	32.5	34.1	35.5	36.9	38.1	39.2	40.2	40.9	41.7

TABLE II
TAXES PAID BY A SUBSIDIARY COMPANY OF A FOREIGN PARENT IN INDIA A SUBSIDIARY COMPANY OF A BRITISH (OR U.S.) PARENT IN BRITAIN (OR U.S.A.)

(In Percentages of Gross Profits)

Year of Production	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Average
Appropriation																
Tax Paid by an Indian Subsidiary of a Foreign Parent	—	—	—	16.9	19.6	38.1	39.8	41.9	43.6	45.3	46.8	48.1	49.4	50.2	51.2	32.7
Tax Paid by a Subsidiary in U.K.	17.1	20.2	14.9	25.5	27.7	29.8	31.2	32.8	34.2	35.5	36.7	37.7	38.7	39.2	40.0	30.8
Tax Paid by a Subsidiary in the U.S.A.	18.8	21.1	25.0	27.8	30.3	32.8	34.3	36.1	37.7	39.1	40.5	41.6	42.7	43.4	44.3	34.4
Profit After Tax																
(i) India	35.6	41.5	46.7	34.9	36.6	22.4	23.5	24.6	25.7	26.7	27.6	28.3	29.0	29.5	30.1	30.8
(ii) In the U.K.	18.5	21.3	31.8	26.3	28.5	30.7	32.1	33.7	35.1	36.5	37.7	38.7	39.7	40.5	41.2	32.8
(iii) In the U.S.A.	16.8	19.4	21.7	24.0	25.9	27.7	29.0	30.4	31.6	32.9	33.9	34.8	35.7	36.3	37.0	29.1

*Note: (i) Section 15C: "The tax shall not be payable to an assessee on so much of the profits or gains derived from any industrial undertaking to which the Section applies as do not exceed six per cent per annum on the capital employed, computed in accordance with such rules as may be made in this behalf by the Central Board of Revenue".

(ii) Section 10(2) (vi-b): "In respect of machinery or plant being new, a sum by way of development rebate in respect of the year of installation equivalent to twenty-five per cent of the actual cost of such machinery and plant to the assessee". There is no tax-free holiday provision for new undertakings in the USA and the UK. The USA does not provide even any development rebate on new plant and machinery. The UK provides development rebate, called "investment allowance", 20 per cent on plant and machinery and 10 per cent on buildings.

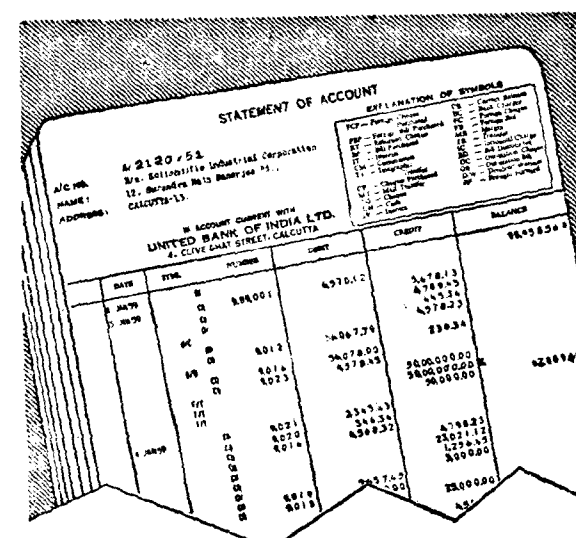


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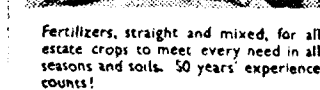
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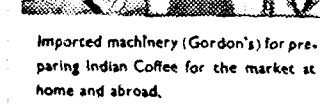
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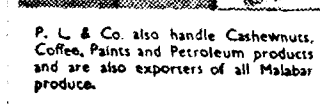
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Apart from the general cases which have been referred to in the Ministry of Finance publication, two particular cases call for special examination. One of these is the case of a domestic company, (the tax rate on which is 45 per cent), which can avail itself of both the tax holiday and the development rebate, that is to say, a company which is engaged in an industry in which plant and machinery are of significant importance, attracting the operation of both sections. In respect of the period of operation, it might be appropriate to take the first fifteen years of a company's life and estimate whether over this period as a whole, it is advantageous to invest in the Indian Union as against the UK and USA. The results are set out in Tables I and II and in the graphs below which illustrate the point that there are in fact substantial advantages in locating in the Indian Union.

More precisely, one might argue that in the case of a domestic company, the profit after tax in the Indian Union moves in these fifteen years from 35.6 to 44.7 per cent, being at all levels above the corresponding figures in the USA. In the UK, on the other hand, there are particular years—namely, the first and second—when the profits after tax are similar, but in subsequent years they are lower than in the case of an Indian company.

In the case of a foreign subsidiary, the position is shown in Table II from which it will be seen that the tax paid rises from 16.9 per cent in the fourth year to 51.2 per cent in the fifteenth year. In the UK, the figure is higher at the beginning, but is lower at the end and in the USA, this is also the case with somewhat higher figures than in the UK for tax paid. When the average is struck over the whole of the fifteen years (as indeed it should be in order to determine on a given equity base what the average rate of tax is) India emerges mid-way between the UK and the USA. More concretely, the average rate of tax over fifteen years is 32.7 per cent of gross profits in the Indian Union and 30.8 per cent in the UK and 34.4 per cent in the USA.

Looked at somewhat differently, in the Indian Union after fifteen years, one would have in the form of profits after tax 144.7 per cent of the equity capital, whereas in the USA one would obtain 113.8 per cent and in the UK 126 per cent for a domestic company. In this case, therefore, the Indian system enjoys a substantial advantage over the USA and a somewhat smaller advantage over the UK, which might be measured by nearly a third of equity in the USA and about a fifth in the case of the UK. The position is somewhat different in regard to a subsidiary. Here the net profits after tax would be 11 per cent of equity over

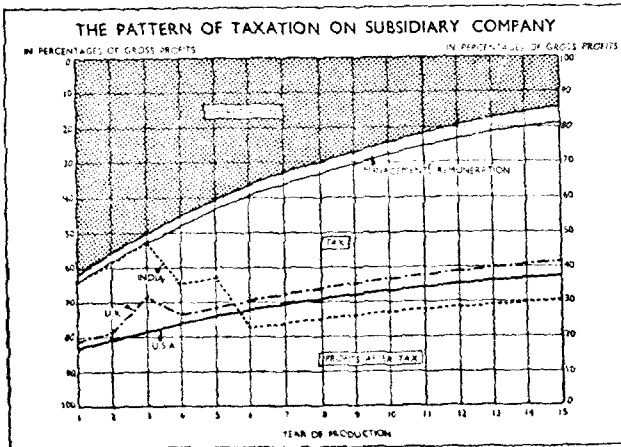
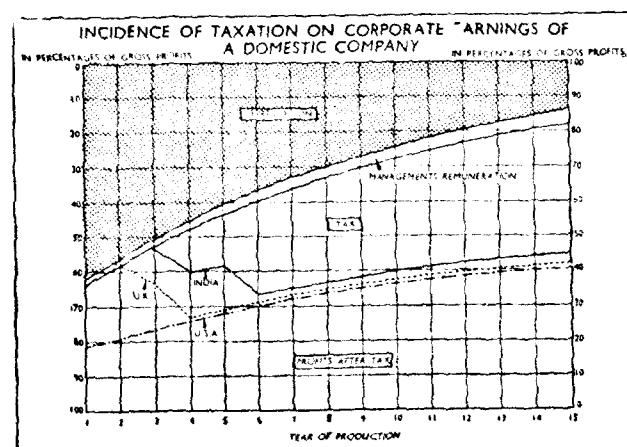
fifteen years in the case of India, 104.9 per cent in the case of the USA and 118.2 per cent in the case of Britain. In other words, the American subsidiary in the USA would get back its capital plus 5 per cent in these fifteen years; the Indian subsidiary of a foreign parent would get back its capital plus 11 per cent; whereas a British subsidiary in the UK would get back 18 per cent additional equity capital.

The vital conclusion is reached that, so far as a fifteen years' study is concerned, no disadvantage pertains to investment in India as against the USA. This is because although the rate of tax rises after fifteen years, when the net advantage over these fifteen years is computed, the foreign investor could if necessary obtain his money back. This is illustrated in the cumulative graph of gains, which shows that the figure reaches the 100 per cent mark in the fourteenth year. This is primarily because of the advantage accruing to foreign parent company by the fact that when its subsidiary is taxed in the Indian Union, it has either to pay no tax—if it is covered by Double Taxation Avoidance Agreement—or get 100 per cent relief from the Indian Government in case it is taxed again at home on the remittances sent by the subsidiary.

Details of the assumptions on which the conclusions indicated above have been obtained are as follows:

A domestic company in India has to pay income-tax at 20 per cent and super-tax at 25 per cent on its earnings of taxable business profits. Hence, an Indian company pays 45 per cent of its earnings as corporate tax. In the case of a subsidiary company of a foreign parent, super-tax is payable at 43 per cent instead of 25 per cent. Thus, a subsidiary company of a foreign parent would pay corporate tax equal to 63 per cent of its earnings. But no tax is levied on the balance of 37 per cent of the earnings, even if the whole of it is distributed to the parent company. This concession is not enjoyed by a subsidiary of an Indian parent. For the balance of 37 per cent earnings, if taxed in the country of the foreign parent, the Government of India would provide double taxation relief equal to 100 per cent of the tax.

In the UK, a domestic company pays income-tax at 38½ per cent of its earnings or taxable business profits, irrespective of the amount. It has to pay a further sum of 10 per cent of the profits as Profits Tax. Earnings below £2,000 are exempted from Profits Tax and minor concessions are given if the profits are less than £12,000. Thus a domestic company in Britain would pay 48.75 per cent tax on its earnings subject to the exemption and concessions mentioned above. The parent company would pay tax on grossed-up dividends instead of net dividend from its subsidiary, but would get tax deduction equal to the difference of gross and net dividends.



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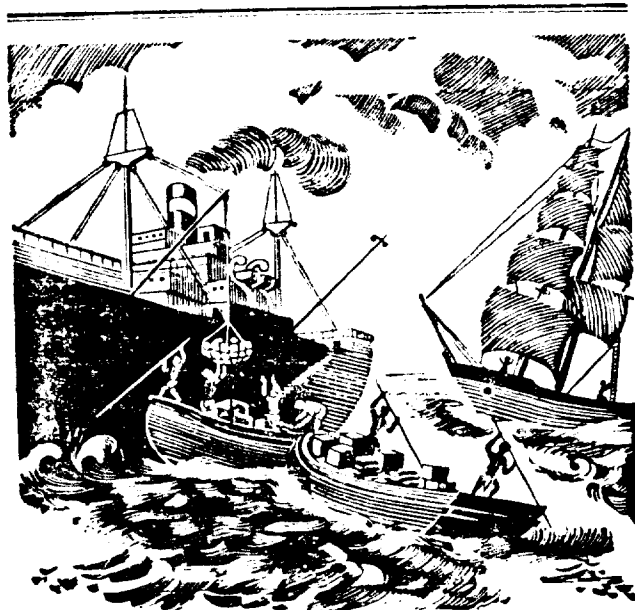


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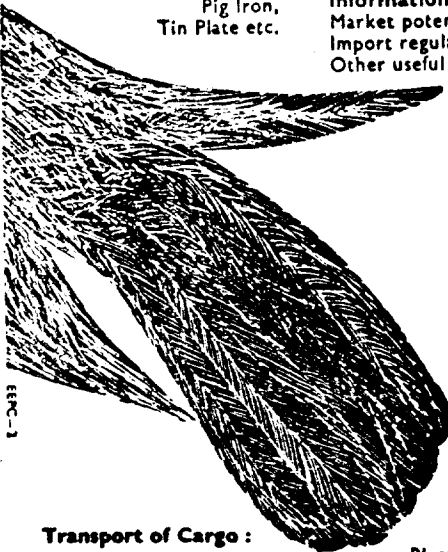
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The calculations are made for a new company with capital employed of Rs. 2 crores, out of which Rs. 1 crore is equity capital and the rest is borrowed capital. The capital cost of plant and machinery is assigned

Rs. 1 crore with other fixed assets Rs. 50 lakhs.

In Tables I and II, corporate tax and profits after tax are worked out for 15 years for a company with capital structure outlined above. The gross profits, obtained after deducting production costs, general and administrative costs and interest on borrowed capital from income from sales, are assumed to be Rs. 24 lakhs every year. Depreciation rates are different for different industries in these countries. Depreciation has been provided at 10 per cent of the net fixed assets in each of the three countries. Management's remuneration is also provided for at 5 per cent of the profits before tax or taxable earnings. Taxes are worked out after taking the various reliefs and rebates granted in each of these three countries. For the sake of comparability, figures for depreciation, management's remuneration, profits before tax, corporate tax and profits after tax are expressed as a percentage of the gross profits.

A Comparison of Personal Taxation in India, the U.K. and the U.S.A.

(Contributed by the Economic Intelligence Unit of the Indian Institute of Public Opinion)

IN the preceding article, an attempt was made to highlight the comparative incidence of corporate taxation on a company's profits in India, the USA and the UK. Though Indian rates of corporate taxation compared unfavourably with these countries, it was indicated therein that the cumulative effect of provisions, such as the Tax-holiday and Development Rebate of the Indian tax-system, tends to reduce the differentials in corporate earnings, and that investment in India by a foreign subsidiary was largely undeterred by corporate taxation as a whole. In this article, an attempt is made to present a comparative picture of personal taxation in India and other foreign countries. The main object of this piece is to assess the incidence of the rate of personal taxation as an element in profitability of foreign companies in India, consequent upon large charges on personnel of a foreign parent company operating in India.

In Table I are presented the corporate rates of taxation in India and other foreign countries in terms of incomes in £ sterling. It needs to be mentioned here before comparing these rates that the tax rates in all these cases apply only to earned incomes of married individuals with two children. In the case of the USA, the State Tax Levy on personal incomes is not included, as it varies from State to State.

At the income level of £2,000 per annum, the rate of taxation is the highest in the United Kingdom followed by India and the United States of America.

Unit of the Indian Institute of Public Opinion)

From £2,000 onwards, the Indian Union leads in taxation rates over every other countries, with the UK coming close second. Between £15,000 and 20,000, the

TABLE I
TAXATION OF PERSONAL EARNED INCOMES
IN SELECTED COUNTRIES

Income		Tax expressed as a percentage of income		
		India 1960-61	U.S.A.* 1959-60	U.K.** 1959-60
£				
1,000	..	6.4	2.9	4.6
2,000	..	16.5	11.4	16.9
3,000	..	26.3	14.8	22.9
4,000	..	34.5	16.9	28.9
5,000	..	40.7	18.7	34.2
6,000	..	46.0	20.5	38.5
7,000	..	49.9	22.1	42.2
8,000	..	53.1	23.6	45.3
9,000	..	55.7	25.2	48.1
10,000	..	57.8	26.7	50.5
15,000	..	64.2	34.1	61.5
20,000	..	67.4	40.1	68.2
25,000	..	69.3	44.7	72.3

* Excluding State Tax levy on individual income.

** Married individual with two children over 16 years of age receiving full-time education.

TABLE II
ADDITIONAL CHARGE ON A FOREIGN COMPANY DUE TO THE OPERATION OF INDIAN TAX RATES
(In £s)

		Gross income (before tax) in U.K., U.S.A.	Income to be offered in India for personnel from		Annual additional charge for a company from	
			U.K.	U.S.A.	U.K.	U.S.A.
Case I	one	15,000	16,750	28,750	1,750	13,750
	Two	10,000	13,200	19,500	6,400	19,000
	Three	5,000	6,150	7,000	3,450	6,000
Total	..	—	—	—	11,600	38,750
Case II	One	10,000	13,200	19,500	3,200	9,500
	Two	6,000	7,750	10,000	3,500	8,000
	Three	4,000	4,650	5,150	1,950	3,450
Total	..	—	—	—	8,650	20,950
Case III	One	7,500	10,000	13,500	2,500	6,000
	Two	4,000	4,650	5,150	1,300	2,300
	Three	2,500	2,620	2,700	360	600
Total	..	—	—	—	4,160	8,900

United Kingdom supersedes India in the rate of taxation. In the highest income, i.e., £25,000 per annum, the UK is at the top with 72.3 per cent followed by India with 69.3 per cent, while the United States shows the rate of taxation of about 44.6 per cent. It is clear from the above analysis that the Indian Union's rates on personal income beyond £15,000 are not the highest. In particular, British management personnel with salaries above £15,000 are not affected when they accept employment in India. As a matter of fact, they will have slightly larger net incomes (after tax) available to them if they are offered the same remuneration that they are getting in the United Kingdom.

The fact that Indian tax rates on personal income below £15,000 are higher than those of all other countries considered in this article does, however, discourage foreign non-technical personnel from accepting employment in India, unless salaries significantly higher than their salaries at home are offered so that at least their net incomes after tax in India remain unaffected. The vital question is how under these circumstances the profitability of an Indian subsidiary (or a branch) of a foreign parent is affected if the top management is entrusted to their own personnel.

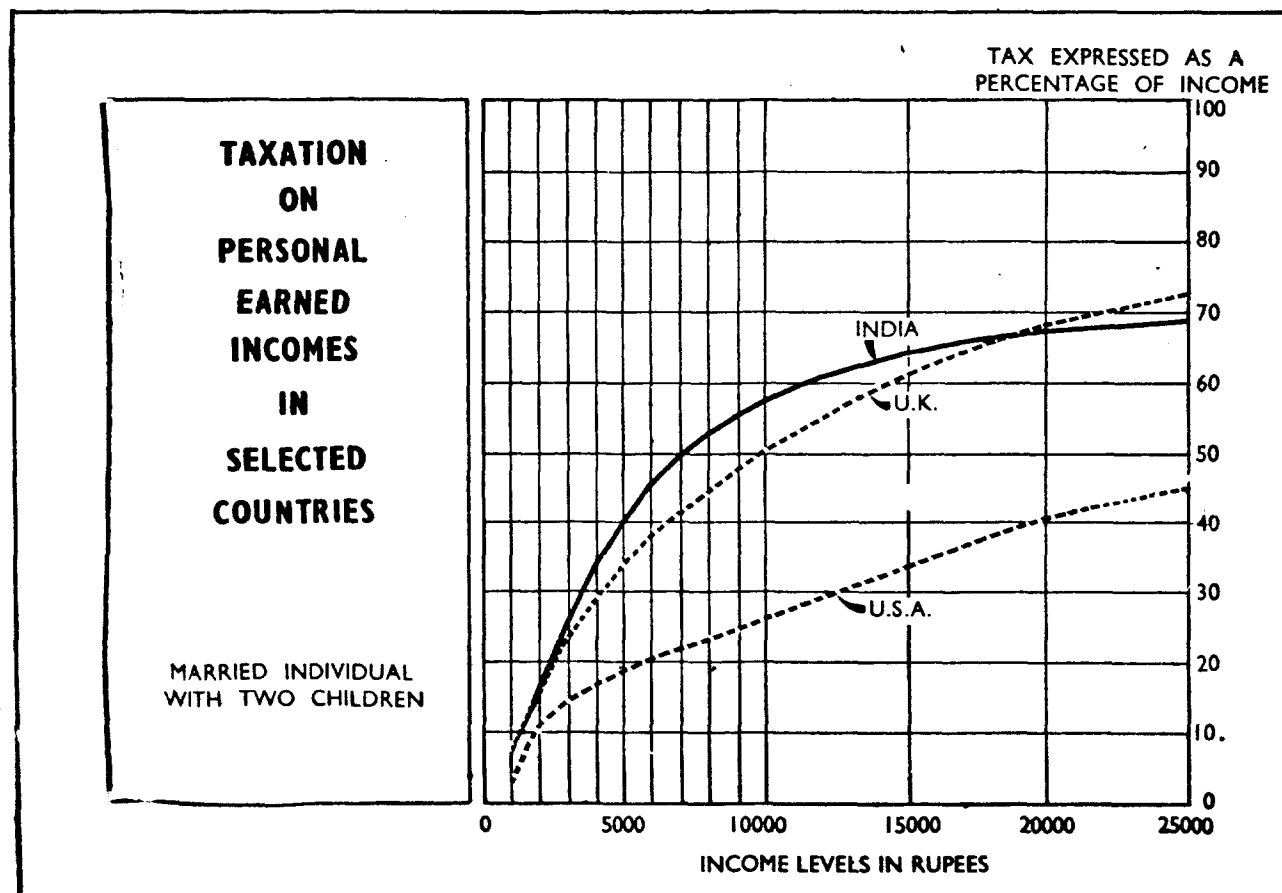
The character and size of the top management of a foreign company in India will depend on the size and the structure of the establishment. Consequently, profits will be affected accordingly. In the previous article, it was assumed that the equity capital of the company was Rs. one crore. After making provisions for direct costs of production and general and administrative expenses, gross profits were computed at Rs. 24 lakhs. Deducting depreciation and management's remuneration, a 15-year study of profits was presented. Taking into account the benefits of Development Rebate and Tax-holidays, it was computed that an Indian subsidiary of a foreign parent would recover 11 per cent more than its equity capital, i.e. Rs. 111 lakhs, in the first fifteen years of its operation. This compared favourably with that of a subsidiary with the same capital in the USA (Rs. 105 lakhs), though unfavour-

ably with the United Kingdom (Rs. 118 lakhs). If, because of higher tax rates in India, a larger charge has to be made for foreign managers and officers of an Indian subsidiary of a foreign parent, the figure of Rs. 111 lakhs will be affected; the degree of reduction will depend upon the salaries offered to the personnel. In Tables II and III are provided the figures of annual additional charges on a company under two different assumptions.

Statistics in Table II are worked out on the assumption that the salary which a manager or officer is offered in India remains the same as in his own country, after paying taxes. In view of the fact that the tax rates are different in the UK and the USA, it is shown in the table that a managing director getting a salary of £15,000 per annum in his own country, will have to be offered £16,750 in India, if he comes from the UK and £28,750*, if he comes from the USA. Thus, in India, considerably increased salaries will have to be offered to the personnel from the USA.

The incidence of this additional charge on a foreign company has been calculated for three sets of salaries of foreign top management in India. In each set, foreign management is supposed to consist of a general manager (or managing director), two assistant general managers and three other non-technical junior officers. In Tables II and III, salaries of these personnel are shown and for each case consequent additional annual charges on a foreign company is also calculated. For example, in case I of Table II the general manager, assistant general manager and non-technical officer are all assumed to have respectively an annual salary of £15,000, £10,000 and £5,000 in their parent company. The effect of offering them higher salaries in India—such that net income (after tax) remains unchanged—is an additional charge of £11,600 for the United Kingdom company and £38,750 for the United States company. The charge for a company will be correspondingly reduced and the probable reductions are indicated for cases II and III, when lower salaries are provided.

Table III sets out the results obtained on different



* Since State Tax Levy on personal income in the USA have been applied to calculate this gross income. State have been added to the Federal income tax

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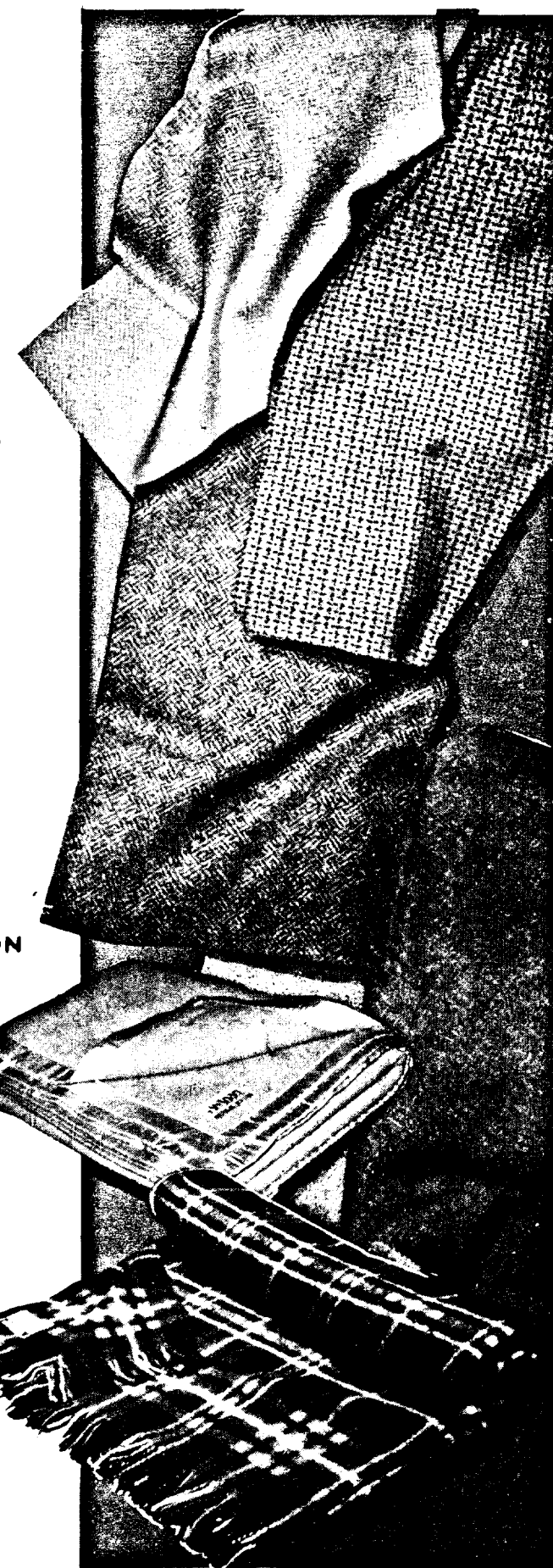
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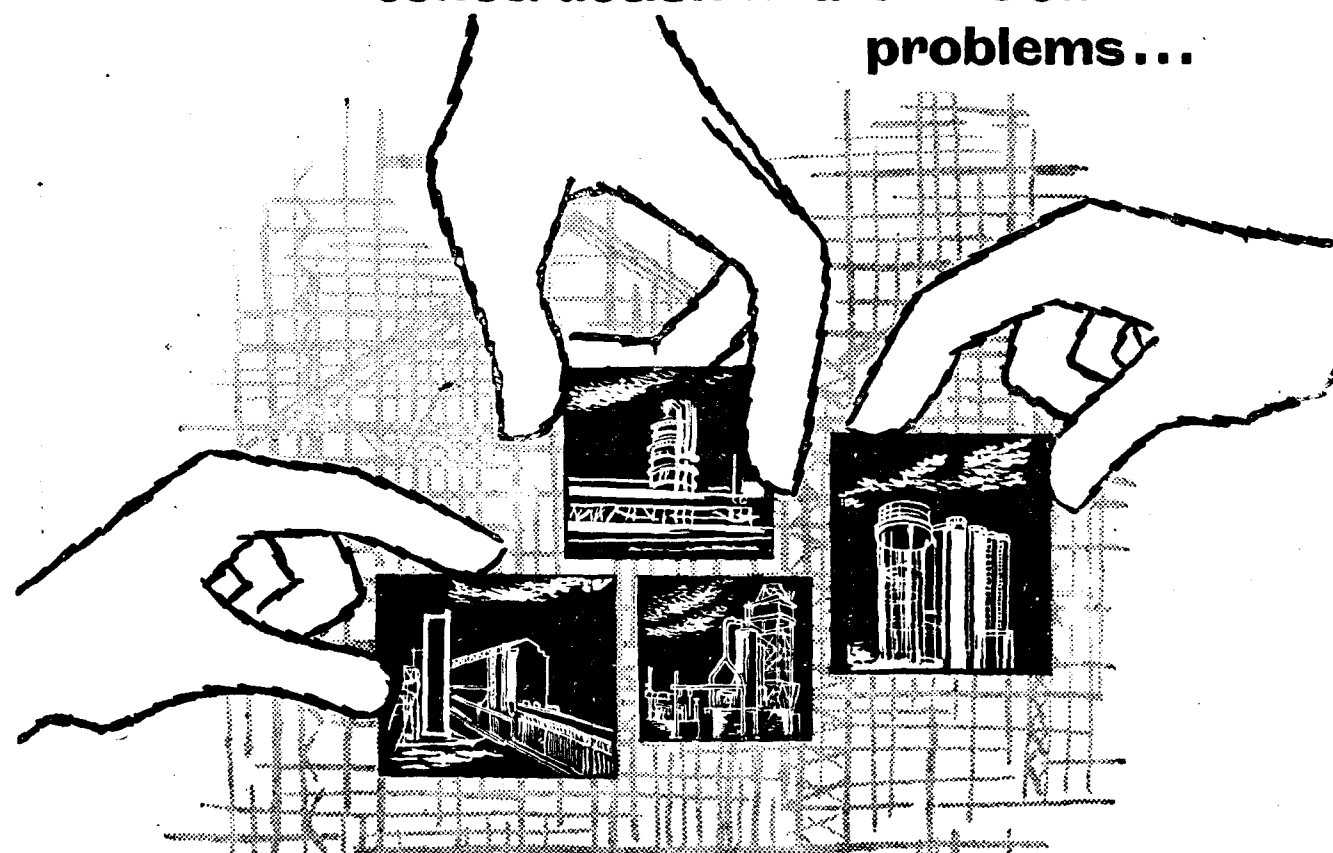
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assumptions for the additional charge that a foreign company will have to bear. For each person, instead of assuming a gross income in his parent company, a net income (after tax) is assumed. For this net income, the corresponding figure of gross income is evaluated for each country. The difference between the gross income to be offered in India and that in the home country is a measure of the additional charge on the company. Thus, for case II of Table III, when a general manager, assistant manager and junior officer are provided £5,000, £3,000 and £2,000 respectively, the additional annual charge on the company is £4,900 for the UK company and £8,300 for the US company.

The effect of the additional charge on profits will vary with the magnitude of this charge. The figures of "profits before tax" and "profit after tax" for an Indian subsidiary of a foreign parent have to be consequently modified. The decline in "profits after tax" will not be in direct proportion to the additional charge. As a matter of fact, the fall in "profits after tax" will be about 37 per cent of the additional charge, because profits of a foreign company in India are taxable at a rate of 63 per cent.

As an exercise, the figures presented in the previous piece on comparative corporate taxation have been recalculated on the assumption that the additional charge for a US or UK company operating in India will be the same as obtained in the case of II of Table III. The results obtained thus are presented in Table IV.

If fifteen years' "profits after tax" are added together, it has been found that the US company operating in India will get back Rs. 103 lakhs (instead of Rs. 111 lakhs as estimated earlier) in its first fifteen years of operation. This still compares somewhat favourably with Rs. 104.9 lakhs for a US subsidiary in the USA. Since the additional charge in the case of the UK is lower than for the USA, the Indian subsidiary of a British parent will be affected. It will get back Rs. 106 lakhs. But the differences between India and the UK become greater, because a British subsidiary in Britain recovers about Rs. 118 lakhs in the first fifteen years of operation.

These findings suggest that some concessions on foreign personnel taxation may well operate in marginal cases to attract an enterprise in India.

TABLE III
ADDITIONAL CHARGE ON A FOREIGN COMPANY DUE TO THE OPERATION OF INDIAN TAX RATES
(In £s)

No. of Foreign Personnel	Income After Tax in India	Income Before Tax in			Annual Additional Charge for a Foreign Company from		
		U.K.	U.S.	India	U.K.	U.S.A.	
Case I	One	7,500	30,000	13,000	24,300	(—)5,700	11,250
	Two	4,000	7,000	5,600	9,000	4,000	5,850
	Three	2,500	3,500	3,200	3,700	400	1,500
Total	..	—	—	—	(—)1,300	—	19,550
Case II	One	5,000	10,000	7,600	13,400	3,400	5,800
	Two	3,000	4,500	4,000	5,100	1,200	2,200
	Three	2,000	2,500	2,500	2,600	300	300
Total	..	—	—	—	4,900	—	8,300
Case III	One	4,000	7,000	5,600	9,000	2,000	3,400
	Two	2,500	3,500	3,200	3,700	400	1,000
	Three	1,500	1,750	7,500	1,750	—	150
Total	..	—	—	—	2,400	—	4,550

TABLE IV
TAX PAID BY A SUBSIDIARY COMPANY OF A FOREIGN PARENT IN INDIA, AND A SUBSIDIARY OF A BRITISH (OR U.S.) PARENT IN BRITAIN (OR U.S.A.)

Year of Production		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Appropriation																
Gross Profits	..	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Depreciation	..	62.5	56.2	50.8	45.4	40.8	36.2	33.3	30.0	27.1	24.2	21.7	19.6	17.5	15.8	14.2
Management's remuneration	..	1.9	2.3	2.8	2.7	3.0	3.3	3.4	3.5	3.6	3.8	3.9	4.0	4.1	4.4	4.5
Profits Before Tax of																
(i) Indian subsidiary of a British parent	..	32.9	38.8	44.0	49.1	53.5	51.8	60.6	63.8	66.6	69.3	71.7	73.7	75.7	77.0	78.6
(ii) Indian Subsidiary of a U.S. parent	..	31.0	36.9	42.1	47.2	51.6	55.9	58.7	61.9	64.7	67.4	69.8	71.8	73.8	75.1	76.7
Tax Paid																
(i) Indian subsidiary of a British parent	..	—	—	—	15.2	18.0	36.4	38.2	40.2	42.0	43.7	45.2	46.4	47.7	48.5	49.6
(ii) Indian subsidiary of a U.S. parent	..	—	—	—	14.0	16.7	35.2	37.0	39.0	40.8	42.5	44.0	45.2	46.5	47.3	48.3
(iii) British subsidiary in U.K.	..	17.1	20.2	14.9	25.5	27.7	29.8	31.2	32.8	34.2	35.5	36.7	37.7	38.7	39.2	40.0
(iv) U.S. subsidiary in U.S.A.	..	18.8	21.1	25.0	27.8	30.3	32.8	34.3	36.1	37.7	39.1	40.5	41.6	42.7	43.4	44.3
Profits After Tax																
(i) Indian subsidiary of a British parent	..	32.9	38.8	44.0	33.9	35.5	21.4	22.4	23.6	24.6	25.6	26.5	27.3	28.0	28.5	29.1
(ii) Indian subsidiary of a U.S. parent	..	31.0	36.9	42.1	33.2	34.9	20.7	21.7	22.9	23.9	24.9	25.8	26.6	27.3	27.8	28.4
(iii) British subsidiary in U.K.	..	18.5	21.3	31.8	26.3	28.5	30.7	32.1	33.7	35.1	36.5	37.7	38.7	39.7	40.5	41.2
(iv) U.S. subsidiary in U.K.	..	16.8	19.4	21.7	24.0	25.9	27.7	29.0	30.4	31.6	32.9	33.9	34.8	35.7	36.3	37.0

Foreign Trade

THE legacy left by World War II in the sphere of international trade has given it a somewhat inflexible form and multilateral trade on a liberal basis remains a distant goal. Tariff barriers and bilateral agreements, or agreements between more than two countries, have contributed to this inflexibility. GATT has been a powerful instrument in lowering the tariff walls and imparting an increasing element of liberalisation to the trade of the member countries. But it would, perhaps, be too early to say that the goal of multilateral and relatively free trade will be achieved in the next few years.

The under-developed countries like India find that the significance which the import trade has acquired in their development programmes has also necessitated a drive for stepping up their exports to reduce the higher proportion of their import surplus. Trade deficit and overall balance of payments deficit is one of the necessary trials of their schemes of resources of development plans, and this has necessitated a greater reliance on bilateral agreements on their part than they would otherwise have accepted. Their present pre-occupation, rightly or wrongly—probably wrongly—is with intensifying their trade relations with countries from which they can import more and obtain greater investment in order to finance their development programmes. Until they complete the stage of take-off and attain self-sustaining growth, this pre-occupation

seems to remain a dominating factor in their trade policies.

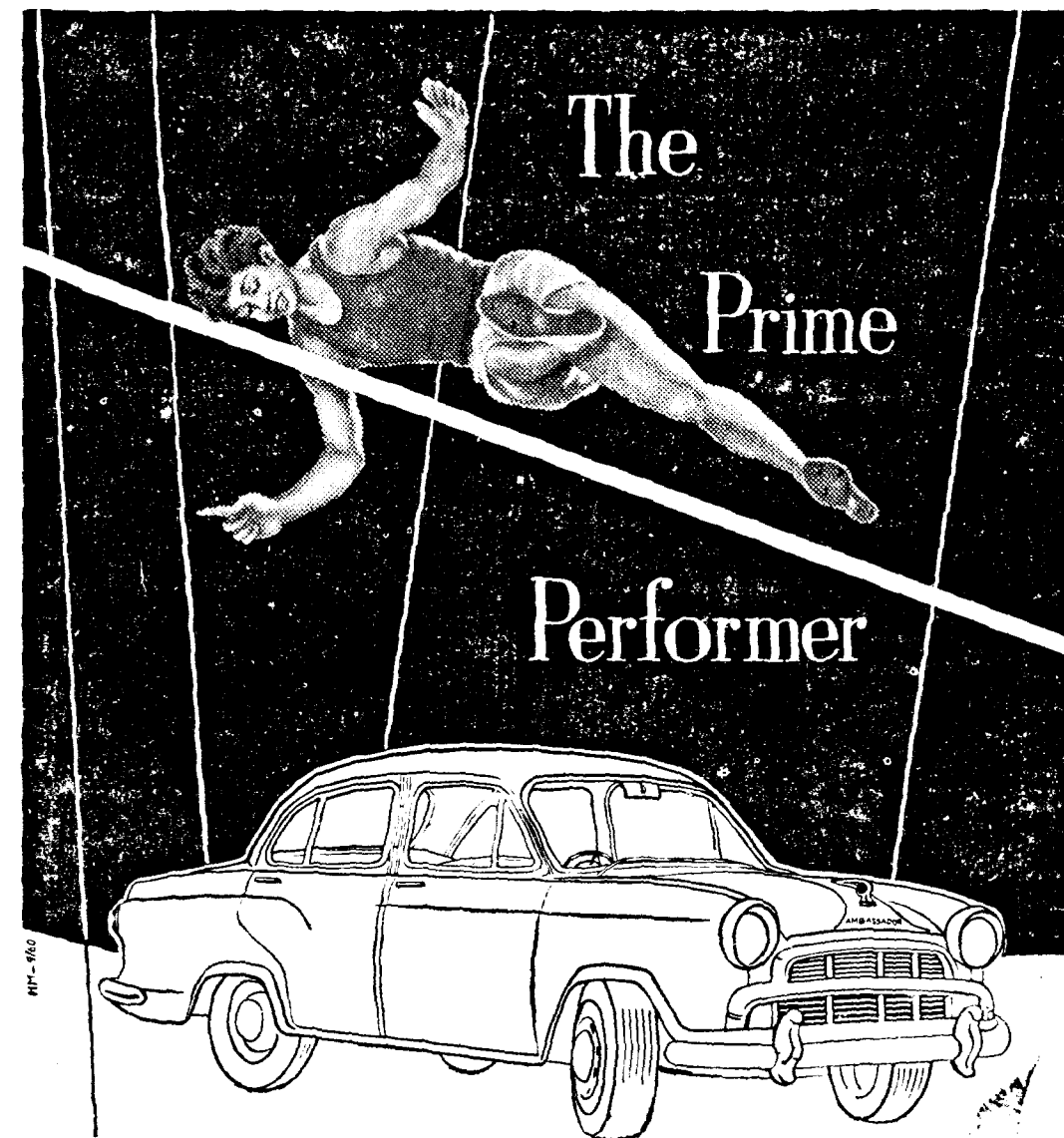
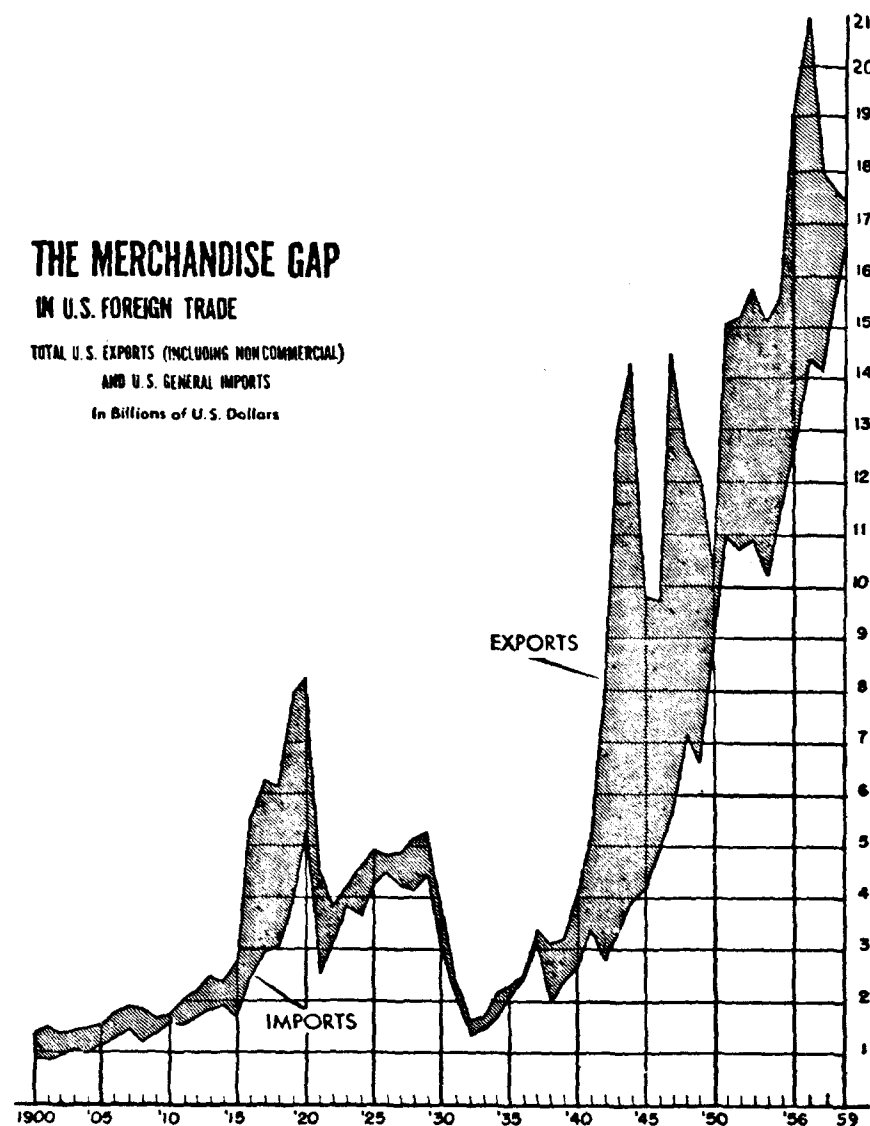
REGIONAL BLOCS

But in the industrialised countries, particularly of Western Europe, the trend towards formation of regional trade blocs has become quite pronounced. Of course, it is argued in defence of these regional blocs that they are intended for, first, breaking narrow approach to policies in the trade of individual countries and, second, to give it a broader base of regional liberal trade as a step to global multilateral trade. The European Common Market professes this philosophy. All attempts to bring the entire West European continent within the orbit of the Common Market and thereby make it co-extensive with erstwhile OEEC, excluding Turkey, have failed. The consequence has been unfortunate and, for the immediate future at least, it threatens to raise, instead of demolishing, barriers between free trade. The emergence of the European Free Trade Association of the seven member countries, was an inevitable development as a counterpart of the European Common Market. To bring harmony and eventual merger of the two seems at present at least not easy, and the prospect is apprehended to be one of cleavage instead of continental trade unification.

The formation of the European Common Market has produced certain apprehensions in the minds of the

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under-developed countries of South-East Asia, Latin America and the Middle East as regards some of their staple exports to the Common Market region. As a consequence, regionalism has also taken hold of their outlook on external trade policies. The advocacy of regional common markets for the under-developed continents is an expression of that outlook. Of course, the direction of their imports and exports and their reliance in an overwhelming degree beyond the continental regions make it difficult for them to give a concrete shape to their aspirations of regional trade arrangements as a defensive action.

CONTINENTAL ECONOMIES

America's emergence in the post-war period as a creditor to most countries on a grand scale has necessarily won for her a place of predominance in world trade. Trade between America and India has increased much faster and it has been based on a much wider coverage of commodities than ever before World War II. There is considerable similarity between the potential patterns of the foreign trade of America and India. This similarity arises from geographical factors. Both the USA and India can aptly be described as possessing continental economies in contra-distinction to island economies or small-sized economies. A continental economy, as it progressively achieves higher stages of growth, has inherent advantages which are not enjoyed by island economies. The continental expanse of the home market and the demand created at home by their large populations impart a very powerful element of stability to the trade of continental or sub-continental countries like the USA or India. A higher rate of progress in production is sustained in normal times by a rising domestic demand. The dependence on external trade—after a reasonable level of industrialisation at home is attained—does not make the economy highly susceptible to fluctuations in external trade. The capacity of the home market to sustain a relatively high level of production also creates the capacity to absorb the shocks imparted by the extreme swings in imports or exports.

This is, of course, not to argue that immunity from the repercussions of fluctuations in world trade can be

acquired by continental or sub-continental economies. This is impossible in the very nature of the growing interdependence of different countries in the sphere of trade as in other economic spheres. By contrast, an island economy, such as that of Britain, Japan or Ceylon, or of a small-sized country, such as that of the Netherlands, Switzerland, etc. is highly dependent upon the influences of export and import trade for its normal economic life. The size of the home market is modest and the greater share of national income contributed by trade has to be earned from external trade.

The percentage ratio of the foreign trade of a country to its national income, therefore, cannot necessarily be taken as an index of the high or low stage of development of that country. The foregoing paragraph underlines the conclusion that a highly developed continental economy, such as that of America, may have a low percentage ratio of its foreign trade to its national income, while an island country less developed may have a high ratio in this regard. This is amply borne out by Table TR-1 in this Section. In the year 1959, the percentage ratio of America's total foreign trade to her national income was 8.1, while non-continental economies had high ratios, such as, for instance, the UK 30.0, Norway, 65.2, Sweden 44.8, Denmark 66.3, the Netherlands 90.0, Switzerland 52.3, and Japan 25.2. From these high ratios of the countries other than the USA it cannot be suggested by any stretch of reasoning that a high degree of economic development is indicated merely by the fact of the share of its external trade in the national income. The ratio of India's foreign trade to her national income in 1959 was 12.0 per cent. It was 50 per cent higher (apart from the basic fact that the actual levels of the national income and foreign trade of the USA in absolute or aggregate terms stand very high) than that of the USA because the import requirements of India's development plans have given a sudden spurt to her total of external trade.

Looking from another angle, it would be an error to suppose that per capita foreign trade of a country

TABLE TR-1

FOREIGN TRADE AS PERCENTAGE OF NATIONAL INCOME, 1959

Country	Unit	National Income	Exports	Imports	Total Trade (2+3)	Percentage of (2 to 1)	Percentage of (4 to 1)
		1	2	3	4	5	6
U.S.A.	Mil. U.S.\$	399,600	17,393	15,050	32,443	4.4	8.1
Canada	"	26,234	5,365	5,746	11,111	20.5	42.4
U.K.	"	53,007	9,325	10,806	20,131	17.6	38.0
West Germany	"	44,887	9,805	8,478	18,283	21.8	40.7
France*	"	36,662	5,117	5,609	10,726	14.0	29.3
Norway*	"	3,149	744	1,310	2,054	23.6	65.2
Sweden	"	10,294	2,206	2,405	4,611	21.4	44.8
Denmark*	"	4,096	1,288	1,366	2,654	31.4	64.8
Netherlands	"	8,366	3,607	3,939	7,546	43.1	90.0
Switzerland	"	6,897	1,683	1,923	3,606	24.4	52.3
India	"	26,418	1,308	1,864	3,172	5.0	12.0
Pakistan	"	4,598	321	353	674	7.0	14.7
Australia	"	12,024	2,008	1,854	3,862	16.7	32.1
Japan*	"	23,487	2,877	3,033	5,910	12.2	25.2
Ceylon	"	1,128	368	421	789	32.6	69.9

* Relates to the year 1958.

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(3) Economy effected by importing essential commodities against payment in kinds with the surplus goods.

is a correct indicator of the high level of national income and, therefore, of the high level of economic development. One has only to glance at the comparative figures in this respect which are set out in Table TR-2 in this Section. It will be seen from this table that Switzerland, a small land-locked country with a modest population, has the highest per capita foreign trade of the order of \$680.4 among the countries incorporated in this table. Denmark, Norway, and the UK have per capita foreign trade respectively of \$659.3, \$599.2 and \$387.2. Their per capita foreign trade is high because of the modest size of their populations. Japan, an island economy otherwise similarly situated as these three countries, has per capita foreign trade of the order of only \$76.1, in spite of her high volume of external trade. The low ratio is explained by the high density of Japan's population. By contrast, the United States had in the year to which the table relates, namely, 1959, per capita foreign trade of only \$182.6. This is a telling instance of a highly developed continental economy which has a relatively low ratio of foreign trade to national income. India, an instance of a sub-continental economy, but representing typically the under-developed world, had per capita foreign trade

of merely \$7.9. It explains at once the low value of her foreign trade and her thick population. To take another typical example, Ceylon, an island economy with a high degree of reliance on export and import trade in her normal economic life, had per capita foreign trade of \$83.1 in 1959.

AMERICA IN WORLD TRADE

The historical growth of the USA's foreign trade is instructive, although it would, perhaps, be too much to assume that it can be said to set the pattern for India's foreign trade during the remaining four decades of the current century. America emerged as a creditor nation during World War I and, although her creditor status suffered some diminution during the inter-war period, there was a powerful resurgence in it during World War II and particularly in the post-war period. Not only that, but her relations as creditor, which were limited during World War I and inter-war period primarily to Western Europe, were diversified and extended to the continents of Latin America, Asia and the Middle East. International creditor-debtor relations involve a positive change in the direction of trade of

TABLE TR-2

PER CAPITA FOREIGN TRADE - 1959

Country	Imports	Exports	Total	Population	Per Capita Foreign Trade
(1)	(2)	(3)	4 = (2 + 3)	(5)	(6)
	Million U.S. Dollars			Millions	In Dollars
1. United States	15,050	17,393	32,443	177.70	182.6
2. Canada	5,746	5,365	11,111	17.44	637.1
3. United Kingdom	10,806	9,325	20,131	51.99	387.2
4. West Germany	3,478	9,805	18,283	52.79	346.3
5. France	5,086	5,614	10,700	45.10	237.3
6. Norway	1,323	810	2,133	3.56	599.2
7. Sweden	2,405	2,206	4,611	7.45	618.9
8. Netherlands	3,939	3,607	7,546	11.35	664.8
9. Switzerland	1,923	1,683	3,606	5.30	680.4
10. India	1,864	1,308	3,172	432.75	7.9
11. Pakistan	353	321	674	86.82	7.8
12. Australia	1,854	2,008	3,862	10.06	383.9
13. Japan	3,600	3,457	7,057	92.74	76.1
14. Denmark	1,602	1,398	3,000	4.55	659.3
15. Ceylon	4,21	368	789	9.50	83.1

the parties. The flow of credits and the repayment of debts has essentially to be channelled through capital goods equipment and manufactures, semi-manufactures,

raw materials and other merchandise goods. How the direction of America's trade has undergone a conspicuous change is summarised in the following table:

(To nearest 5 per cent)

Type of trade	Year	Europe	Canada	Southern North America	South America	Asia, Africa Australia
Imports	1910-1914	50	15	15	10	10
	1956	25	25	10	20	20
Exports	1910-1914	60	10	20	5	5
	1956	30	20	15	15	20

America's major creditor position in relation to Europe during World War I, World War II and the period of Europe's post-war reconstruction naturally gave a pronounced bias to the direction of her imports and exports towards Europe. The year 1956 marks the completion of Europe's post-war rehabilitation and a return to an improving balance of payments situation. It was inevitable therefore that Europe's exports and imports in relation to America should diminish relatively to the pre-1956 period. The above table shows that America's exports shrank from 60 per cent of the total to 30 per cent in the direction of Europe, while imports from Europe decreased from 50 per cent during 1910-1914 to 25 per cent in 1956. By contrast, the shares for the other regions in America's exports and imports increased in varying proportions. The shift explains the substantial fall in America's imports and exports in relation to Europe. The increasing share of the four regions in the table, excluding Europe, speaks for intensification of economic co-operation between the USA. on the one hand, and those regions, on the other.

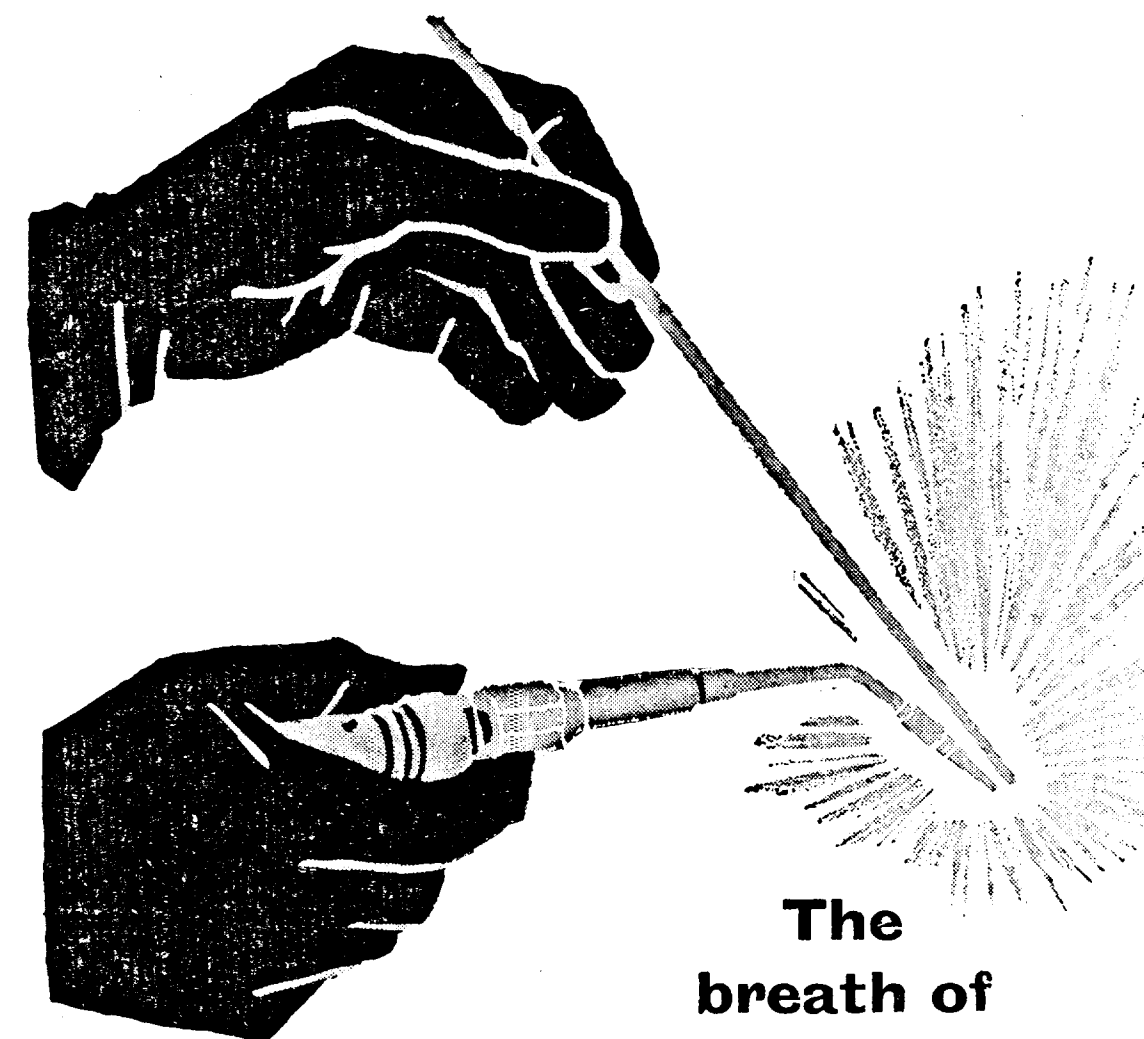
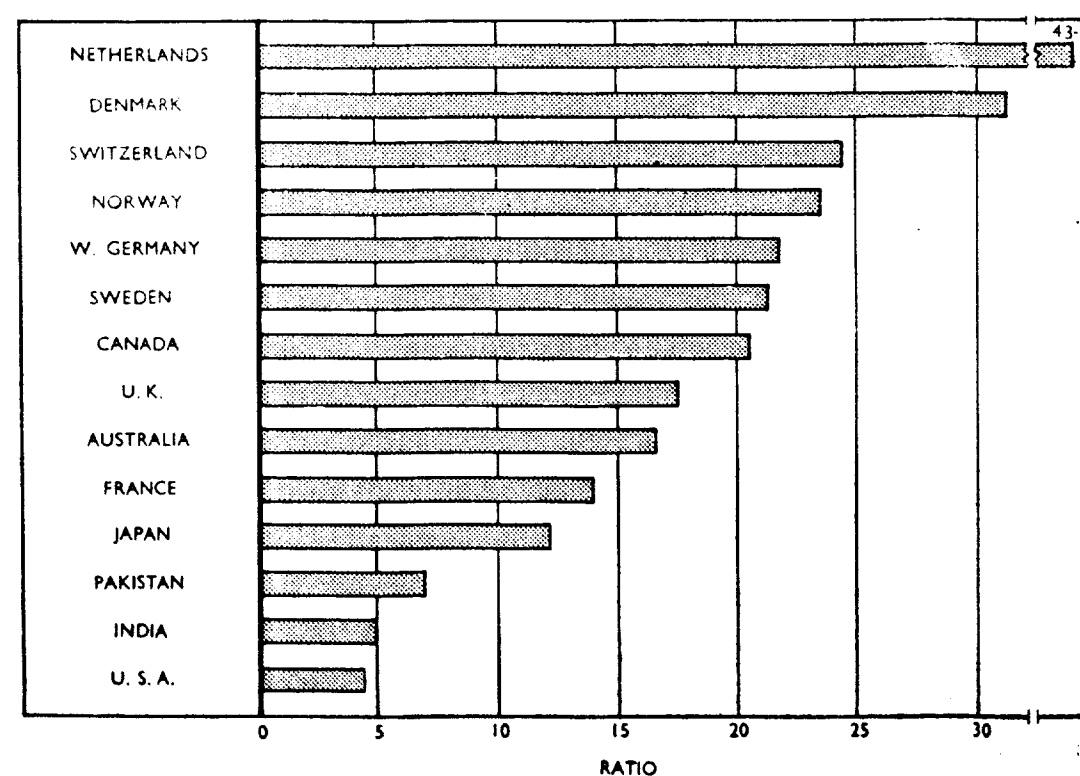
There is no parallel between America's creditor

position acquired during World War I and World War II, on the one hand, and the creditor position to which India found herself to have risen during World War II, on the other. Between the end of World War II and the mid-period of India's First Five-Year Plan, the solid sterling balances of India, accumulated during the war, sustained a rising import surplus. But as the bias of development shifted from agriculture to industry towards the end of the First Plan, the sterling balances began to be depleted at a higher rate and India had to come back to the debtor position on a big scale, solely for the specific purpose of financing development by means of external aid. The difference between the creditor positions for two countries highlights the difference between the high degree of economic development in America and the start which India has made in her pursuit of economic expansion.

INDO - US TRADE

Elsewhere in this Annual Number, the development of America's massive role as a supplier of credits for India's development has been elaborated. As a

RATIO OF EXPORTS TO NATIONAL INCOME IN 1959



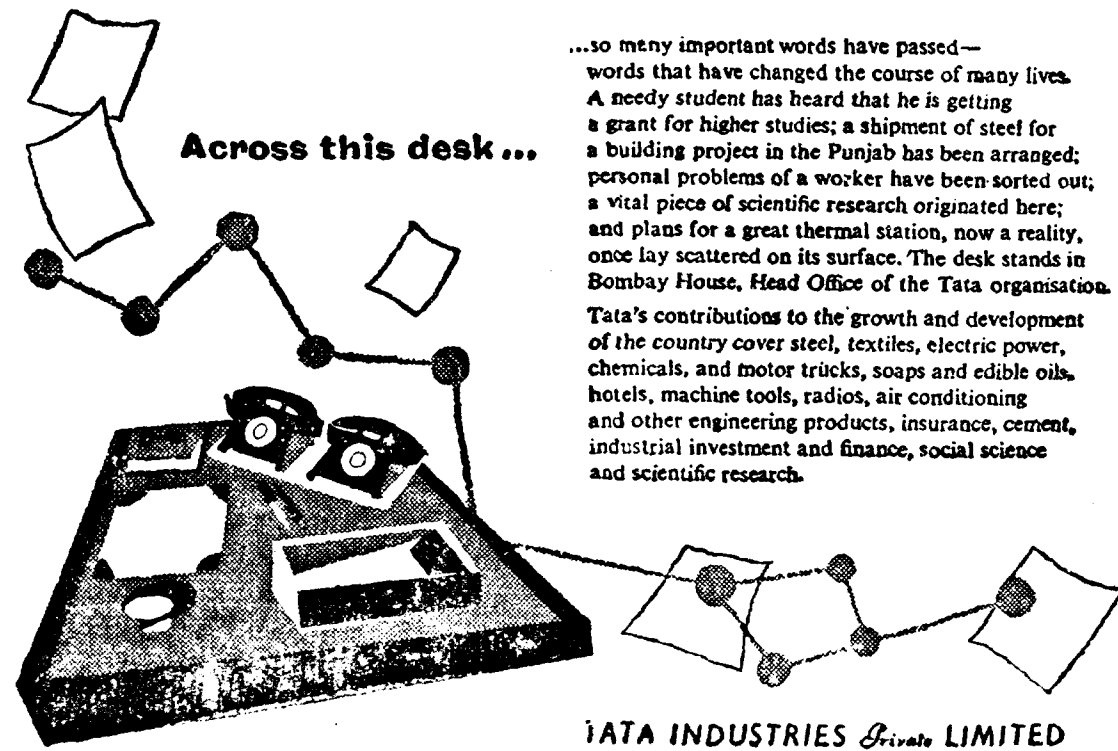
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corollary to this new and vital economic relationship between India and America, the trade between the two countries has naturally taken a new and expanding form. At the present time, the composition of India's exports to America is predominated by raw materials such as manganese ore, mica, hides and skins, secondly, by primary commodities like tea, pepper, cashew kernels, and manufactures like jute goods, mill-made cloth handloom cloth, which is acquiring rising importance, and so forth. India's imports from America are easily dominated by foodgrains of which wheat, constitutes the bulk and then in importance come maize, sorghums and rice. This is a reflection of India's post-partition vulnerability in the matter of foodgrain production. Raw cotton is a basic agricultural raw material for which India has come to rely in a substantial degree on America, partly because of her own shortages of domestic production, but primarily because of the great and liberal facilities available under PL 480. These PL 480 imports are a valuable interim phase in India's direction of imports. By the end of the Third Plan India will have achieved self-sufficiency in foodgrain production. From the long range view-point, the new trade relationship which has developed between India and America is demonstrated by our imports of capital goods and equipment from that country. In this important class of imports may be mentioned machinery, both non-electric and electric, transport equipment and chemicals, iron and steel, etc. Fertilizers represent an important development item and mention ought also to be made of medicinal and pharmaceutical products. Indo-US trade is now placed on a widening base which is bound to be sustained in the future patterns of the two countries.

What will be the changing pattern of India's foreign trade during the remaining four decades of the 20th

century? An answer to this question must be found with reference to the composition and direction of India's exports and imports. So far as the composition of the trade is concerned, no special effort at forecast is necessary. It goes without saying that, so long as the period of self-sustaining growth remains to be reached, capital goods and equipment, intermediates and industrial raw materials which are not domestically produced will predominate imports. Thereafter their importance will be substantially reduced. As India's industrialisation proceeds progressively with the fulfilment of the development programmes, the present lopsided reliance of our exports on raw or semi-processed materials and primary commodities will be rectified, giving place to manufactured products.

FUTURE DIRECTION OF INDIA'S EXPORTS

The most crucial question is about the direction of our external trade and particularly the direction of our export trade. If high import surplus is the pre-condition of our programmes of economic development, a concurrent responsibility is thrown on the export trade to expand to the maximum possible extent in order to reduce the magnitude of the import surplus. After the urgency for heavy imports is reduced, exports will acquire a strategic importance inasmuch as our primary function will be to repay the maturing credits which will fall due cumulatively after the next two decades or so. Of course, during the next two decades there is an obligation to repay, but these repayments are to be of a relatively small size.

The pattern of financial resources for our development plans in which foreign credits have a crucial place will impart some inflexibility to the direction of our export trade. India has opted for the policy of receiving

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"He's not heavy, he is my brother!" says the five-year-old Champa to the farmer. He stands bemused at this strange logic. His eyes follow this little girl carrying her impatient two-year-old brother to the AMUL Free Milk Distribution Centre of the village. He thinks of this new generation—bold and independent. He thinks of the 16,000 other children, between the ages of one and six, who get six ounces of milk free every day. These children do not know, but he knows that this scheme is the result of an agreement between the UNICEF, the Kaira District Co-operative Milk Producers' Union Ltd., Anand, the Government of Bombay and the Government of India. His chest swells with pride as he walks on the pucca road he has helped build. Once it was a narrow pathway one stumbled along even in broad daylight! Now his village is no more a slumbering hamlet. Today, it has a school, a library and a dispensary. He recollects the day when electricity came to his hut... how afraid his wife was to touch the switch! And that water-tap in their hut... Yes, going, going are the days when she had to walk miles to fetch a pail of water, and when they had to retire at sunset. And he thinks of his own contribution. Of the 40,000 farmer members of the 138 Village Milk Producers' Co-operative Societies affiliated to the Union. Of their joint effort which is fostering a spirit of resurgence in the countryside. Of Champa, the symbol of the rising generation of Kaira, and of the day when she will lightly bear the responsibility of her community—the brotherhood of Kaira.

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TABLE TR-3

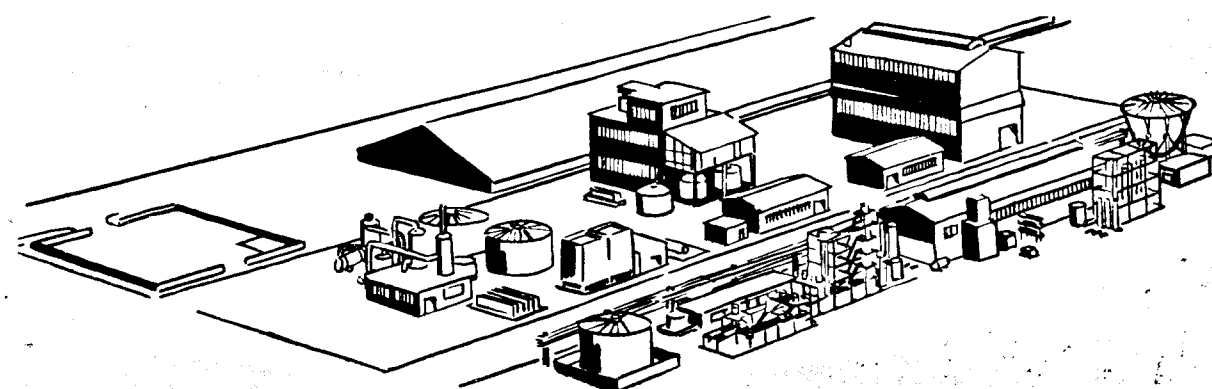
COMPOSITION OF INDIA'S FOREIGN TRADE WITH U.S.A.

(Rs. lakhs)

Items	Exports			Imports		
	1957	1958	1959	1957	1958	1959
Meat and meat preparations	7	7	5	—	—	—
Dairy products, eggs and honey .. .	—	—	—	4.01	5.05	6.07
Fish and fish preparations .. .	27	42	65	—	—	—
Cereals and cereal preparations .. .	—	—	—	42.02	83.11	106.12
Fruits and vegetables .. .	11.06	11.17	10.74	13	2	1
Coffee, tea cocoa, spices and manufactures thereof ..	7.97	7.82	8.07	—	—	—
Miscellaneous food preparations .. .	—	—	—	—	—	65
Tobacco and tobacco manufactures .. .	—	—	—	1.14	1.36	1.31
Hides, skins, and fur skins, undressed .. .	1.88	2.17	2.29	1	—	—
Crude rubber, including synthetic and reclaimed .. .	—	—	—	83	91	1.22
Wood, lumber and cork .. .	13	8	9	39	34	1.02
Pulp and waste paper .. .	—	—	—	67	61	1.18
Textile fibres (not manufactured into yarn, thread or fabrics) and waste .. .	4.82	3.55	5.36	22.32	8.71	6.98
Crude fertilisers and crude minerals, excluding coal, petroleum and precious stones .. .	2.89	3.65	3.46	3.37	2.02	2.32
Metalliferous ores and metal scrap .. .	16.27	8.82	7.00	1.74	56	78
Animal and vegetable crude materials, inedible, n.e.s. .. .	5.20	5.74	6.20	6	4	7
Mineral fuels, lubricants and related materials .. .	—	—	—	6.70	4.39	5.98
Animal and vegetable oils (not essential oils) fats, greases and derivatives .. .	3.07	11	1.99	1	1	1
Chemical elements and compounds .. .	29	—	2	4.04	5.78	7.64
Dyeing, tanning and colouring materials .. .	—	—	1	43	41	31
Medicinal and pharmaceutical products .. .	1	2	2	3.80	2.45	1.94
Essential oil and perfume materials .. .	76	51	61	13	12	14
Fertilisers, manufactured .. .	—	—	—	83	51	40
Explosives and miscellaneous chemical materials .. .	—	—	—	1.22	1.39	1.95
Leather, leather manufactures and dressed furs .. .	65	60	1.60	5	4	3
Rubber manufactures .. .	—	—	—	41	16	19
Wood and cork manufactures .. .	1	1	1	9	14	16
Paper and paperboards .. .	—	—	—	13	5	14
Textile yarn, fabrics, made-up articles and related products .. .	35.24	33.66	43.07	21	19	52
Non-metallic mineral manufactures .. .	43	34	33	1.85	75	62
Silver, platinum, gems and jewellery .. .	37.71	11.46	11	8	5	1
Base metals .. .	23	49	68	17.00	7.32	8.73
Manufactures of metals .. .	7	9	10	2.16	1.16	97
Machinery other than electric .. .	1	3	1	28.55	18.21	16.32
Electric machinery, apparatus and appliances .. .	—	—	—	7.63	5.60	2.87
Transport equipment .. .	—	—	—	13.41	6.55	15.87
Footwear .. .	8	13	19	—	—	—
Professional, scientific and controlling instruments .. .	1	2	1	1.56	1.38	1.18
photographic and optical goods, watches and clocks .. .	—	—	—	—	—	—
Total (including others) .. .	1,31,39	92,56	95,12	1,70,32	1,614.6	1,95,43

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Simon-Carves are currently executing a contract from East India Distilleries & Sugar Factories Ltd., to build a complete compound fertiliser factory in Ennore near Madras. The factory will go into production about the middle of 1962. The contract includes the design and supply of the equipment, the civil engineering work and the erection and commissioning of the plant which will produce approximately 51,000 tons a year of compound fertilisers based on ammonium phosphate. The factory will include an ammonia synthesis plant, sulphuric and phosphoric acid plants and raw material and product storage and handling equipment.

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external assistance from all friendly countries unhindered by ideological inhibitions. We have received, although in a modest size, credits from the USSR and other Communist countries. The essential principle underlying these credits is that they are accompanied by agreements of bilateral trade and, so far as it is practicable, these agreements are being evolved on the principle of bilateral balance. This may partake of the complexion of barter transactions, but the principle is that surpluses should be reduced to the minimum. Then another principle behind the credit agreements is repayment in rupees. As the credits are expanding in size, the volume of bilateral trade is also being expanded. The rupee balances acquired by the creditor countries are utilised, after a time, for buying goods in India which are required by those countries at home. Thus a novel feature of rupee exports, which is a counterpart of rupee repayable credits, is developing and it will have some significance in our export trade. These credits will undoubtedly serve to build up long-term trade relations between India and the Communist countries and they will bring to us the benefit of diversification of our export trade. What applies to the rupee repayment agreements of the Communist countries applies equally to similar agreements concluded by non-Communist countries with us.

The bulk of our foreign debt is acquired from the

countries of the West. These debts will need to be repayed in the form of exports. Since 1959 foreign credits from the Western countries, now including also the USA, are predominated by the principle of tie-up or utilisation of the credits for purchases in the credit-supplying countries themselves. The result that will occur is that a certain inflexibility will be imparted to our balance of trade. The absence of the choice to buy in the cheapest market will create larger trade deficits in respect of the aid-giving countries. At the present time, West Germany typifies the case of this class to an excessive point where our adverse balance of trade (which is virtually equivalent to our balance of payments) has reached a great dimension. The case is being strongly argued (and also being appreciated by the creditor countries) that aid ought to be accompanied by trade, that is to say, by a substantial off-take by the creditor countries of India's exports. If this view is accepted and the policy of aid plus trade is widely pursued, balance of trade and other severe stresses and strains will be reduced. In about two decades, the assumption behind our planning is that India ought to reach a stage of building up a significant export surplus. To the extent that aid and trade become the accepted pattern of the policy of the Western countries, the choice for India to diversify the direction of her trade will be more free than if tied credits, unaccompanied by a greater off-take of Indian exports, would leave us.

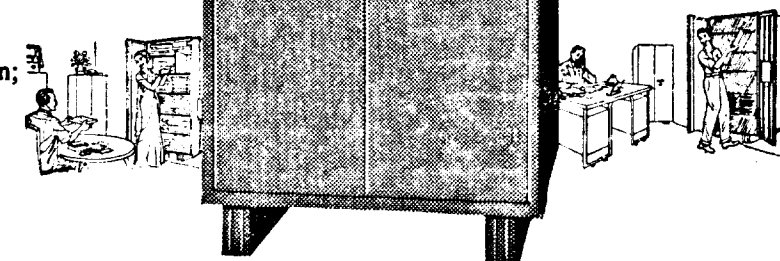
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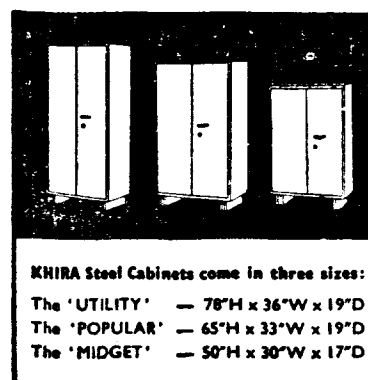
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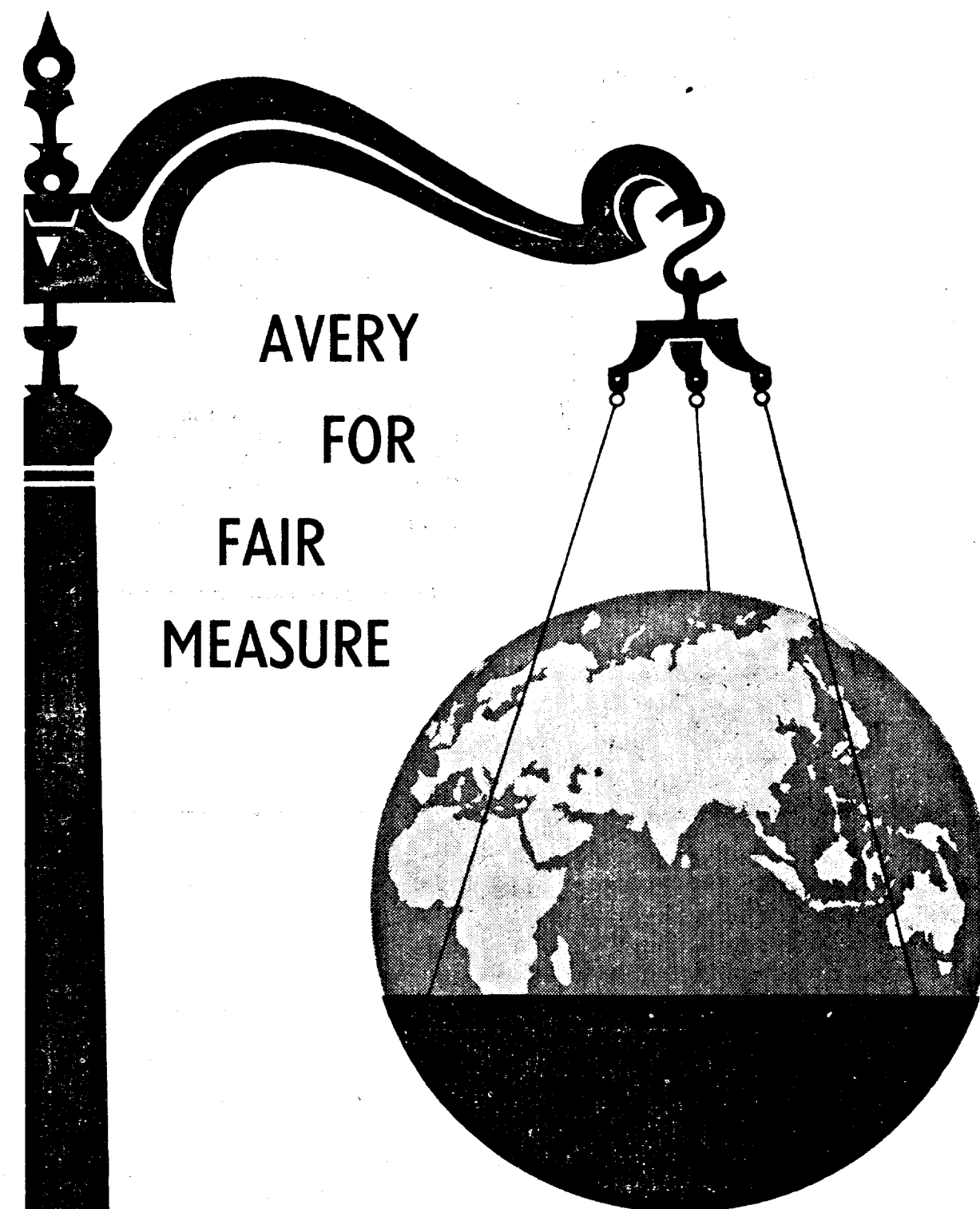
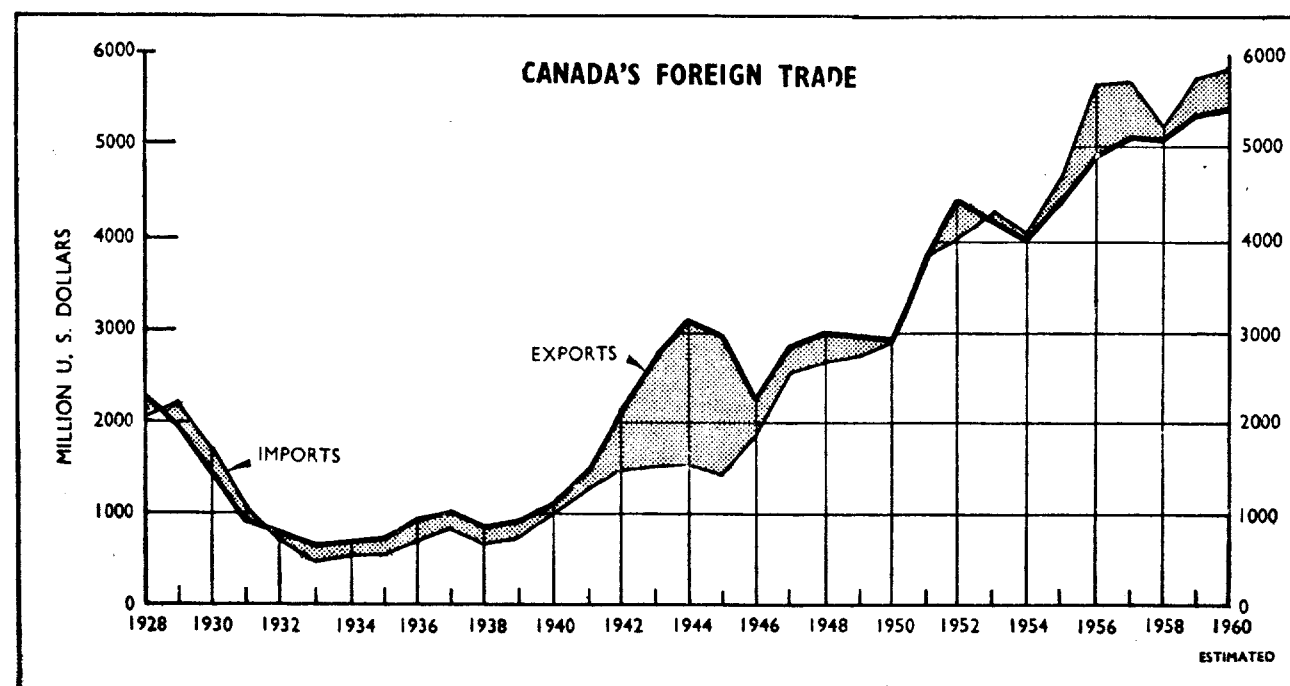
TABLE TR-6
TERMS OF TRADE

Index Numbers

(Base: 1953: 100)

	1950	1955	1956	1957	1958	1959	1960
United States							
Export Prices	88	100	103	107	106	107	108 (Aug.)
Import Prices	88	102	105	105	100	98	100 (")
Terms of Trade	100	98	98	102	106	109	108 (")
Canada							
Export prices	82	99	103	105	103	107	105 (")
Import Prices	90	101	103	110	107	108	108 (June)
Terms of Trade	91	98	100	95	96	99	96 (")
India							
Export Prices	98	100	101	101	100	98	109 (July)
Import Prices	90	93	94	103	97	95	94 (")
Terms of Trade	109	108	107	98	103	103	116 (")
United Kingdom							
Export Prices	84	101	105	110	109	108	110 (Aug.)
Import Prices	84	102	104	106	98	97	97 (")
Terms of Trade	100	99	101	104	111	111	113 (")
West Germany							
Export Prices	78	98	101	103	103	100	101 (")
Import Prices	98	100	102	103	95	91	91 (")
Terms of Trade	80	98	99	100	108	110	111 (")
France							
Export Prices	85	95	99	97	89	95	102 2nd Qtr.*
Import Prices	87	98	102	105	98	90	93 2nd Qtr.*
Terms of Trade	98	97	97	95	99	99	102 2nd Qtr.*
Japan							
Export Prices	90	97	101	98	89	92	94 (Aug.)
Import Prices	98	97	97	97	86	83	81 (")
Terms of Trade	92	100	104	101	103	111	116 (")

*Average.



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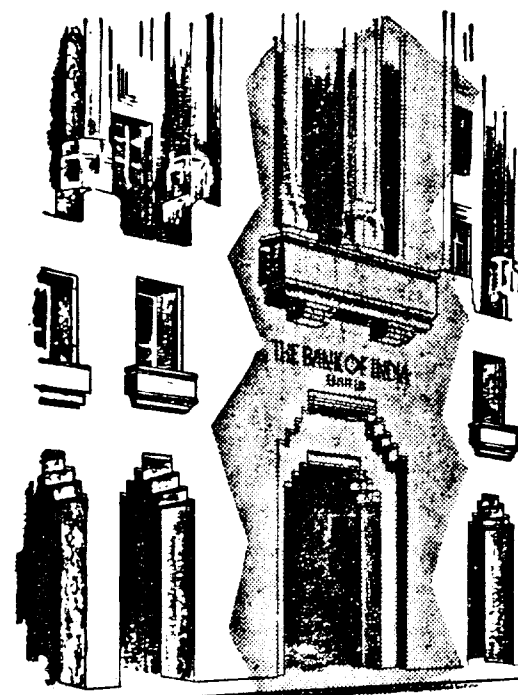
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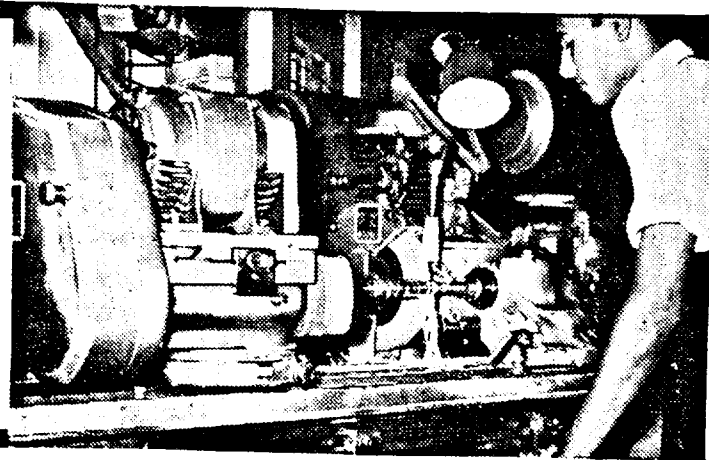
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TABLE — TR5

WORLD TRADE

Imports C.I.F.

(In million US dollars)

	1938	1950	1955	1956	1957	1958	1959	1960 (Jan.-June)
World	23,500	59,000	88,330	97,400	107,200	100,000	105,100	58,500
United States	2,180	8,853	11,410	12,645	13,109	12,918	15,050	7,643
Canada	691	2,382	4,628	5,638	5,710	5,205	5,746	2,912
Latin America	1,540	5,620	7,550	7,940	9,330	8,530	7,790	—
Argentina	443	1,187	1,173	1,128	1,310	1,233	993	566
Brazil	295	1,098	1,306	1,234	1,488	1,353	1,372	673
Chile	103	247	376	353	441	415	413	—
Colombia	83	365	669	657	483	400	408	244
Cuba	106	563	875	649	813	808	—	—
Mexico	110	556	884	1,072	1,155	1,129	1,007	572
Peru	60	176	300	361	400	335	294	180
Uruguay	62	200	229	213	255	151	160	—
Venezuela	96	594	973	1,119	1,668	1,428	1,408	—
WESTERN EUROPE	12,180	25,030	40,160	44,260	48,360	45,130	47,970	27,960
(a) Common Market	5,130	11,210	19,280	22,350	24,820	22,940	24,290	14,580
Belgium-Luxembourg	767	1,942	2,830	3,273	3,432	3,129	3,442	1,949
France	1,331	3,030	4,729	5,558	6,110	5,609	5,086	3,198
Germany, Western	—	2,697	5,793	6,617	7,499	7,361	8,478	4,688
Italy	593	1,488	2,711	3,175	3,674	3,216	3,341	2,329
Netherlands	803	2,056	3,208	3,725	4,105	3,625	3,939	2,217
(b) Free Trade Association	6,140	11,550	17,620	18,330	19,620	18,400	19,680	11,180
United Kingdom	4,259	7,035	10,483	10,413	10,960	10,096	10,806	6,151
Denmark	355	853	1,178	1,311	1,358	1,366	1,602	895
Norway	293	679	1,090	1,212	1,275	1,310	1,323	738
Sweden	524	1,182	1,997	2,209	2,428	2,366	2,405	1,421
Austria	243	477	637	974	1,128	1,074	1,145	676
Portugal	101	274	398	443	502	480	476	236
Switzerland	366	1,047	1,489	1,766	1,964	1,706	1,923	1,065
(c) Other Western	910	2,280	3,360	3,590	3,920	3,800	4,000	2,200
Europe	183	388	769	885	891	729	834	521
Finland	152	389	617	767	862	873	795	—
Spain	115	279	441	474	661	685	687	428
Yugoslavia	720	2,140	3,080	3,280	3,620	3,850	3,970	—
Middle East	30	117	198	203	206	201	201	102
Aden	32	78	140	130	194	171	164	92
Sudan	188	583	533	535	547	662	616	328
U.A.R. (Egypt)	46	105	272	317	341	307	326	—
Iraq	56	299	325	367	436	422	429	235
Israel	410	1,690	3,020	3,160	3,400	3,180	3,130	—
Central Africa	50	199	417	375	392	339	340	196
British E Africa	72	231	388	446	497	441	420	220
Rhodesia-Nyasaland	38	135	246	249	271	237	317	191
Ghana	42	173	381	428	427	467	502	—
Nigeria	37	188	379	416	436	360	308	—
Congo Republic	47	241	384	381	422	403	309	—
Central W. Africa	22	58	90	95	104	115	122	—
Mozambique	1,410	4,120	4,720	5,460	6,290	5,480	5,700	—
Sterling Area	78	111	181	198	296	205	223	—
Burma	86	245	307	342	379	361	421	202
Ceylon	576	1,173	1,414	1,725	2,243	1,844	1,864	960
India	—	403	290	417	440	396	353	315
Pakistan	—	428	504	572	590	541	568	340
Federation of Malaya	188	665	651	799	901	804	866	513
Hong Kong	960	1,530	2,680	2,930	3,220	2,750	2,530	—
Other Asia	104	120	201	194	212	226	231	—
China (Taiwan)	248	440	630	860	803	514	459	—
Indonesia	132	342	548	506	613	559	509	—
Philippines	57	209	334	365	407	393	419	225
Thailand	—	—	—	—	—	—	—	—
Rest of the World	517	1,410	1,932	1,713	1,684	1,792	1,854	111
Australia	225	455	804	751	832	796	647	359
New Zealand	1,070	974	2,471	3,230	4,284	3,033	3,600	2,242
Japan	—	—	—	—	—	—	—	—

TABLE TR-4
WORLD TRADE
Exports f.o.b.

(In million US dollars)

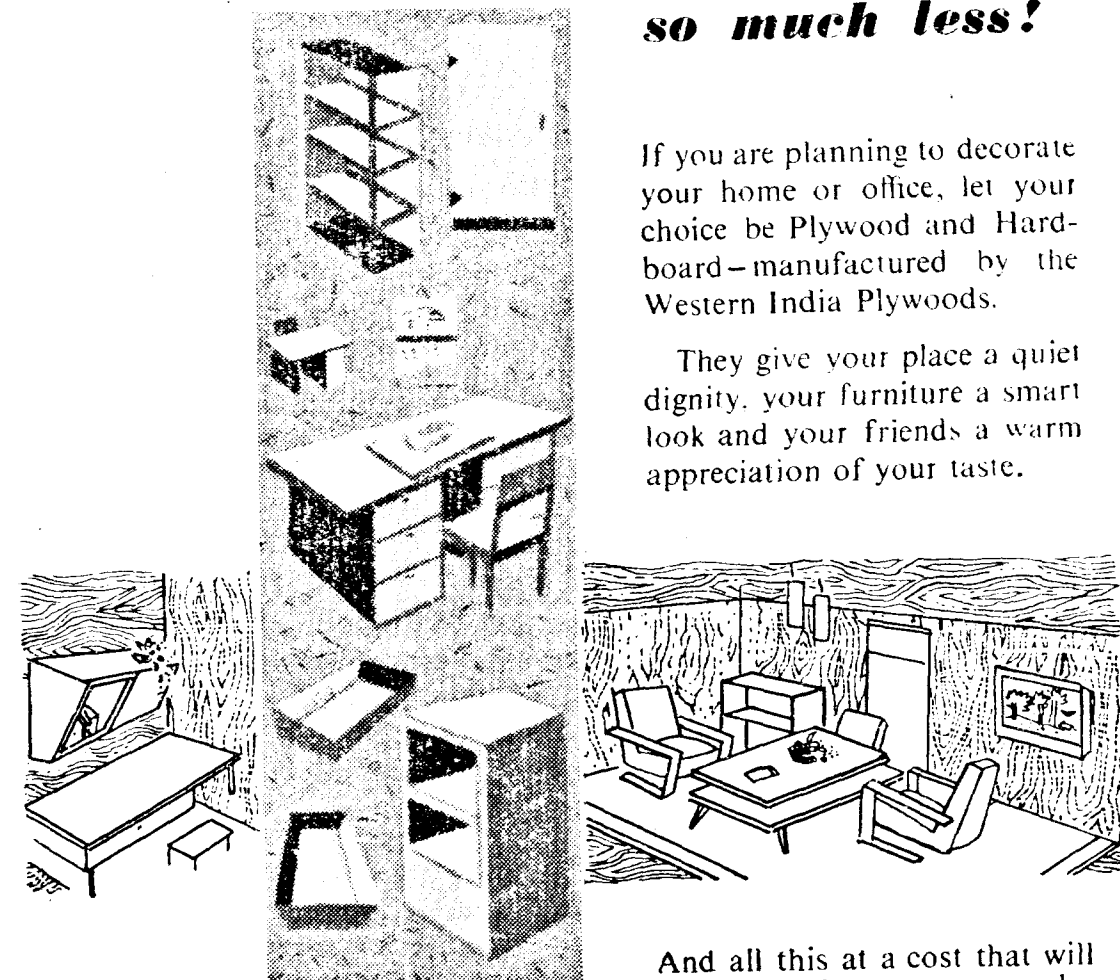
	1938	1950	1955	1956	1957	1958	1959	1960 (Jan.-June)
World	20,900	56,300	83,700	92,900	99,800	95,100	100,600	55,500
United States	3,064	10,149	15,430	18,947	20,682	17,732	17,393	10,132
Canada	865	2,897	4,386	4,916	5,094	5,045	5,365	2,696
Latin America	1,710	6,790	7,960	8,640	8,650	8,190	8,270	—
Argentina	438	1,361	929	944	975	994	1,009	540
Brazil	289	1,347	1,423	1,482	1,392	1,243	1,282	606
Chile	139	283	475	544	458	389	497	—
Colombia	81	396	581	599	511	461	467	211
Cuba	145	667	611	695	845	764	638	—
Mexico	159	521	805	880	727	735	756	349
Peru	68	189	268	308	320	281	312	185
Uruguay	62	254	184	211	128	139	98	—
Venezuela	181	1,161	1,873	2,116	2,366	2,322	2,369	—
Western Europe	8,990	20,430	34,470	37,680	41,380	41,130	44,690	25,180
(a) Common Market	4,360	9,290	18,370	20,070	22,470	22,770	25,220	14,600
Belgium-Luxembourg	731	1,653	2,776	3,162	3,186	3,046	3,295	1,914
France	880	3,037	4,912	4,541	5,065	5,117	5,614	3,493
Germany, Western	—	1,976	6,135	7,358	8,575	8,807	9,805	5,459
Italy	553	1,209	1,857	2,145	2,550	2,577	2,895	1,797
Netherlands	593	1,413	2,687	2,862	3,097	3,218	3,607	1,941
(b) Free Trade Association	3,900	9,629	13,760	15,220	16,230	15,760	16,680	9,050
United Kingdom	2,414	6,048	8,054	8,800	9,266	8,893	9,325	5,097
Denmark	335	665	1,057	1,111	1,174	1,288	1,398	722
Norway	193	390	633	772	821	744	810	443
Sweden	464	1,103	1,726	1,945	2,137	2,088	2,206	1,234
Austria	146	326	699	849	979	918	968	538
Portugal	50	186	285	300	288	289	291	142
Switzerland	302	903	1,307	1,442	1,560	1,539	1,683	878
(c) Other Western Europe	730	1,520	2,340	2,390	2,680	2,600	2,790	1,530
Finland	181	392	788	774	826	775	835	412
Spain	98	389	446	442	476	486	503	—
Yugoslavia	117	159	257	323	395	441	477	261
Middle East	550	2,460	3,720	3,940	4,230	4,670	4,700	—
Aden	16	111	177	181	185	178	171	72
Sudan	30	103	145	192	148	125	192	98
U.A.R. (Egypt)	153	513	419	409	493	470	443	321
Iraq	—	140	519	478	360	567	606	—
Israel	29	37	90	107	144	142	181	124
Central Africa	410	1,750	2,810	3,000	2,860	2,850	3,090	—
Br. East Africa	55	201	299	336	332	343	357	185
Rhodesia-Nyasaland	75	242	480	509	437	380	523	285
Ghana	32	192	243	222	229	263	286	177
Nigeria	47	253	370	377	357	380	458	—
Congo Republic	52	261	456	535	472	404	489	—
Central W. Africa	37	176	305	343	328	345	269	—
Mozambique	8	37	54	53	65	71	73	—
Sterling Asia	1,580	4,780	4,830	4,880	4,900	4,440	4,970	—
Burma	178	158	227	250	229	193	223	141
Ceylon	104	328	407	364	353	359	368	199
India	614	1,178	1,276	1,300	1,379	1,222	1,308	637
Pakistan	—	489	401	340	358	302	321	207
Federation of Malaya	—	852	774	739	713	616	807	485
Hong Kong	185	657	444	563	529	524	574	340
Other Asia	1,070	1,660	2,010	1,990	2,180	1,930	2,200	—
China (Taiwan)	130	76	122	118	148	156	157	—
Indonesia	380	800	946	882	970	755	872	—
Philippines	116	331	401	453	431	493	530	—
Thailand	89	304	335	335	365	309	359	201
Rest of the World	—	—	—	—	—	—	—	—
Australia	518	1,668	1,748	1,887	2,203	1,655	2,008	1,033
New Zealand	225	511	724	777	772	699	821	506
Japan	1,109	820	2,011	2,501	2,858	2,877	3,457	1,845

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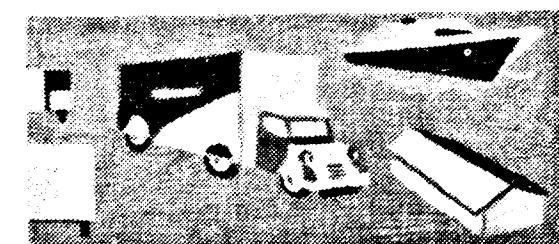
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Foreign Investment and Assistance

IN the context of the theme of the special number, the study of investment flows assumes special significance. The United States of America today is undoubtedly the most prosperous nation in the world and consequently it has the maximum capacity to export capital. India, having embarked upon a series of plans for economic growth, the magnitude of which is not equalled by the programmes of any other developing country in the free world, is in the greatest need of capital assistance. Her creditworthiness, tradition for sound administration and political stability make her safe for investment risks. Moreover, India is now launching her Third Five-Year Plan, which is adjudged to be of a reasonable size by foreign observers. Its requirements of foreign capital are much greater than those of the Second Plan and they are essential for the very success of the Plan. In the following pages, the role played by foreign investments in the growth of developing countries has been surveyed very briefly with special reference to the contributions made by America. In view of India's substantial needs of import of capital in the near future, the magnitude of investments from North America during the rest of the current century has been assessed in this section.

When a country sets about the task of developing its economy, with emphasis on the adoption of modern techniques which are practically alien to it, the import component rises not only in volume but in quality which has a direct bearing on value. As a corollary, the pressure on the country's balance of payments begins to increase and shortages of foreign exchange recur at intervals. This gap, in fact, keeps on widening due to the progressive demands created by investment outlays. Thus it is that every country in the process of growth has to depend on advanced and capital exporting countries for the supply of investment until it reaches the stage of self-generating growth.

PRIVATE CAPITAL INVESTMENTS

Foreign capital, up to the end of the last war, predominantly took the form of private investment in equity as well as in the form of loan issue. But in recent years loans at government to government level, loans to governments through the United Nations agencies like the World Bank or other international agencies and loans of a big order to private parties with the guarantee of the local government have increased in importance. This is because the number of countries which have acquired political sovereignty and therefore, undertaken immediate programmes of economic expansion is increasing progressively since the war and their cumulative demands for foreign capital are growing. To satisfy these demands is now more the responsibility of State Governments and specialized agencies than that of the private investor. Nevertheless, the private investor is bound to be relied upon as a vital source of capital assistance. In 1914, for instance, the value of global foreign investments were estimated at \$44,000 million. It remained almost unchanged during the inter-war period so that in 1944-45 it was around \$42,000 million. It ought to be stressed that the figure in 1944-45 was approximately equal to \$25,000 million if converted into 1914 prices. In terms of prices before the first World War, the total volume of foreign investments suffered a decline. This decline in overall foreign investments was primarily due to a rapid decrease in the proportion of export of European capital. However, the gap was being filled progressively by the USA. In fact, the foreign investments of the USA registered a marked increase during the inter-war period. The tables below show the accumulated long-term private investment of the USA in foreign countries.

ACCUMULATED LONG-TERM PRIVATE INVESTMENTS OF USA IN FOREIGN COUNTRIES

(In million \$)

	Total	Direct	Portfolio
1914	3,500	2,600	900
1930	15,200	8,000	7,200
1946	12,300	7,200	5,100
1957	33,600	25,300	8,300

U.S. PRIVATE FOREIGN INVESTMENTS, OTHER THAN DIRECT INVESTMENT, END OF 1958

(In million \$)

	Total	Foreign \$ Bonds	Other Foreign Securities	Other Long Term	Short Term
Canada	5,320	2,094	2,474	345	407
Latin America	2,403	139	40	860	1,364
All other countries	1,733	547	202	321	663
Int. Institutions	907	907	—	—	—
Total	13,749	3,931	3,690	2,640	3,488

RISING AMERICAN SHARE

Between 1914 and 1930 both direct as well as portfolio investments of the USA in foreign countries increased sharply and divided almost equally in the latter year. The second major rise was witnessed during the ten years between 1946 and 1957 when the total investment rose from \$12,300 million to \$33,600 million. The predominance of direct investment over portfolio investments became a characteristic of the investments during this period.

In most of the cases quite a substantial part of these funds represented reinvested profits. In fact, profits ploughed back constituted as high a proportion as 44 per cent of the total additional investments. Thus, nearly half of the private investment from the USA was not a fresh outflow but reinvestment of profits. This fact is revealed in a United Nations study on the pattern of foreign investments during the post-war years. The study says: "The growth of direct investments does not result principally from the transfer of fresh funds from the capital exporting countries, but from the reinvestment of a large proportion of the profits earned." Nevertheless, it is equally valuable because profits which in the ordinary course would have been repatriated home are ploughed back in the country of investment and retained there for much needed capital for future growth.

Private foreign investments from the USA were directed in the earlier phase, in an overwhelming measure, to Canada and Latin America. This was for the reason that, except for an artificial political boundary, there is considerable identity of interest in economic and political policies between the USA and Canada. Under-developed Latin America was considered a priority area for export of capital on the grounds of geographical proximity, affinity of outlook and safety in ventures like oil, mining and plantation industries. Furthermore, a sort of financial interlocking of interests came to be developed between the manufacturing interests in the USA and the raw material supplying interests in the USA and the Latin American countries. This pattern of flow is undoubtedly different from the pattern of investment of metropolitan countries in colonial countries but it has a common feature, namely, safety of investment. Out of the net flow of private long-term capital from the USA during 1952-58, totalling \$10,000 million, about 40 per cent went to Canada and 31 per cent to Latin America, while out of the residue of 29 per cent the last share was claimed by countries among which were Australia, the Philippines, Japan and Indonesia. The latter came to about \$30 to \$50 million by 1957. In that year American investments in India were of the small order of \$2 million.

Among the world's suppliers of private long-term capital, the USA now came to occupy a significant position. Out of the gross outflow of private long-term capital into under-developed countries as well as industrialised countries in 1957, more than two-thirds came from the USA. The UK was the next in order and it accounted for 13 per cent of the total. The USA's gross outflow of private long-term capital in 1957 rose to about \$4,000 million, while that of the UK came to \$760 million. The other shares according to

capital exporting countries were France \$460 million, West Germany \$195 million, and the remaining West European countries between \$100 million and \$150 million.

A significant change occurred in the last few years. Out of the total net outflow of private capital from the USA in the years 1957 and 1958, the larger part went to regions outside Canada and Western Europe. It was received by under-developed countries, but in this category the largest share equivalent to about \$1,100 million was directed to Latin America.

RISE IN STATE INVESTMENTS

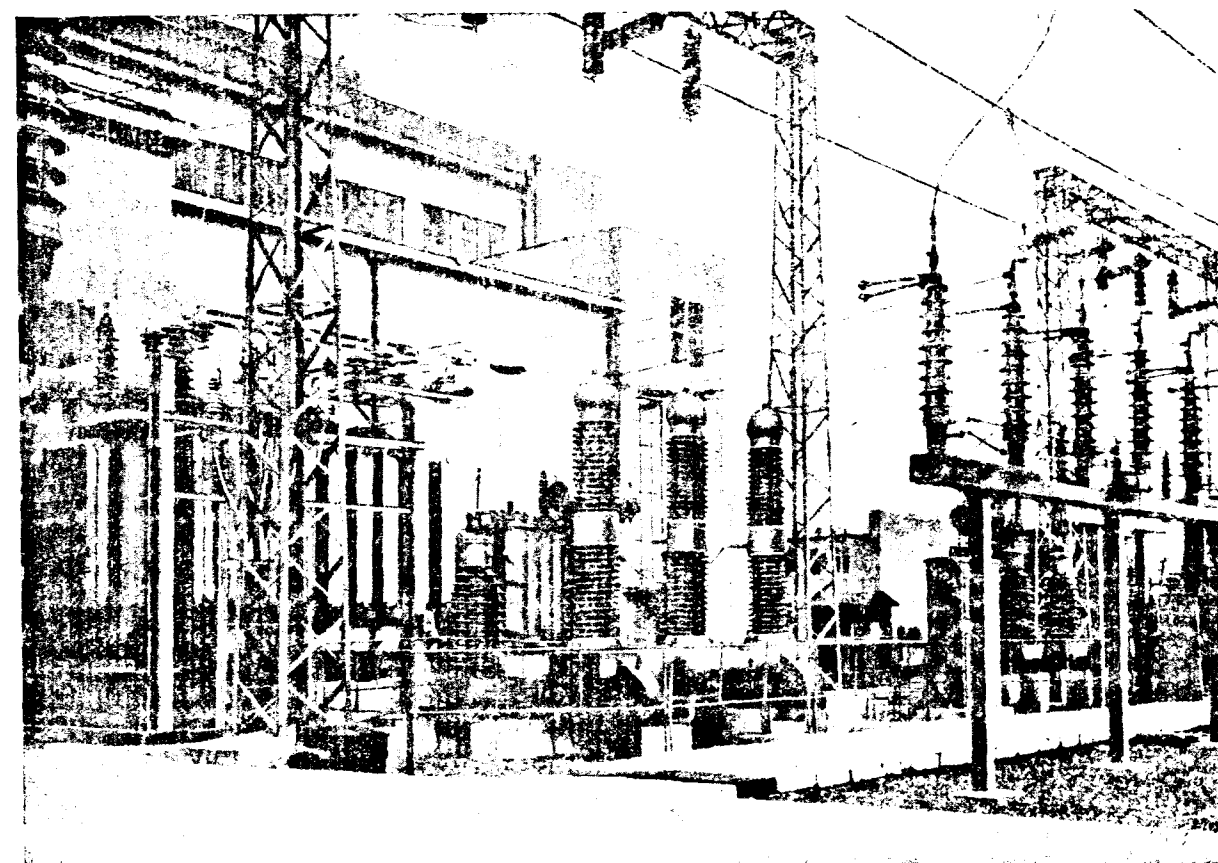
Another noteworthy re-orientation in the pattern of foreign investments in recent years must now be explained. From investment on private account with profit as the mainspring, loans started flowing at the State level as part of the economic policies of the capital supplying countries. This orientation has been influenced by the fact that the magnitude of requirements of imports of capital is increasing so rapidly and almost with such a simultaneity that the needs can be satisfied in a substantial degree by export of capital at the State level. Furthermore, new international institutions like the IBRD were established to canalise capital to under-developed nations.

FOREIGN ASSISTANCE TO INDIA

American assistance to India has been growing and has been practically more than the combined total of the assistance received from all other countries. One reason why India did not feel the need to approach America for economic assistance earlier was the fact that, before and during the first phase of the First Five-Year Plan, the tempo of development was so moderate that capital imports could be carried out in significant quantities against the sterling balances. Most of the European nations and the UK were busy with their economic reconstruction and they could not spare surplus capital goods for export in significant quantities. The First Five-Year Plan which was largely oriented towards agriculture, did not require massive imports of capital equipment. The result was that against a plan of Rs. 2,000 crores, foreign assistance came to around Rs. 297 crores, which was 14 per cent of the Plan expenditure.

It was assumed that during the Second Plan period foreign assistance to the tune of Rs. 800 crores would be a realistic target. The foreign exchange crisis which emerged in 1957 brought home the realisation that dependence on foreign assistance would need to be larger than was envisaged in the Second Plan. The economic climate in the countries which could afford to export capital came to the rescue of the planners. By the end of the Second Five-Year Plan, it appears that as against Rs. 800 crores, foreign assistance materialised to the extent of Rs. 1150 crores. This was, indeed, a remarkable fulfilment. It ought to be stressed that but for the timely capital imports which were made available through various sources, India's Second Five-Year Plan would have fallen on the rocks.

It is interesting to observe that foreign assistance, which seemed to be a rather unimportant source of finance in the First Five-Year Plan and only partly an important source in the Second Plan, figures as a major base for the success of the Third Five-Year Plan. Not only foreign assistance forms a large percentage—32 as compared to 19 and 25 in the First and Second Plans respectively—but in absolute terms it is expected to be almost three times the amount received in the Second



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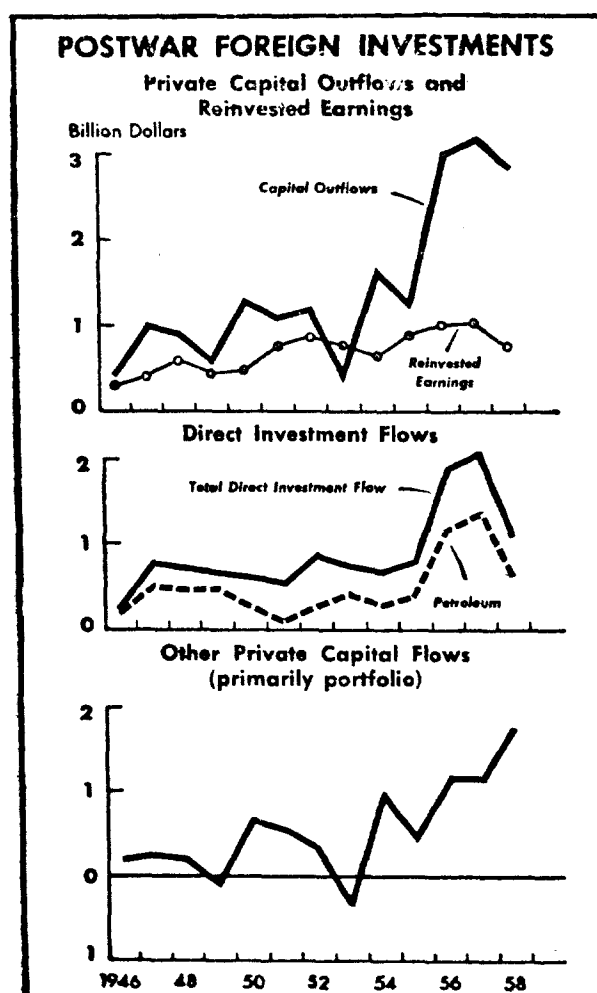
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Five-Year Plan. In this context, the absolute quantum of aid is really relevant.

	Total Invest- ment (1)	Foreign Assistance (2)	(2) as per- centage of (1) (Rs. Crores)
First Plan ..	2,000	297	14
Second Plan ..	4,600	1,150	25
Third Plan ..	10,000	3,200	32

ASSISTANCE FOR THE THIRD PLAN

It is clear now that exports will not be able to finance more than a small portion of the Third Plan import requirements. Normal trade balance, which takes into account the normal exports and only maintenance imports is expected to show a deficit of Rs. 500 crores during the five years of the Third Plan. This is a weak spot in the foreign exchange resources for the Plan and it arises from the maturing repayments of foreign debts. Equipment for the Plan is expected to cost around Rs. 1,900 crores of foreign exchange. Another sum of Rs. 200 crores is earmarked for components and intermediate products which will have to be imported to increase the production of capital goods.

Apart from Rs. 2,600 crores, as indicated in the table below, it has been estimated that PL 480 assistance during the five years will be over Rs. 600 crores. This will make the country self-sufficient by providing 17

FOREIGN ASSISTANCE ALREADY PROMISED (Upto January 1, 1961)

Country	Total aid authorised		Credits already committed for Third Plan projects
	Loans	Grants	
World Bank ..	325	—	—
U.S.A. ..	628(2)	493(3)	24
U.K. ..	120	1	40
West Germany ..	122	2	28
U.S.S.R. ..	324	1	238
Japan ..	24	—	—
Canada ..	16	92	—
Czechoslovakia ..	23	—	23
Yugoslavia ..	19	—	19
Poland ..	14	—	14
Ford Foundation ..	—	14	—
Australia ..	—	12	—
Switzerland ..	11	—	11
New Zealand ..	—	3	—
Norway ..	—	2	—
Total(1) ..	1,626	620	374(4)

- Individual items in the above table may not add up to totals because of rounding.
- Includes Rs. 254 crores representing rupee loans out of P.L. 480 and P.L. 665 rupee counterpart funds.
- Includes Rs. 374 crores representing rupee grants out of counterpart funds.
- Of this sum, Rs. 246 crores is included in the Rs. 1,626 crores of total loan aid already authorized.

million tons of foodgrains. Thus the total assistance expected in the plan comes to Rs. 3,200 crores.

To cover the excess of payment over receipts	Rs. 500
Machinery and equipment for projects in the Plan	1900
Components, intermediate products, etc. for increasing the production of capital goods within the country	200
TOTAL	Rs. 2600

While India's needs of foreign capital are of such a high order, the immediate outlook of its availability is light. America's balance of payments problem and the hardening attitude of West European countries with great accent on tied loans, have altered the scene. American aid, too, is now to be tied to purchases in America. All in all, the foreign assistance component remains uncertain at the moment.

AMERICAN ASSISTANCE TO INDIAN PLANNING

The tables on pages 178 and 179 give the details of foreign assistance received during the First and the Second Plans also assurances of the credits for the Third Plan. It is quite apparent that the United States of America remains at the top. Of the total authorised assistance of Rs. 297.6 crores during the First Plan, the US share comes to Rs. 167.8 crores. Similarly, up to the end of March 1960, the US share of about Rs. 888 crores forms 54 per cent of the total. One peculiar feature of the US assistance has been that it was not for isolated products but flowed into sectors of the Plan where it was needed urgently. For instance, in the First Five-Year Plan, the biggest challenge was from agriculture. In 1951, USA, through various grants and loans came to India's aid with a wheat loan of \$359 million, made by the Export-Import Bank. The country was facing famine conditions.

PL 480 and DLF, two important agencies through which India has received a major volume of assistance are of recent origin. The first four PL 480 agreements were signed on August 29, 1956, June 23, 1958, September 1958 and November 13, 1959. Apart from 11 million tons of wheat and 625,000 bales of cotton, India has received modest quantities of rice, tobacco and dried milk powder. The total value of the commodities covered by the First four agreements amounts to \$967.5 million. The sale proceeds have been provided to be disposed as under:

	Dollars Millions	Rupee equivalent (Crores)
Grants to the Government of India for economic development	196.0	93.3
Loans to the Government of India for economic development ..	524.6	249.7
Loans to private enterprises under the Cooley amendment ..	92.1	43.8
Reserved for US government expenses in India	154.8	73.7
TOTAL	967.5	460.5

The fifth PL 480 agreement signed on May 4, 1960 and its two supplements concluded respectively on July 29 and September 23 cover commodities worth \$1,334.7

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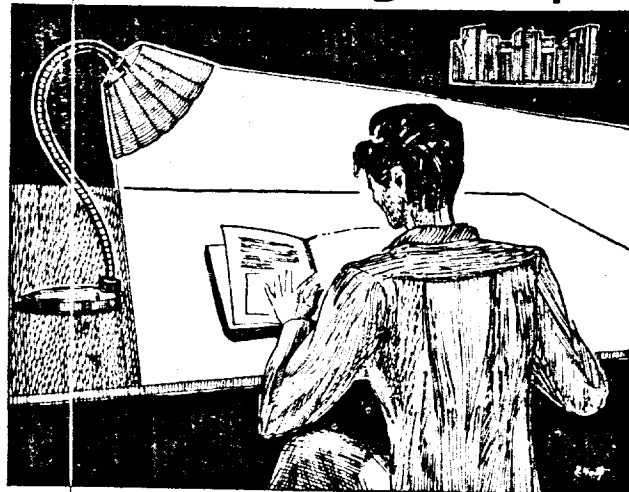
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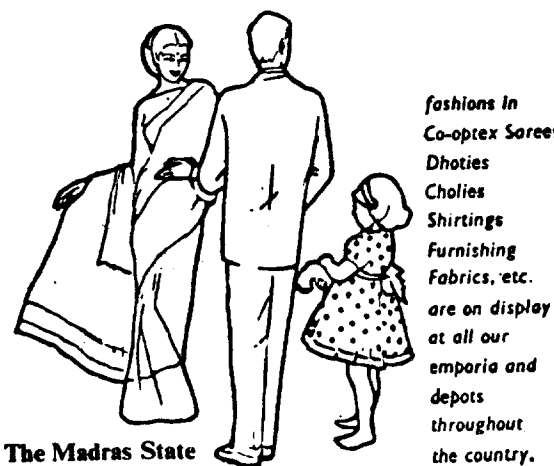
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million (Rs. 635.3 crores). The apportionment of this amount is as follows:

	Dollars Millions	Rupee equivalent (Crores)
Grants to Indian Government for economic development	562.7	267.3
Loan to Indian Government for economic development	562.7	267.8
Loans to private enterprise under the Cooley amendment	66.8	31.8
US government uses	142.5	67.8
TOTAL	1,334.7	635.2

The fifth agreement covers the supply of the following agricultural commodities: 16 million tons of wheat, 1 million tons of rice, 100,000 tons of milo (grain: sorghum), 2 million pounds of tobacco, 134,000 tons of corn, 4,000 tons of soybean oil and 330,000 (US) bales of cotton. The wheat and rice shipment will be spread over a period of four years. The other commodities will arrive in India in the near future.

The Development Loan Fund provides dollars which are needed to procure technological goods and services. This aid was freely usable in the markets of the choice of the aid-receiving countries so that they could obtain maximum value of purchases in the competition markets. But the recent fundamental change of policy which makes it obligatory to spend the aid-funds in the American markets has brought it on a par with tied loans from the European countries. This is a source of restriction on the utilisation of the foreign exchange made available by way of loans. In special cases, repayment will be accepted in local currencies—rupee from India. Further, it has been expressed that the US does not intend to purchase export goods of the receiving country with local currency payments, preferring that they be used for internal development capital. This again is a feature that distinguishes US assistance from that extended by certain other countries.

India is the biggest recipient of loans from the Development Loan Fund. Until June 30, 1960 the Fund extended credits totalling \$269.2 million (Rs. 125.8 crores). During the last few months upto the end of November 1960, more loans totalling \$159.1 million (Rs. 75.5 crores) have been announced though agreements have not yet been formally signed.

A comparison of the US assistance in respect of its magnitude and the terms attached to it with assistance from the USSR is of fundamental importance to examine the oft-repeated Russian claim that its aid is more effective and cheaper than American aid. This comparison will also apply to other Communist countries. One very evident difference is that Communist assistance tends to be concentrated in a fairly narrow range of activities. The US assistance on the other

hand, is spread broadly over a wide sector of the economy. In this process it extends its benefits to India's population. If the interest rates charged on loans from Communist countries are low the corresponding factor cannot be ignored that in volume it is small. This is apart from the political motives behind low interest rates.

LOOKING FORWARD

It may be worth while to estimate the possible requirement of foreign capital during the next forty years. The Research Section of "The Eastern Economist" has built up sectorwise distribution of India's national income decade by decade from 1960-61 to 2000-2001. The results of this study are set out in a table on page 60. What will be the probable size of the next eight plans and foreign exchange needs in terms of these national income figures? An attempt has been made to forecast these estimates on the following assumptions:

Throughout this period an average capital output ratio of 3:1 is assumed to prevail. It is known that the expenditure of the Indian Union during the last plans has shown some variations ranging from 2.5 to 3.5 per cent. The figure of 3:1 is a very safe one for purposes of forecasting because it is not likely to disclose very wide deviations.

The foreign exchange requirements which are estimated to be 25 per cent of the total development during the Third Plan will continue to be at the same percentage level in the Fourth Plan as well. For the Fifth and Sixth Plans, the size of the foreign exchange requirement is estimated at 20 per cent of the total size of the respective plans. Similarly, for the last two decades the requirements of foreign exchange are estimated at 15 per cent and 10 per cent of the total development plans respectively.

The results of this analysis, based on these assumptions, are set out in table below. It will be seen that during the Third and Fourth Plans, the total requirements of foreign exchange will be Rs. 5,900 crores out of which a demand for the Third Plan will be Rs. 2,600 crores. In other words, the foreign exchange requirements of the Fourth Plan will be Rs. 3,300 crores. The volume of foreign exchange needed in the subsequent plans will steadily go on rising, but it does not mean that the Indian Union will not be able to earn this volume of foreign exchange from current export earnings; the rise in national income which averages above 5 per cent during the next four decades will certainly be instrumental in setting up export industries, detailed in the industrial sector, which can find a market abroad. It is on the basis of the possibility of marketing a progressive portion of India's increased production of goods that this whole plan for the four decades has been made. The net imports of foreign capital, would decline. Normal capital inflows would continue, but reliance on special foreign aid programmes will be steadily reduced and after a period of fifteen years, it will be modest or negligible.

(Rs. Crores)

	1960-61	1970-71	1980-81	1990-91	2000-2001
National Income	13,110	20,980	34,620	57,120	91,390
Rise in National Income	—	7,870	13,640	22,500	34,270
Capital expenditure to achieve this rise in National Income (each decade)	—	7,870	13,640	22,500	34,270
Foreign Exchange Component of capital expenditure (Rs. crores) (each decade)	—	5,900	8,200	10,100	10,300

EXTERNAL ASSISTANCE TO INDIA

(Loans and Grants)

Source and Name of Loan	Amount authorised	Utilisation	
		First Plan 1955-56	Second Plan upto end of 1959-60
1	2	3	4
LOANS REPAYABLE IN FOREIGN CURRENCIES			
(A) I.B.R.D.			
1. Agriculture	3.43	3.43	—
2. Railways — I	15.62	15.62	—
3. Railways — II	42.86	—	42.86
4. Railways — III	40.48	—	40.48
5. Railways — IV	23.81	—	6.71
6. D.V.C. — I	7.96	7.96	—
7. D.V.C. — II	5.00	1.96	3.04
8. D.V.C. — III	11.90	—	7.03
9. Koyna Project	11.90	—	1.05
10. Calcutta Port	13.81	—	1.90
11. Madras Port	6.67	—	1.01
12. Air India International	2.67	—	2.67
13. IISCO — I	14.30	2.76	10.11
14. IISCO — II	9.52	—	7.37
15. Trombay — I	6.64	2.09	4.07
16. Trombay — II	4.67	—	3.93
17. TISCO — I	35.71	—	35.71
18. TISCO — II	15.47	—	15.47
19. ICICI — I	4.76	—	2.59
20. ICICI — II	4.76	—	—
Total	281.94	33.82	186.00

Source and Name of Loan	Amount authorised	Utilisation	
		First Plan 1955-56	Second Plan upto end of 1959-60
1	2	3	4
(B) U.S.A.			
1. Wheat Loan, 1951	90.31	90.31	—
2. U.S. Banks' Loan to A.I.I.	5.33	—	5.33
3. Export Import Bank	71.43	—	11.06
4. U.S. Banks' Loan to A.I.I.	0.57	—	—
Total	167.64	90.31	16.39
(C) U.S.S.R.			
1. Bhilai Credit	63.07	—	63.07
2. 500 m. roubles Credit	59.53	—	0.61
3. Drugs Credit	9.52	—	—
4. Barauni Credit	11.91	—	0.12
Total	144.03	—	63.80
(D) U.K.			
1. Lazard Brothers (Durgapur)	15.33	—	13.33
2. E.C.G.D. — I (Durgapur)	20.00	—	20.00
3. E.C.G.D. — II (Capital Goods)	38.00	—	38.00
4. E.C.G.D. — III (Capital Goods)	25.33	—	8.80
5. E.C.G.D. — IV (Capital goods)	13.33	—	—
6. U.K. — India (Oil Pipeline)	4.00	—	2.29
Total	115.99	—	82.42
(E) WEST GERMANY			
1. Rourkela Credit	74.83	—	53.67
2. D.M. Credit	19.04	—	18.97
3. March 1959 Credit	13.90	—	—
Total	107.77	—	72.64

Items I to 12 are in the Public Sector and the rest in the Private Sector.



Source and Name of Loan	Amount authorised	Utilisation	
		First Plan 1955-56	Second Plan upto end of 1959-60
1	2	3	4
(F) CANADA			
1. Wheat Loan — I	11.52	—	11.52
2. Wheat Loan —	4.20	—	4.20
Total	15.72	—	15.72
(G) JAPAN			
1. Yen Credit	23.81	—	3.97
2. Orissa Iron Ore	3.81	—	—
Total	27.62	—	3.97
(H) SWITZERLAND			
1959 Credit	10.90	—	—
Grand Total	871.61	124.13	440.94
LOANS REPAYABLE IN RUPEES			
U.S.A.			
1. Development Assistance Loan — I	21.43	2.29	19.14
2. Development Assistance Loan — II	17.86	—	11.09
3. Development Assistance Loan — III	22.62	—	15.19
D.L.F.			
4. First Railway Loan	19.05	—	4.57
5. Loan for automobile, jute and cement industries	16.67	—	3.76
6. Second Railway Loan	16.67	—	16.49
7. Steel Loan for Public utility Projects	8.57	—	2.96
8. Steel Loan for industrial enterprises in public and private sectors	10.43	—	4.14
9. Loan for certain industries in the private sector	7.14	—	4.86
10. Loan for power projects	4.76	—	1.78
11. Steel Loan for private sector industries	9.52	—	—
12. Sharavati	4.00	—	—
13. Chandrapura	14.29	—	—
14. Durgapur Power Project	9.52	—	—
15. Ahmedabad electricity	1.86	—	—
16. Road Road Transport	6.24	—	—

Source and Name of Loan	Amount authorised	Utilisation	
		First Plan 1955-56	Second Plan upto end of 1959-60
1	2	3	4
D.L.F. — (Contd.)			
17. Barauni Power Project	1.81	—	—
18. U.S. President's A.E.D.F.	9.52	—	—
19. P.L. 480, 1957	107.74	—	28.65
20. P.L. 480, 1958	15.89	—	—
21. P.L. 480, 1959	61.76	—	—
22. P.L. 480, 1960	56.93	—	—
Total	444.33	2.29	117.03
Total Foreign Loans (repayable in foreign currencies and Indian Rupees)			
	1315.94	126.42	557.97
GRANTS			
U.S.A.	245.38	44.33	70.65
Grants from Colombo Plan countries	95.08	25.26	53.20
Norway	1.67	0.66	1.01
Total	342.13	70.25	124.86
U.S. D.L.F. Loan agreed to in Principle —			
1. Loan to Industrial Finance Corporation	4.87	—	—
2. Loan for National Small-scale Industries Corporation	4.87	—	—
3. Loan for Barapani	1.19	—	—
4. Loan for Kanpur Power Project	0.90	—	—
5. Loan for Railways	19.05	—	—
Total	30.88	—	—
ASSISTANCE FOR THIRD PLAN			
@ U.S.A. P.L. 480	607.62	—	—
* U.S.S.R. Two Credits	240.00	—	—
* Czechoslovakia	23.10	—	—
* Yugoslavia	19.05	—	—
* Poland	14.30	—	—
Total	904.07	—	—

@ Part of the Food grains under the agreement is likely to be supplied in 1960-61.

* Repayment is likely to be accepted by the import of Indian goods.

The Insurance of Bank Deposits: The American Experience

THE failure of the Palai Bank and the country-wide feeling of uneasiness it created have provoked some hard thinking on measures to vitalise the Indian banking system. Confidence in the basic soundness of the system has not been shaken, but a strong demand has been made in Parliament and outside to eradicate unhealthy banking practices and to redouble the faith of depositors in the system as it is being called upon to bear increasingly onerous responsibilities in financing development in the successive Five-Year Plans. One of the major remedies advocated for this purpose is insurance of bank deposits on the American pattern whose feasibility has been tested for about three decades now. In the light of this urgency, which the issue of deposit insurance has assumed, it is pertinent to examine in brief the American experiment.

During the wave of bank failures after 1929, a demand for deposit insurance under the sponsorship of the Federal Government gained momentum. The Banking Act of 1933 provided a temporary plan for the protection of bank creditors through insurance plans. It was superseded in 1935 by the permanent plan administered by the Federal Deposit Insurance Corporation.

The Act of 1935 was designed to strengthen the commercial banks, weaken the connection between speculation and banking, and give added powers to the Federal Reserve System. Specifically, it established FDIC, with a capital of \$289 million, \$150 million subscribed by the Treasury and the remainder representing one-half of the surplus of the Federal Reserve Banks.

The chief purpose of the corporation is to insure the deposits of all banks entitled to the benefits of deposits insurance. All banks which are members of the Federal Reserve System are insured. Non-member State banks may, at their option, secure this insurance if they can meet the FDIC standards, as may mutual savings banks. Conversely, a non-member bank may terminate its deposit insurance upon notice at any time, the insurance on the bank's deposits continuing for two years thereafter. The FDIC now covers most of the commercial banks in the United States.

The FDIC does not insure the total deposits of each bank; instead, it insures only the first \$5,000 of each depositor's claim against a bank, whether public or private deposits. Insurance extends to deposits of every limit, including regular commercial deposits, time and savings deposits, and trust funds. Each insured bank pays the FDIC an annual premium equal to 1/12 of 1 per cent of its total deposits. The assessment is payable in semi-annual instalments.

The procedure of the Corporation upon closing of an insured bank is to assume immediately the insured deposit liabilities of the closed bank and make available the funds needed to pay off the deposits.

The Corporation acts as a receiver for all suspended national banks, and may act as receiver for suspended State banks when so appointed by State authority. The Corporation may make loans to or purchase assets from insured banks to facilitate a merger or consolidation which would reduce probable loss to the Corporation. The decision to close an insured bank does not rest with the Corporation, as this power rests with the bank's directors or with the Federal or State authorities which chartered it. Also, the decision to

merge with another bank is made by the bank's stockholders, not the Corporation.

The Corporation does have, however, the power to terminate the insurance of a bank found to be financially unsound or of a bank whose management persists in following illegal or unsound practices. Its powers also include: (1) to examine periodically insured banks which are not members of the Federal Reserve System; also national banks, with the consent of the Comptroller of the Currency, and other member banks, with the consent of the Board of Governors of the Federal Reserve System; (2) to approve or disapprove any consolidation or merger of an insured bank with a non-insured bank, or the transfer of assets to a non-insured bank, or the transfer of assets to a non-insured bank in consideration of the latter's assumption of deposit liabilities; (3) to approve or disapprove any proposals to reduce the capital of insured banks not members of the Federal Reserve System; (4) to approve or disapprove proposals by insured banks, and members of the Federal Reserve System, to establish and operate new branches or remove established branches from one location to another; (5) to regulate the advertising which insured banks are required to use to inform the public that they are insured; (6) to prohibit the payment of interest on demand deposits of insured banks not members of the Federal Reserve System; (7) to limit rates of interest on time and savings deposits of insured banks not members of the Federal Reserve System, and to prescribe different rates for different types of time and savings deposits.

The usefulness of the FDIC is greatly underestimated if it is considered to be merely a passive insurance company that protects the depositors in failed banks. In the first place, it can decrease the failure rate through its examination and supervision of insured banks. It promises to be particularly useful in raising the standards of thousands of small state banks that are not members of the Federal Reserve System. In the second place, the presence of deposit insurance may prevent sporadic bank failures from generating an epidemic of runs on banks. And in the third place, the FDIC has greatly improved the handling of distressed and failed banks.

Deposit insurance as it has been in operation through the agency of the FDIC has been the subject of some severe criticism. One criticism is that, while the scheme of insurance has been in force, American banking has not been put to the acid test of crisis. For one thing, this scheme does not pretend to make banking failure-proof. For another, confidence generated by insurance is one of the contributory factors in the uninterrupted span of prosperity. Another major criticism is that it introduces a novel principle in insurance, namely, that of charging the rate or premium not according to the nature of the risk but according to ability to pay. In consequence, bigger and stronger banks have to bear the brunt of subscribing to the insurance fund. If this practice was not followed, rates of premia would have risen high for weaker banks and discouraged their participation, thus restricting the cover of insurance to the stronger units where it is least needed. Other criticism are frivolous. The scheme does not purport to be a substitute for sound banking practices, but to create a defence against the contagion of loss of confidence, generated by a few bad cases, spreading over the entire banking system.

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Transport: India and America Railways

THE SEARCH FOR "BALANCE"

THE search for a right policy for the development of transport, as a strategic component of the infrastructure of the economy, is basically a search for "balanced" growth of the different modes of transport. To secure balanced growth is necessarily a continuous process. The forces of dynamism and the changing structure of the demand for transport require that there should be constant adjustment and readjustment in the policy which ought to take full cognizance of the changing trends in the progress of technology. This is by no means an easy task as initial capital investment and also subsequent development outlay create financial stakes of a very high magnitude. Nevertheless, any transport policy which fails to take adequate note of technological improvements is bound to prove a poor instrument of progress, no matter what shifts are made in the relative emphasis on different types of transport. It is from this long-term angle that policy for transport in India ought to be viewed. Happily, a beginning is already made in this direction since the economy of our country entered upon the crucial stage of take-off.

Railway transport unquestionably constitutes the most vital life-line in India's communications. It is also a rich heritage which Free India has acquired from the British rulers. But the fact that the pattern of railway development in India was very largely, moulded after the pattern of British railways may prove an important handicap to the over-all development of the transport system of this country. This has no reference to the State ownership and management of the Indian railways because it is now a settled principle of policy that railway transport in this country can function as a dynamic force essentially under State auspices. But the handicap is likely to arise from the fact that the pattern of transport in Britain cannot prove to be the right prototype for the future development of transport in India.

CORRECT PROTOTYPE

Geographic forces dictate this conclusion. Britain is a small island. Her land mass is quite limited in area and the problems of transport in Britain are characteristically those of an island economy. India, by contrast, is a sub-continent, with a vast land mass and except for the Himalayas to the North, her topography is pre-eminently suited for extensive surface transport. Inland waterways undoubtedly have their own significant place in India's transport system, but in the overall scale their importance is small. With the vital difference in the relative importance of inland waterways, geographically there is the maximum conceivable resemblance between India and North America from the view-point of the suitability of the pattern of transport. What the Indian transport policy of the future requires is to imbibe more and more of the basic characteristics of transport for continental or sub-continental countries. The correct prototype for an appropriate transport policy, which will satisfy the requirements of our sub-continental economy is, therefore, the system of transport as it is being evolved in America.

This is not to say that there is complete identity of problems of future transport development between India and America. There are vital differences. It would be well to recognise at the outset that the late discovery of America, the infinite scope which her discovery opened for the exploitation of her manifold virgin resources, the distribution of comparatively sparse population as well as the remarkable and swift progress which America made in industrialisation are

factors of contrast between America and India. The prototype of American transport will serve as the correct pattern for the future development of transport in India subject to these vital differences between the two countries.

The bias for inland water transport in the first phase of the development of American transport is easily explained by the fact that the early settlers in that continent, who inhabited the coastal territories, found in the rivers the natural lines of communication with the interior which they were progressively penetrating. The presence of great lakes in America was another vital factor which created a pronounced bias for waterways as the dominant mode of transport. Government assistance, in these circumstances, was influenced and directed towards the exploitation of waterways. In course of time, as waterway facilities and construction of canals demanded increasing outlay, the State was easily inclined to provide it. Private transport carriers were saved from basic as well as fixed investment outlays. This created an impression that waterways are the cheapest mode of transport as their operating costs are low. Now, in retrospect, this view is being more and more challenged. It is argued forcefully that State outlay on construction and maintenance of canals, whose burden is borne by the tax-payer, constitutes a subsidy to inland waterways. If the waterway user has to pay cheap rates, it is because of this undoubted element of subsidy. Waterways, however, had a limited span of dominance as more intensive development of the continent demanded extensive transport facilities on the land surface. Railways offered a solution to this pressing demand.

GROWTH OF AMERICAN RAILROADS

America was ahead of India in embarking on the Railway Age by about a quarter of a century. Within less than three years of the formation of the first railroad company, railway transport was introduced in America with a tiny beginning. In 1830, the first 13 miles of American railroads were opened for traffic. Our parallel was 23 miles from Bombay to Thana in 1853. For convenience the growth of America's railway system in terms of route mileage is tabulated below:

GROWTH OF RAILWAY ROUTE MILEAGE IN AMERICA

Year	Route Mileage	Year	Route Mileage
1830	.. 13	1890	.. 163,597
1834	.. 167	1900	.. 193,346
1840	.. 2,818	1910	.. 240,293
1850	.. 9,021	1916	.. 254,090
1860	.. 30,626	1930	.. 249,052
1870	.. 52,922	1940	.. 233,670
1880	.. 93,207	1945	.. 227,000

Ever since their inception in 1830, American railways have been developed under the initiative of private enterprise. This is a unique characteristic in rail transport which has no parallel elsewhere in the world. There was, however, a very brief span during the emergency of the World War I when the operation of the railways was taken over by the Federal Government. On December 28, 1917, President Woodrow Wilson's administration took charge of the manage-

ment of the railways and operated them for 26 months until February, 1920, when they were handed back to the rail-road companies. Guaranteed dividend was paid to stockholders and although Federal management of railways during this interlude entailed a loss of \$1.2 billion, it proved competent and effective to deal with emergency war operations. It is the characteristic of America's free enterprise economy that State control was terminated as soon as the emergency was over. It is not as if railway development in America had no share of the State's financial assistance. Subsidies were granted to some companies and grants of land for railroads were made for the construction of about 18,000 miles or about 8 per cent of the total route mileage. Excepting for this Government assistance, the growth of American railways is the product of private enterprise and investment.

The magnitude of this enterprise is very clearly reflected in the remarkable expansion of route mileage of American railways summarised in the table above. In this history of growth one fact stands out conspicuously. During the decade ending 1880, the growth of the route mileage was of the phenomenal order of 70,000 which was reckoned to be equivalent to the combined growth of the railway systems in Britain, France and Germany over half a century. When this fact is highlighted, it would be easily appreciated that a comparison between the expansion of the American railways and the Indian railways in route mileage is without any basis at all. The dynamic and rapidly expanding economy of America imperatively demanded a fast spreading network of railroads.

PATTERN OF GROWTH IN INDIA

In India this motive force behind expansion was lacking. Table T-1 in this Section sets out the major indicators of the growth of the Indian railways since their inception in 1953 to 1958-59. Indian railways have suffered a loss of route mileage on account of three causes—separation of the railways in Burma, partition and allocation of railways to Pakistan and dismantling of some segments of the railway lines during World War II out of which some were not restored. The route mileage of American railways reached its peak at 254,000 in 1916 after which until the close of the last war, as many as 27,000 miles of route were abandoned. The abandoned route mileage may make an interesting comparison with India's present total route mileage of 35,080.

More important than the length of the railways are the basic contrasts in the forces which stimulated the expansion of the railway systems in the two countries. This may be illustrated with a paradox which has a powerful element of irony. During the decade ended 1860 the expansion of American railways got its first spectacular impetus (as demonstrated by the increase of the route mileage by 21,600 miles) from the investment boom following the discovery of gold mines in California. In India the first spectacular impetus came from quite a different factor. During the decade ended 1890 the route mileage was stepped up by 7,250 miles mainly because the Famine Commission which reported in 1880 made a powerfully argued recommendation that nothing less than extension of railway route mileage by at least 5,000 miles would provide the minimum insurance against recurring famines.

This background has, however, receded into past history now. Extension of Indian railways in the current century has been stimulated by pressures of economic growth. Although this pressure was undoubtedly manifest after Independence in a more pronounced degree than before, extension of route mileage has been kept within very modest limits for reasons of the order

of priorities in the allocation of development resources. During the first two five-year plans construction of new railway lines proceeded at an annual average rate of 120 miles or approximately 1,200 miles during the decade. Doubling of track, however, was stepped up during this period at the average yearly rate of 130 miles.

FREIGHT TRAFFIC TRENDS

Table T-2 in this Section gives a comparative picture of the growth of railway traffic in terms of freight ton-kilometers and passenger-kilometers in America, Canada and India. One conclusion which is apparent on the face of this Table from the trends in freight ton kilometers corroborates the basic dictum of transport that railways are the most efficient, the cheapest and, therefore, the most convenient mode of land transport of goods in bulk over long hauls. On the American railways, freight ton-kilometers reached the peak of 1,081,237 million in 1944 under the stress of the emergency pressure of the war. The relative decline in ton kilometers after 1944 is to be attributed to the easing of this pressure and not so much to loss of ground to other modes of transport. It is significant that except for the year 1949 the trends in railway freight traffic in America show a sustained high level of activity. In Canada freight traffic shows a much more spectacular progress than in America as shown by the performance in ton-kilometers from 1928 onwards.

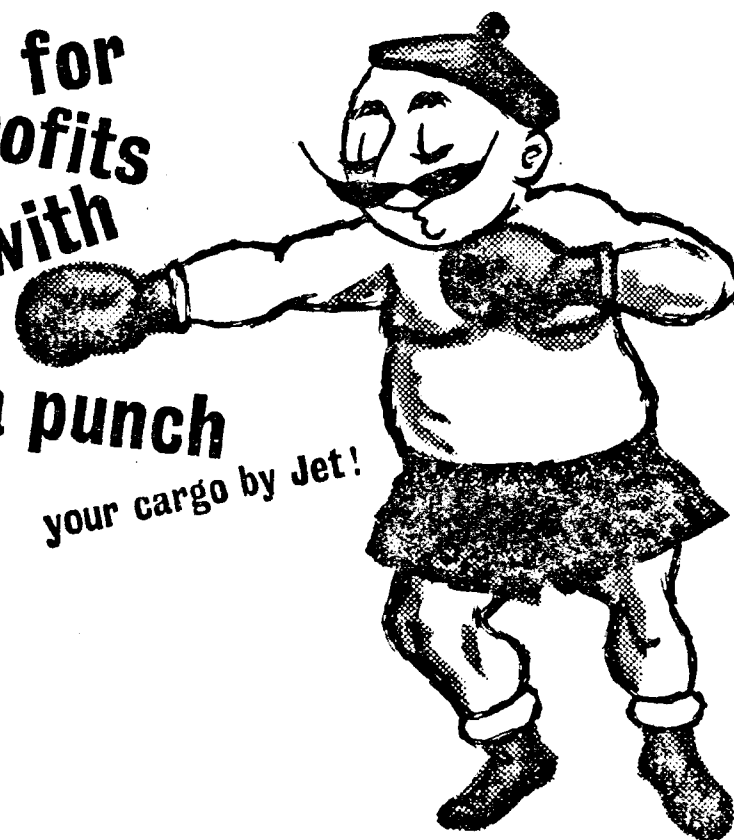
In India, freight traffic carried by the railways received a great impetus during World War II, but under planned development since 1951 its high level performance is conspicuous from the table. From 47,449 million ton-kilometers in 1951 to 73,414 million ton-kilometers in 1957 is a far cry. The gap between the volume of railway freight in Canada and India is quite marked, but the gap between America and India is phenomenal and it gives the measure of the differences in the strides made by the economies of the two countries.

The railways of all the three countries have had to bear the brunt of competition from highway traffic carried by motor transport during the inter-war period as well as after the end of the World War II. American railways were the worst sufferers from this competition among the three railway systems during the inter-war period. But management under free enterprise in America exhibited a remarkable degree of progressiveness and after the costly experience of World War I, it introduced a new powerful phase of technological improvements in railway equipment. Among these improvements may be mentioned the introduction of diesel-electric locomotives (which since their introduction in 1925 surpassed the strength of steam locomotives by 1952), centralised traffic control with main reliance on automatic signalling, introduction of freight cars of larger capacity, improved automatic couplers, and so on. After World War II, the emphasis in technological improvements shifted to rationalisation of the yards sidings, terminals and rolling stock in general. Indian railways too have entered upon the initial phase of introducing, in a small way, these improvements in their equipment. But they have to make up a great leeway before they can catch up with the technological aids which are to be seen in actual use on the railways in the West.

IMPACT OF HIGHWAY TRANSPORT

Table T-2 in this Section is important for tracing the impact of motor transport on railways in Canada and America. This is not to say that this impact made little impression on the Indian railways, but the diffe-

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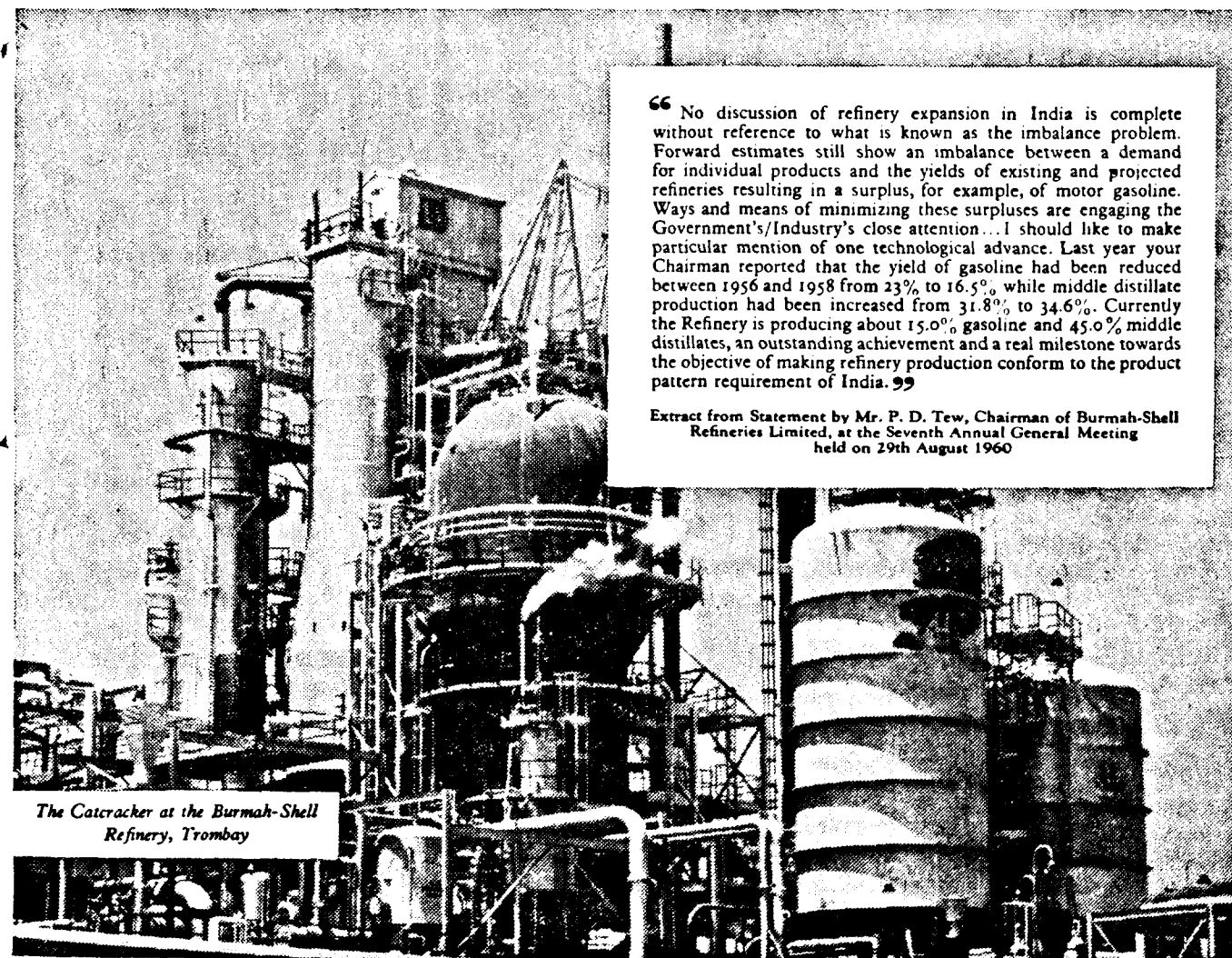
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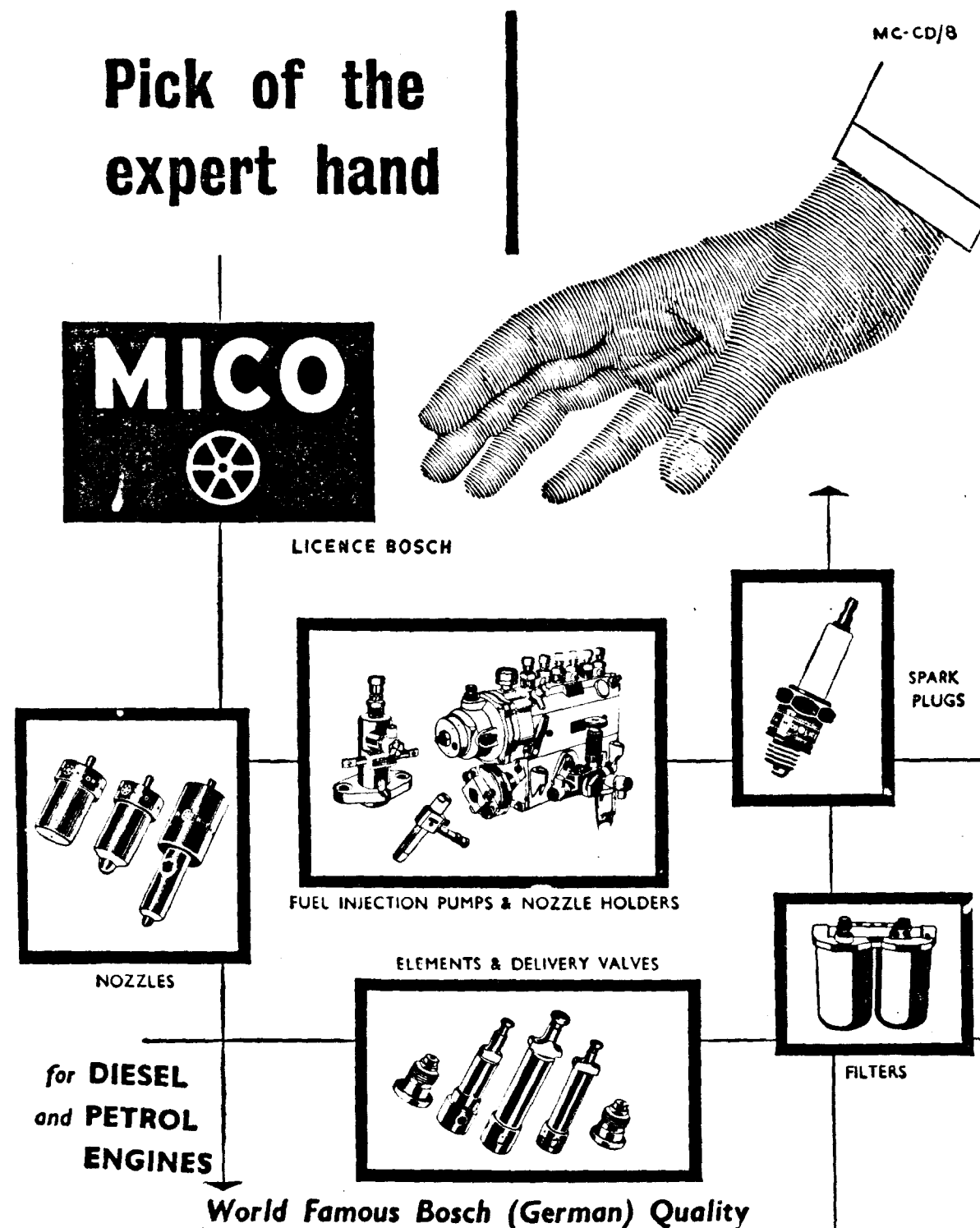


The Catcracker at the Burmah-Shell Refinery, Trombay

"No discussion of refinery expansion in India is complete without reference to what is known as the imbalance problem. Forward estimates still show an imbalance between a demand for individual products and the yields of existing and projected refineries resulting in a surplus, for example, of motor gasoline. Ways and means of minimizing these surpluses are engaging the Government's/Industry's close attention... I should like to make particular mention of one technological advance. Last year your Chairman reported that the yield of gasoline had been reduced between 1956 and 1958 from 23% to 16.5% while middle distillate production had been increased from 31.8% to 34.6%. Currently the Refinery is producing about 15.0% gasoline and 45.0% middle distillates, an outstanding achievement and a real milestone towards the objective of making refinery production conform to the product pattern requirement of India."

Extract from Statement by Mr. P. D. Tew, Chairman of Burmah-Shell Refineries Limited, at the Seventh Annual General Meeting held on 29th August 1960

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rences are quite remarkable. This impact is to be seen in the trends in passenger-kilometers recorded by railways in America and Canada. It was inevitable that during and immediately after World War II, railway passenger traffic should be stepped up to new peaks on account of defence requirements. But, if this emergency phase is excluded, it will be seen that in America there has been an almost continuous and sharp decline in passenger-kilometers operated by the railways. In spite of the progressive and phenomenal growth in passenger travel in America, passenger kilometers on American railways reached the post-war low of 37,500 million in 1958. In Canada the decline is not as spectacular as in America, nevertheless over the three decades, instead of showing a steady increase, Canadian railways are carrying a lower volume of passenger traffic. The major explanation of the sharp setback to passenger traffic on Canadian and American railways is to be found in the aggressive and successful competition of highway transport. In India, as Table T-2 demonstrates, railways are gathering an ever-growing crop of passenger traffic and also of freight traffic. This is because the potential competition from motor transport could not have a proper play owing to numerous restraints which operated through the policy of regulation, taxation, import restrictions in recent years, and so on.

In America the intense rivalry between railway transport and highway or motor transport exhibited itself in its crude form during the inter-war period, as in most of the countries including India. But the impact of competition from highway transport on the even tenor of railway transport was probably profound because the automobile manufacturing industry made the speediest progress in that country. It did not take America long to carry her automobile manufacturing industry to the stage of mass production scale and the result was that there was at once a flood of road vehicles running a severe race with railroads. Development of highway transport did not proceed on any orderly basis in the initial stage in any country with the result that competition generated by it took a chaotic form. Although the American railways had displayed impressive capacity for responding to the rapid change in the market for transport they found the onslaught of highway transport rivalry an altogether new force to reckon with. It became evident in a matter of only 3-4 years that some sort of regulation to restore order in transport, and co-ordination if possible, was necessary. From this time onwards regulation of different modes of transport by legislation became a vital and integral part of transport policy. This marks a new phase in modern transport development.

ACCENT ON REGULATION

The Transportation Act, 1920, was the first important legislative measure undertaken by Congress to regulate the growth of transport. The genesis of this Act is to be traced to the chaos created by highway transport and its marked adverse consequences on railway transport. It is significant that this Act recognised the principle of the "natural monopoly" of railway transport in the economy. The purpose of the Act was to bolster the financial position of the railways and this is to be seen in the new trend incorporated in the Act of extending the protection of law to the transport operator, which was a departure from the earlier basic purpose of regulation to protect the transport user. The Inter-State Commerce Commission was armed with greater powers in the matter of regulation of rates and minimum rates were fixed in order to eliminate cut-throat competition. The finan-

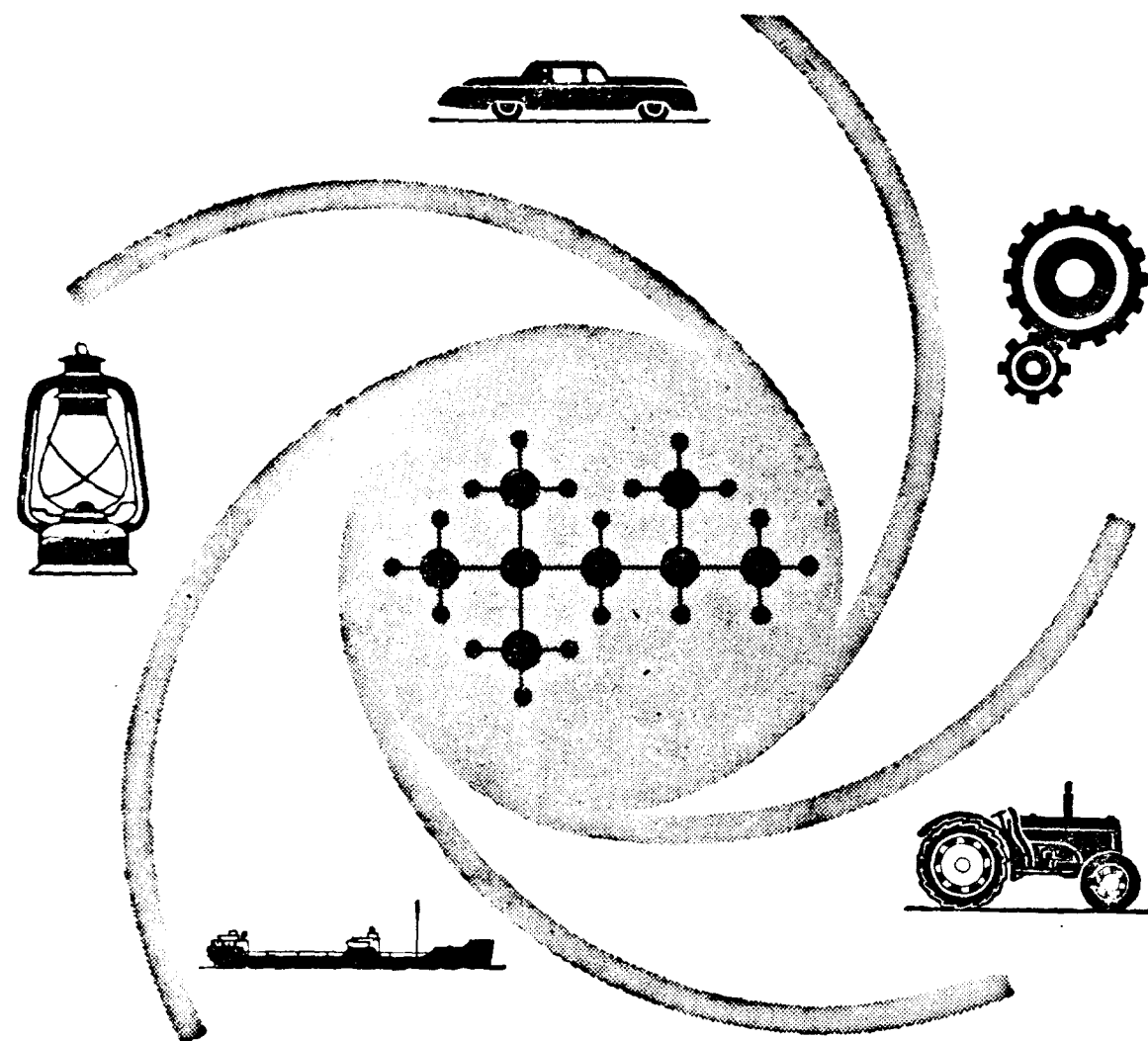
cial purpose of the Act was to give relief to the marginal and weaker railroad operators. The controversial "recapture clause" stipulated that railroad profits in excess of 6 per cent per annum should not be freely disposable by the managements. Fifty per cent of the excess was allowed to be retained by the operators subject to the strict condition that it would be used for specified objects with the approval of the Inter-State Commerce Commission. The remaining 50 per cent of the excess was to be deposited with the Federal Government. The purpose of this deposit was to utilise it as a pool for supply of loan finance to the financially weak railroad units. The "recapture clause" raised protests, while the purpose of relief through loans was not achieved on any mentionable scale as the rate of interest was fixed high.

It was with the passage of the Motor Carriers Act, 1935, that highway transport was brought within the regulatory jurisdiction of the Inter-State Commerce Commission. The Emergency Railroad Transportation Act, 1933, which was intended to help railroads out of the stalemate created by the economic depression of the 1930's, proved practically a relief on paper. But with the regulation of highway transport some measure of co-ordination could be restored within these two systems of land transport. These trends in the growth of co-ordination through legislative regulation of transport in America have a remarkable resemblance to the persistent policy of Government of India in putting severe restraints on road transport in this country for the ostensible purpose of co-ordination, whose inevitable consequence in operation has been to extend protection to railway transport at the cost of road transport. In America the policy enunciated by the Transport Act of 1920 and Motor Carriers Act of 1935 did not produce the desired effects of minimum regulation for healthy co-ordination. The policy was, therefore, changed with the passage of the Transport Act of 1940.

The principle of the "natural monopoly" of railways endorsed by the earlier Transport Act of 1920 was abandoned as the guiding principle of transport policy. In its place was substituted the principle of equitable scope for the development of the different types of surface transport which would ensure free but fair competition and enable each to obtain adequate return on investment. Inland waterways were brought within the jurisdiction of the Inter-State Commerce Commission by the Transport Act of 1940. The "recapture clause" was vacated and the deposits were refunded. In the post-war period the striking change in the structure of market for transportation and the flow of investment in highway and inland waterway transport created a new set of problems. The Cabinet Commission on Transport, appointed by President Eisenhower in 1954, reported a year later on measures of co-ordination of the different modes of transport. But this report, by the consensus of opinion of transport operators, is unlikely to produce any tangible and effective remedies.

MODIFIED RESORT: THE MORAL

The situation at the present time is that railroad operators find their financial position losing the essential elements of vitality. The Transport Act of 1920 assumed a rate of return of 6 per cent as fair, but experience has shown that a rate of 3.5 per cent is what the more advanced and progressive of railroad operators are in a position to stabilise. Over the years, since co-ordination became a live issue, the multiplicity of railroad companies has been one of the important problems in American transport policy. Efforts to reduce the number of railroad units by merger, with the good offices of the Inter-State Commerce Commission but on the



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declared principle that amalgamation must be voluntary, have left this intractable problem unresolved. At the present time one of the principal objects of rationalisation of rail transport in America is to merge the existing units into about a total of 20 units or so. By contrast, the problem of integration of Indian railways, whose multiplicity on the merger of the former princely States with the Union of India assumed grave dimensions, could be solved without any difficulty as the ownership of the railway systems vested in the State. Even so, it would appear that the zonal system of merger of Indian railways has not helped to achieve the much publicized benefits of economical and efficient financial management. The history of regulation of transport in America for the purpose of co-ordination highlights the inference that co-ordination is difficult to achieve in an ideal form and the appropriate objective of policy should be to keep legislative regulation to the reasonable minimum.

This is indisputably the basic moral for India in her search for a dynamic policy of transport that has become a crying need at the present time. As earlier in America, railways have been looked upon as entitled to the status of a natural monopoly in the transport system of our country. When this assumption was being challenged and disproved by the emergence of road transport, much less than due regard was paid by the Government to the new forces in the demand for transport and the capacity of the different agencies of transport to satisfy that demand. Even to this day the Railway Ministry is trying to defend the position of railways as a system legitimately entitled to inherent monopoly. This is not to argue that road transport is being excluded from competition for traffic. But the superior position of easy access to traffic, not quite justified on grounds of competitive efficiency, is being preserved for the railways. There is neither consistency nor logic in the position which the Railway Ministry takes from time to time and what is amazing is that the shifts are irreconcilable.

During the earlier phase of the Second Plan, when the rates on the railways were revised, steep rates were evolved for short hauls on the avowed principle that short distance traffic ought to be discouraged from the railways and diverted to road transport. Last year the Railway Ministry came with a disguised demand, behind which it arrayed all the powerful forces of pressure it can exert, that diversion of short distance but high-rated traffic to the motor transport was inflicting an injury on railway finances which must be repaired. In consequence of this demand a Transport Co-ordination Committee has been appointed and, while it would be improper to prejudge the final shape of policy which will be approved in pursuance of its recommendations, there is little doubt that the Railway Ministry will strain every nerve to secure a tightening up of restraints on motor transport at points which affect it adversely. The pertinent question which must be asked in the interest of a long-range policy for transport is: Should policy for transport co-ordination be allowed to be influenced by such sudden and seemingly wayward swings? The answer is clear — it is in the negative.

A crucial stage has now arrived in recognizing the position of railway transport vis-a-vis road transport in the light of the spectacular expansion which our transport system has to undergo in the next three or four decades. As observed at the outset, railway transport will continue to occupy the position of the major life-line of the country's network of communications. But this is only in a relative sense that railways will be the major carriers of long-distance bulk traffic, that they will need to be entitled to a fair share of high-rated traffic which is not covered by long haul

bulk traffic, but certainly not by putting deliberate and artificial restrictions on road transport or by making a vain effort to put off the inevitable emergence of the Age of Roads.

INDEX OF VITALITY

Development outlay expended on the railways in the first two Plans ought to be scrutinized for the benefits — or the lack of them — which it has brought. During the First Plan, what was really done for the railways was not development as such but their rehabilitation after the excessive war-time damage to equipment. The major backlog of rehabilitation was cleared in the First Plan. In the Second Plan it could be said with full justification that outlay was allocated for the modernisation and vitalisation of the railway system. During these ten years new construction of railway lines was very modest and it worked at an annual average of 120 miles. Doubling of track which involved much less outlay than new construction recorded an annual average rate of 130 miles. By and large, the outlay in the Second Plan on the railways was allocated and utilized for the rationalisation of equipment and introduction of certain new technological processes. When this bias in the outlay is taken into account, it is only reasonable to expect that productivity on the railways should demonstrate marked improvement and that this improvement, in turn, should be reflected in the results of financial working.

Tables T-3 and T-4 are of considerable help in making this assessment about improvement in financial operations. The real index of the vitality of the railway finances and the progressiveness or otherwise in their trends can be judged with reference to the rate of return on the capital provided for the railways. Although railways do retain in a partial degree their character as a public utility undertaking, they are by universal recognition a commercial enterprise and, for that matter, the largest State-owned commercial enterprise. With the expansion of the public sector of industry in our economy, an ever-increasing responsibility will devolve on State enterprises to earn larger net profits in order to contribute to the resources which the Exchequer will have to supply for the progressive requirements of the developing economy. The success or otherwise of the railways with respect to this crucial criterion has an important bearing on the justification of the expansion of the public sector in industry.

The financial classification adopted in the railway budget is in some important respects different from the conventional commercial accounting classification and it requires a brief word of explanation. Net revenue receipts—so-called—are computed after deducting working expenses and appropriation to depreciation, but they include interest charges. Dividend paid to the General Revenues comes out of the net receipts. In reality, to call this payment to the Exchequer as a dividend is a misnomer. It is out of this dividend that interest charges are paid by the Exchequer on the capital-at-charge obtained by public loans by the Exchequer for the railways. The real or net dividend received by the Exchequer is the balance left after payment of interest charges. This leaves a residue which is equivalent to profits retained by the railways. In technical parlance, they go under the description of the surplus or net gain. The real position comes to this that the net dividend received by the Exchequer and the surplus retained by the railways together constitute the net return on capital.

The estimates in Table T-3 and T-4 about net return are made on this basis. They do not take into

account some minor allowances or concessions made in respect of interest charges etc. The most conspicuous fact which emerges from Table T-3 is that the rate of return on capital of the Indian railways declined from roughly 2.02 per cent in 1955-56 to 1.67 per cent in 1960-61 — the period of the Second Plan. According to the Railway Board's forecast for the Third Plan, the rate of return as computed in Table T-4 will decrease to 0.56 per cent in 1961-62 and 1965-66, with still lower rates of return in between. In America although 6 per cent was assumed as a fair rate of return on the capital of railroad companies by the Transport Act of 1920, the efficient units have been able to earn on an average something around 3.50 per cent. American railroads pay heavy interest charges on loans and steep taxes on property as well as income. Indian railways are exempt from payment of taxes. The rate of 0.66 per cent envisaged for the Indian railways in the Third Plan makes a painful comparison with this rate of return in America.

It has become a commonplace with the Railway Ministry to plead the teething troubles of the phase of development as the root cause of the present trends in financial working. But, in view of the fact that the Second Plan was essentially a Plan for modernisation and a small measure of technological improvements, in railway equipment and operating techniques, and the volume of traffic offering is actually reaching a level at which constantly recurring bottlenecks arise on the railways for strategic commodities like coal and ores, this plea cannot be considered to hold water. It may sound harsh, but it is a bare inference warranted by facts, that the management of the Indian railways in the sphere of finance has failed to show progressive trends. While revenue is going up, expenditure is allowed to increase quite out of proportion. And in spite of this financial sub-standard performance, railways are giving clear proof that they will find it increasingly difficult to provide the transport capacity which the continuously mounting volume of traffic will require.

RELIEF TO RAILWAYS

Railways have to take in their stride, as the main-lifeline of communications, all categories of traffic, over short or long hauls as well as high or low rated. It is but fair that they should be enabled to obtain an equitable proportion of high-rated traffic which usually crosses medium distance. In America this objective is attained by allowing railroad companies to operate

motor carrier services where the regular highway operators do not provide them or provide them on an inadequate scale. This is usually done by means of subsidiary companies or arrangements of through traffic. Of course, participation in highway transport is allowed to railroad companies subject to the approval of the Inter-State Commerce Commission. The question about the desirability of allowing such participation is decided in open enquiries by the Commission. It would be a very useful plank of policy to encourage Indian railways to participate in road transport operations on analogous criteria.

Equally important with such type of extra-rail operations is the need for Indian railways to assimilate an important technological improvement practised for several years on American railways and to look forward to another revolutionary road-cum-rail transport technique which is being introduced on a commercial scale in Britain. The "piggy-back service" which is prevalent on some railroads in America consists of mounting truck-cum-trailer-loads on flat railway freight cars or wagons and unloading them at the rail destination for carriage by road in the form of trailers coupled to tractors. This involves considerable labour and expense in loading and unloading the truck-cum-trailer. The British "road-railer", which emerged only a few weeks back this year marks a significant technological advance on the "piggy-back" service. The road railor is a road-cum-rail vehicle which has fitted to it a simple extra equipment. This equipment consists of retractable road and rail wheels and special couplers. It can be straightaway put on the rails instead of being mounted on a open wagon and at the rail destination it can be straightaway put on road and carried with a tractor. It can complete the entire haul from the farm or factory to the final destination over road and rail without transshipment of goods etc.

Undoubtedly, the introduction of this improved equipment will demand strong surface roads, with considerable width, capable of permitting use by tractors along with trailers or semi-trailers. It is assumed that the future expansion of roads will make adequate allowance for this integrated vehicle. But in any case the growth of Indian railways ought to be stabilised, if not reduced, in terms of expansion in route mileage at the rate of about 120 miles per year in the decade since planning. Development of railways must be concentrated on rationalisation and technological improvement of equipment and operating techniques.

Roads

SUPPRESSED GROWTH

IT IS an indisputable fact that road development in India has throughout received a miserly deal. Perhaps it would not be wrong to say that the two Five-Year Plans devoted more attention to the expansion of roads in terms of more mileage than to the quality of surface and the strength of the road system. Tables T-5, T-6 and T-7 demonstrate the severe effects of tardy development of roads on the expansion of modernised motor transport. As Table T-5 shows, commercial vehicles in use in India were of the order of 192,000 in 1957 as against 1,041,000 in Canada and 11,225,000 in America in the same year. This is an index of the very small growth of commercial road traffic and of freight traffic in particular. Table T-6 explains the poor ratios of vehicles in relation to area and population. As against 112 vehicles per 100 sq. miles of area in Canada and 2,158 in America, India had a poor ratio of merely 29 vehicles in 1956. For 1 lakh of population, Canada had 26,886 vehicles, America had 38,777 in 1956, while India had only 95.

The area-wise and population-wise distribution of vehicles in India is further handicapped by the fact that motor vehicle taxation in India is among the highest in the world as disclosed by Table T-7. As against per vehicle taxation of Rs. 500 in America, India's rate of taxation is of the crippling order of Rs. 2,040. Motor transport to the extent that it has been enabled to develop in our country has been found to be a lucrative source of tax revenue. The short-sighted policy of taxing motor vehicles at a crushing rate has invited the nemesis of retarded growth of this category of transport. It is acknowledged on all hands that the policy of motor vehicle taxation in India requires a rehaul. Expert committees have put the weight of their opinion in this behalf, but the major hindrance to tax reduction seems to be the reasonable demand of the State Governments for compensatory or substitute sources of revenue for the loss of revenue from motor taxation. Sooner rather than later the Government of India will have to come to an urgent decision that the problem of relief to the State Governments must be solved and motor transport must be



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allowed to rise in stature without which the requirements of land transport cannot be satisfied. The alternative to this is slowing down of agricultural and industrial production for lack of adequate surface transport.

On the basis of the projections of the growth of national income in the next four decades made elsewhere in this Annual Number, projections have been made in Table T-9 in regard to the progressive requirements of the country for different types of motor vehicles from decade to decade. They need to be taken as broad indicators of what the revolution in road transport will require.

THE AGE OF ROADS

If the development of India's economy in the industrial sector is to be based on the dispersal of large-scale manufacturing units at medium distances from the present areas of heavy concentration and if the decentralised sector of industry is to expand on a spectacular scale, this object can be fulfilled only if transport facilities for the movement of raw materials and finished goods are created on a commensurate scale. Furthermore, agricultural production in India is bound to be stepped up at a spectacular rate. The marketable surplus of farm produce will also cry aloud for transport facilities. In addition to that the impressive increase in per capita income projected elsewhere in the National Income Section of this Annual Number will radically change the pattern of consumption and the structure of the market demand. All these can be served if, and only if, an expanding system of transport is built up.

In the years to come this will be principally the function of road transport. This and no other is the central moral of the Age of Roads that has actually arrived. Table T-8 in this Section makes an attempt to estimate the required magnitude in the expansion of the road network. During the First and Second Plan, road development got parsimonious allocations of Rs. 155 crores and Rs. 250 crores respectively. The Third Plan must be considered to be more retrograde than the Second Plan in this respect. It makes an allocation for road development tentatively at Rs. 268 crores. If allowance is made for price increase, this will be lower than the allocation in the Second Plan and it will strive in vain to meet the pressing demand of road-borne traffic. This policy is not only unimaginative but blind to the supreme and over-riding claim of

adequate expansion of the infrastructure of the economy.

THE MODEST MASTER PLAN

The Chief Engineers of the State Governments have prepared a Master Plan for road expansion during the two decades, 1961-1981, which will cover the periods of the next four Five-Year Plans. The Master Plan is in no sense an ambitious Plan at all. It is a modest estimation of the minimum requirements of the economy. It involves a relatively high order of outlay for the simple reason that the neglect shown up to now in developing surface roads is to be compensated partially during the next two decades. During the First Plan unsurfaced roads were extended by 44,088 miles and during the Second Plan the extension was pushed up to 54,949 miles. The Master Plan envisages construction of 155,000 miles or 38,750 miles on an average per each of the next four Plan periods. Thus it is clear that it has deliberately fixed a target which is even below the target achieved in the First Plan.

To come to the strategic sector of roads, namely, surface roads, it will be seen from Table T-8 that in the First Plan construction of new surface roads was only 14,071 miles and during the Second Plan it was raised higher to 22,383 miles. The Master Plan stipulates a target of 108,000 miles during 20 years or 27,000 miles on an average per each of the next four Plan periods. This gives an excess of only 5,000 miles over the performance in the Second Plan. These comparisons are quite sufficient to repel the impression that the Master Plan sets out any ideal scheme of road expansion. The truth is that this ought to be taken as the irreducible minimum. The financial estimates made by the Chief Engineers disclose that total outlay for the Master Plan would be Rs. 6,550 crores out of which Rs. 5,200 crores will be for new construction and Rs. 1,350 crores will be for maintenance. Taking new construction in isolation, the outlay envisaged on an average for each of the next four Plans is Rs. 1,300 crores. As against this the allocation in the first five years of the Master Plan (coinciding with the Third Plan) is tentatively put at Rs. 268 crores.

This gap is eloquent. But its warning ought not to be missed. It is that India can ignore development of road transport in the future only at the cost of recurring and grave shortages of transport capacity, which are bound to stultify schemes of expansion in the different sectors of the economy.

Shipping

INDIA'S EXTENSIVE sea-board and her historical traditions as a maritime nation ought to prove as factors which should enable her to find her proper place in the domain of international shipping in a reasonable period of time. While this is so, progress since Independence in the expansion of shipping has not been encouraging. Here it ought to be pointed out that international comparisons are not necessary to emphasize the great leeway which India has to make up.

Nevertheless, Table T-10 in this Section should prove useful for post-war comparisons with Canada and America, both of which are almost similarly situated from the geographical point of view as India in the matter of shipping. Post-war trends disclosed in Table T-10 show that there has been a decline in the gross registered tonnage of Canada as well as America. From the high level of over 2 million G.R.T. Canada had a decline to 1.5 million G.R.T. America's decline has been much steeper than that to Canada from 32.4 million G.R.T. in 1947 to 25.6 million G.R.T. in 1958. America

cannot afford to allow this rate of decline because the responsibilities which have devolved upon her as the leading military power of the non-Communist world ordain that she must keep herself sufficiently strong in shipping. And merchant shipping is the second line of defence.

Shipbuilding in America has been sustained by liberal Congress appropriations of subsidies for construction (for instance, \$120 million in the fiscal year ended June 1958) solely on grounds of national security. But previous experience of the war-time accelerated expansion of shipping in America has shown that quality of ships is as important as the volume of the tonnage built. The Liberty ships built during the war with somewhat improvised arrangements had to be scrapped on an abnormal scale. India has made some progress in the shipbuilding industry. The shipbuilding yard at Visakhapatnam is progressing at a modest rate. If construction subsidy is granted by the Government in respect of ships built at Visakhapatnam,

it is only in keeping with the universally accepted policy. Production costs at this yard are high because its capacity is below optimum and productivity of labour is low. But far more important than these two causes is a potent factor which is not known widely enough. Contrary to the prevailing impression that ships constructed at Visakh contain a substantial indigenous component would come the revelation that the import component as represented by marine engines etc. of these ships is as high as 80 per cent. Correspondingly, the foreign exchange outlay on ships built at Visakh exceeds four-fifths of the total cost. While the foreign exchange shortage continues for overseas purchase of ships, the impression that we are making massive savings by indigenous construction is not correct. This is a serious drawback at Visakh on which attention ought to be focused.

In order to realise to what extent low allocations of resources are made for shipping, one has only to compare the tonnage targets so passionately recommended by the Shipping Policy Sub-Committee which reported in 1947 with the targets achieved or fixed for the first three Five-Year Plans. The Sub-Committee had emphasised that the minimum targets should be 9 lakh tons in 1950 and 20 lakh tons in 1955 or 1957 at least. By 1957, 50 per cent of the share in India's overseas trade was to be acquired for Indian tonnage.

Inland Waterways

INLAND WATERWAYS in India in the last 100 years have remained the most neglected sector of transport. In this respect, India offers a contrast to America. As discussed earlier, inland waterways were the initial pace-makers of surface transport in America and liberal government financial assistance flowed in order to spread their network. In America early settlement of European immigrants on the coast, the presence of numerous big rivers and the existence of the great lakes attracted priority in transport. With the inhabitation of the entire continent and the march of agriculture and industry, the emphasis shifted from inland waterways to railroads and thereafter to highways. Nevertheless, inland waterways will remain an important part of the American system of transport.

In India, the navigable rivers and canals have either fallen into disuse or been subject to grave neglect because railway transport was presumed to be

In contrast with this, the total tonnage at the end of the First Plan was 4.8 lakhs, at the end of the Second Plan it will be 9 lakhs and for the Third Plan it is set at 14.2 lakhs. During the Second Plan period, according to informed estimates, India was paying in terms of foreign exchange an average of Rs. 130 crores to foreign shipping companies for obtaining their services. As long as low allocations are made for the expansion of Indian shipping, the increasing volume of export and import business will involve, in the years to come, much larger outlay of foreign exchange than Rs. 130 crores per year on freight. This outlook in itself is sufficient to argue the case, if argument was required at all, for a realistic policy for shipping. Shipping, like roads, has received a raw deal so far.

Development of ports and harbours was directed in the first two Plans at increasing the capacity of the five major ports from 20 million tons in 1950-51 to a little below 40 million tons in 1960-61. The emphasis will now shift to improving and strengthening the port facilities in the Third Plan by introduction of technological improvements. Even so, the distant sea trades will over-strain the capacity of the major ports. In consequence, attention is being focused for the first time on the development of medium ports on which expert enquiries were made twice. Action, so far delayed, will now be taken in earnest.

entitled to an inherent monopoly of surface transport. Since independence a small beginning has been made to resuscitate the waterways which were once active lines of communication. The Ganga-Brahmaputra Board has undertaken some pilot projects for improvement of waterways within its jurisdiction and elsewhere navigable canals and inland ports are being repaired and strengthened. This year the Inland Water Transport Committee reported extensively on a long-term plan for the development of waterways. How far its recommendations have been accepted by the Government and to what extent commitments of outlay and priorities will be made in pursuance of them are matters little known outside the precincts of the Central Secretariat. The stagnation in inland waterways will certainly be broken in course of time, but it is a foregone conclusion that the present status of waterways in relation to railways and roads will not be changed materially.

Civil Aviation

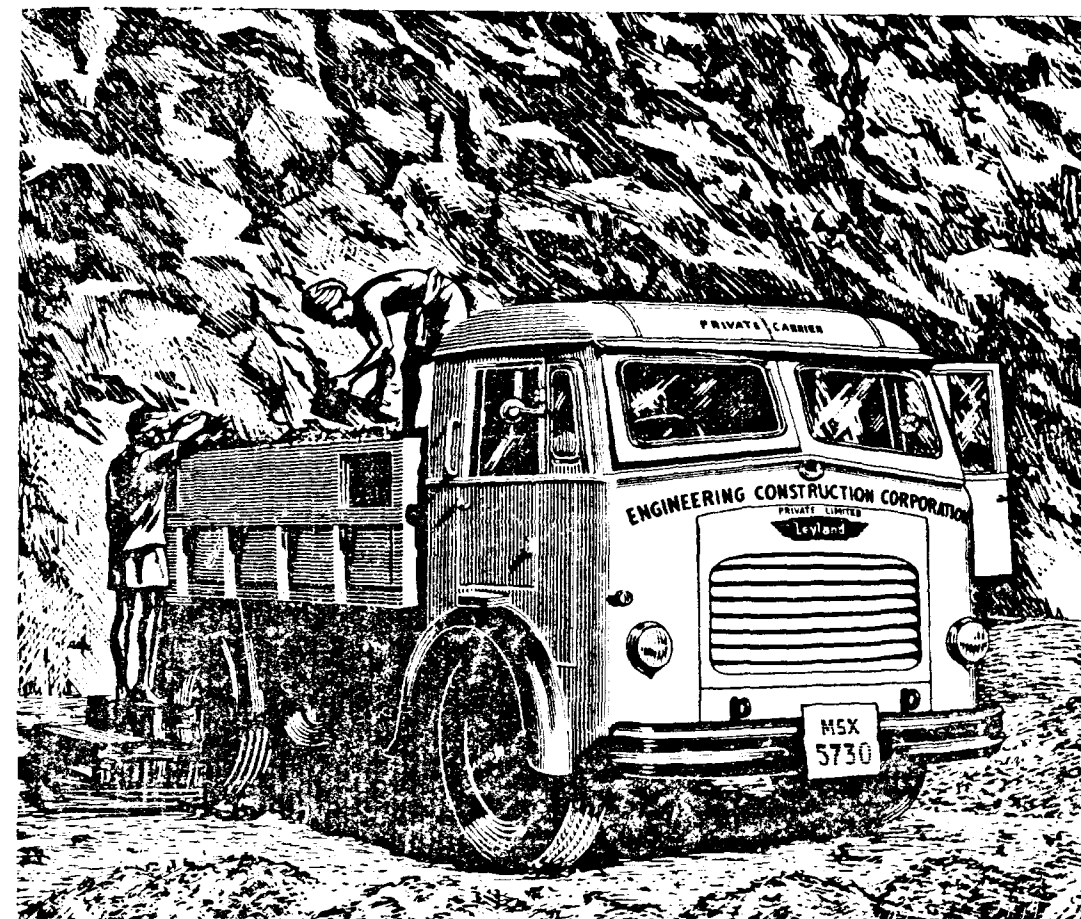
NO SOVEREIGN STATE can afford to neglect aviation, whatever the pressures on its resources for economic development. During World War II the air arm emerged as a very powerful arm of defence. Civil aviation has been fostered for two reasons in the post-war world, namely, air travel and the build-up of the second line of defence in the air. Table T-11 in this section gives the main indicators of the progress of civil aviation in America, Canada and India. For a new sovereign state, India's progress since independence is a matter of encouragement. In 1947, American airlines operated 12,736 million passenger kilometers, while the corresponding figures for Canada and India were 416 million passenger-kilometers and 223 million passenger-kilometers respectively. Cargo ton-kilometers carried by American airways in that year were of the phenomenal order of 161 million. As against this Canada's 3 million and India's 2 million may look petty beginnings, but allowances are to be made for

the fact that American airlines are operating on a gigantic scale. In 1958 Canada showed the maximum rate of progress by operating 3,232 million passenger-kilometers. America achieved 50,692 million passenger-kilometers and India 864 million passenger-kilometers. Thus both these countries showed a smaller rate of expansion than in Canada, their rate being 300 per cent increase. But this percentage comparison would be misleading because it would ignore the high base at which American performance stood in 1947.

For the Third Five-Year Plan, India has made a provision of Rs. 55 crores tentatively for the expansion of civil aviation. About Rs. 25 crores will be earmarked for development and rationalisation of aerodromes and the balance for the two air companies — the Indian Airlines Corporation operating the domestic routes and Air-India International. The annual report of the Indian Airlines Corporation for 1959-60 has high-

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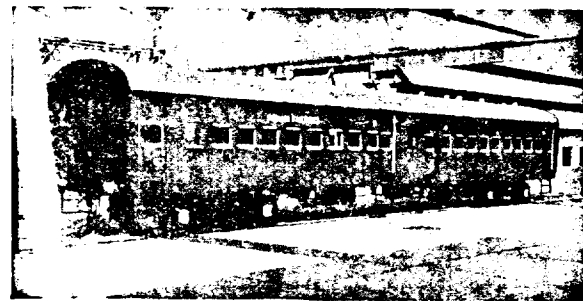


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lighted the fact that, given imaginative and thoroughly businesslike management, the sales potential can be effectively exploited. A point of saturation has been reached in the aircraft fleet capacity of this Corporation and the crying need of the present day is to strengthen the fleet with the addition of Viscounts.

Curiously enough, the draft Third Plan makes a provision for replacement of the small capacity Dakota aircraft only. If this mistake is not rectified in time, there is a real danger that the Corporation's finances which began to gain buoyancy last year may again sink into the pool of chronic deficits.

Pipelines

PIPELINES HAVE come to assume a strategic place in America's system of transport. In 1957, their length was 139,000 miles and they carried wet cargo of the order of 200 billion ton-miles. India is making her debut in pipeline communications with the construction of two short pipelines to carry crude oil from the Assam wells. If our explorations for oil resources yield material results, there can be no doubt that greater attention will be attracted by pipelines. A veritable revolution has been inaugurated now, as a result of technological advances, in America. The use of pipelines is

no longer restricted to the transport of oil and natural gas. In 1957 the world's first pipeline for the transport of coal was inaugurated by America from eastern Ohio to Lake Erie, 108 miles in length. It carries a mixture of coal particles and water ("slurry") for generating electricity. The rate of delivery per day is 3,400 tons of coal. American engineers are looking forward to the transport of iron ore, limestone, wood pulp etc. by pipelines. The possibility of developing pipelines, as the emerging new system of transport, needs to be kept constantly in view in India.

TABLE T-1

INDICATORS OF GROWTH OF INDIAN RAILWAYS FROM THEIR INCEPTION

Year	Total Mileage	Capital Outlay (Rs. '000)	Net Earnings (Rs. '000)	Percentage of Net Earnings on Capital Outlay	Net Ton Miles ('000)	Average Rate Charged per Ton per Mile (In pies)	Passenger Miles ('000)	Average Fare Charged per Passenger Per Mile (In pies)
1853	..	20	37.96	49	1.29	..	..	..
1857	..	287	12,00.00	14.89	1.24	..	..	..
1869	..	4,008	84,00.00	2,59.63	3.09	..	..	..
1878	..	8,219	1,18,29.55	5,62.92	4.76	..	..	..
1888	..	14,576	1,93,04.33	9,89.01	5.12	3,576,997	6.87	4,349,055
1900	..	24,572	3,29,61.03	16,44.76	4.99	6,646,473	5.88	6,839,800
1908	..	30,576	4,11,91.71	17,82.44	4.33	9,925,830	5.09	12,102,929
1917-18	..	36,333	5,41,79.90	41,99.52	7.75	21,015,126	4.08	16,204,392
1927-28	..	39,049	8,22,86.25	45,66.13	5.55	21,902,222	6.08	21,704,687
1936-37	..	43,128	8,80,12.80	38,13.92	4.33	21,435,458	6.25	18,270,659
1937-38	..	41,076	8,45,68.20	37,94.45	4.49	22,776,688	5.78	18,847,246
1946-47	..	40,524	8,81,53.33	43,01.57	4.68	26,981,313	7.40	40,060,276
1947-48	..	33,985	7,42,20.30	19,74.82	2.66	20,399,261	8.13	33,649,090
1948-49	..	33,861	7,75,87.51	50,05.67	6.45	22,750,000	9.48	38,817,000
1949-50	..	34,022	8,13,07.44	51,09.48	6.28	25,465,000	10.20	44,020,000
1950-51	..	34,079	8,38,18.19	50,23.36	5.99	27,008,000	9.94	41,672,000
1951-52	..	34,119	8,61,57.26	66,55.65	7.73	29,018,000	10.20	39,551,000
1952-53	..	34,275	8,68,54.63	52,29.62	6.02	28,961,000	11.20*	37,369,000
1953-54	..	34,496	8,78,46.48	40,78.83	4.62	29,568,000	11.30*	37,549,000
1954-55	..	34,705	9,10,90.93	52,60.57	5.78	32,126,000	11.10*	36,649,000
1955-56	..	34,736	9,75,48.86	57,34.19	6.88	36,472,000	11.10*	39,083,000
1956-57	..	34,744	10,78,22.86	70,42.51	6.53	40,225,000	11.30*	42,194,000
1957-58	..	34,889	12,28,63.56	71,77.90	5.85	45,644,396	11.23*	43,328,504
1958-59	..	35,081	13,62,89.00	67,75.71	4.97	46,752,304	11.50*	42,500,761

TABLE T-2
INDIAN RAILWAYS

Passenger-Kilometers; Net Ton-Kilometers

(Millions)

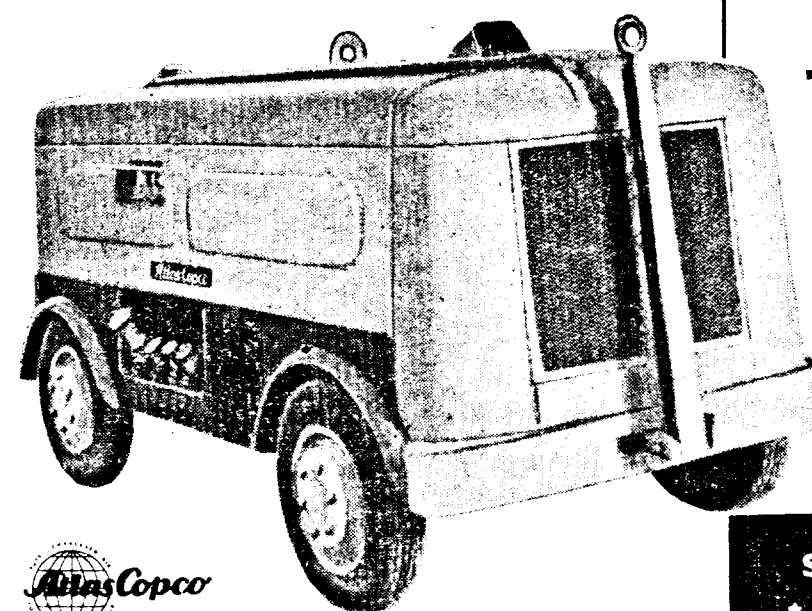
		Canada		United States		India	
		Passenger K.M.	Net Ton K.M.	Passenger K.M.	Net Ton K.M.	Passenger K.M.	Net Ton K.M.
1928	..	5,055	60,751	51,045	636,676	34,279	34,532
1929	..	4,663	51,137	50,155	657,265	35,880	33,895
1930	..	3,899	43,222	43,253	563,280	32,166	32,218
1931	..	2,813	37,532	35,298	454,159	28,222	29,021
1932	..	2,311	33,779	27,354	343,545	27,534	27,258
1933	..	2,242	30,795	26,342	365,944	26,868	29,567
1934	..	2,463	34,047	29,079	394,620	27,832	32,172
1935	..	2,550	35,383	29,787	414,103	28,440	32,558
1936	..	2,778	38,564	36,146	498,117	28,622	33,994
1937	..	3,105	39,311	39,743	529,701	30,331	37,244
1938	..	2,870	39,178	34,854	426,117	30,164	36,234
1939	..	2,820	45,938	36,553	489,639	29,808	38,413
1940	..	3,503	55,330	38,328	548,029	32,079	41,352
1941	..	5,159	72,973	47,324	697,249	35,438	45,855
1942	..	8,030	81,983	86,498	935,832	39,192	45,960
1943	..	10,501	93,314	141,502	1,065,974	52,313	46,405
1944	..	11,061	96,253	153,955	1,081,237	60,558	46,506
1945	..	10,268	92,488	147,780	998,839	66,524	47,691
1946	..	7,481	80,752	104,212	868,602	67,689	44,119
1947	..	6,007	87,807	73,985	960,485	55,228*	35,340*
1948	..	5,596	86,256	66,344	935,996	62,470	37,200
1949	..	5,139**	82,252**	56,541	772,489	64,408	41,640
1950	..	4,532	81,084	51,161	863,648	64,457	44,163
1951	..	5,005	93,877	55,748	948,737	63,651	47,449
1952	..	5,071	99,907	54,771	902,180	60,183	47,356
1953	..	4,805	95,238	50,983	889,072	60,429	48,349
1954	..	4,608	84,018	47,170	806,194	62,200	52,532
1955	..	4,654	96,615	45,944	915,248	62,898	59,638
1956	..	4,679	115,075	45,409	950,718	67,905	65,775
1957	..	4,708	103,727	41,705	907,969	69,738	73,414
1958	..	4,013	96,831	37,500	809,300	67,404	73,896

** Beginning April 1949, including Newfoundland.

* Beginning 1947, excluding Pakistan. Pakistan traffic in calendar year 1947; 7,266 million passenger-kilometers and 1,370 million ton-kilometers.

TABLE T-3
RAILWAY FINANCIAL OPERATIONS—SECOND PLAN

	1955-56	1956-57	1957-58	1958-59	1959-60 (Revised Estimate)	1960-61 (Budget Estimate)
1. Capital at charge	968.98	1,071.71	1,222.44	1,356.59	1,442.47	1,563.29
2. Gross Traffic Receipts	316.29	347.57	379.78	390.21	422.03	464.50
3. Net Revenue Receipts	50.34	58.38	57.78	59.32	69.26	75.70
4. Dividend (Gross)	36.12	38.16	44.40	50.39	54.51	57.27
5. Interest paid (at 3.17 per cent)	30.72	33.97	38.75	43.00	45.73	49.56
6. Net Dividend (4-5)	5.40	4.19	5.65	7.39	8.78	7.71
7. Surplus (Profits Retained by Railways)	14.22	20.22	13.38	8.93	14.75	18.43
8. Net Return on Capital						
(a) Amount (6+7)	19.62	24.41	19.03	16.32	23.53	26.14
(b) Percentage of (a) to (I)	2.02	2.28	1.56	1.20	1.63	1.67



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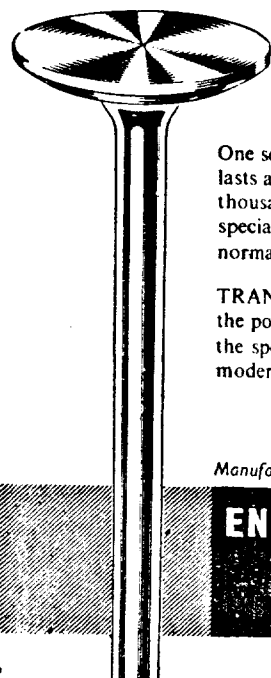
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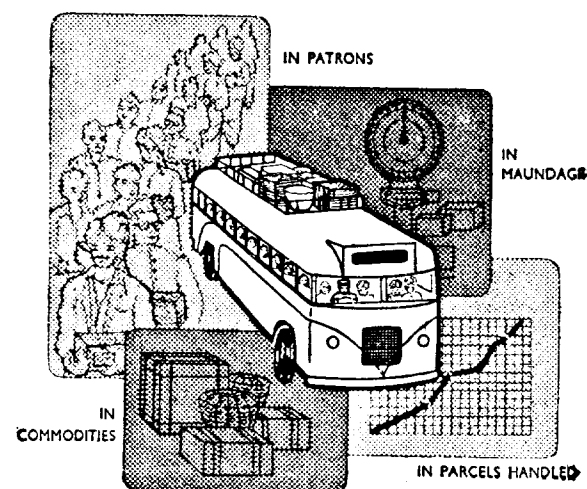
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TABLE T-4

RAILWAY FINANCIAL OPERATIONS — OFFICIAL ESTIMATES — THIRD PLAN

(Rs. crores)

	1961-62	1962-63	1963-64	1964-65	1965-66
1. Capital at charge	1,660	1,841	2,033	2,186	2,313
2. Gross Traffic Receipts	484.65	509.30	534.56	561.19	611.22
3. Net Revenue Receipts	68.65	74.26	77.72	81.65	105.85
4. Dividend (Gross)	64.63	69.94	77.59	84.50	90.03
5. Interest paid (at 3.58 per cent)	59.43	65.91	72.78	78.26	82.81
6. Net Dividend (4-5)	5.20	4.03	4.81	6.24	7.22
7. Surplus (Profits retained by Railways)	4.02	4.32	0.13	-2.85	5.82
8. Net Return on Capital					
(a) Amount (6+7)	9.22	8.35	4.94	3.39	13.04
(b) Percentage of (a) to (1)	0.56	0.45	0.24	0.16	0.56

TABLE T-5

MOTOR VEHICLES IN USE

Passenger Cars — Commercial Vehicles

(Thousand Units)

Year	Canada		United States		India	
	Passenger Cars	Commercial Vehicles	Passenger Cars	Commercial Vehicles	Passenger Cars	Commercial Vehicles
1928	921	131	21,308	3,204	91	16
1932	945	158	20,832	3,300	127	39
1937	1,103	206	25,391	4,315	107	34
1946	1,234	371	28,100	5,846	105	62
1947	1,370	440	30,719	6,642	126	92
1948	1,497	504	33,351	7,735	120	86
1949	1,672	580	36,293	7,827	144	103
1950	1,907	650	40,334	8,828	154	113
1951	2,098	732	42,683	9,231	159	123
1952	2,296	817	43,818	9,448	162	121
1953	2,514	877	46,460	9,820	168	136
1954	2,689	919	48,499	10,064	174	149
1955	2,935	977	52,136	10,558	186	157
1956	3,187	1,004	54,201	10,953	203	181
1957	3,383	1,041	55,906	11,225	219	192
1958	3,573	1,076*	56,871	11,429	224*	200*
1960	3,959*	1,116*	59,541*	11,905*	252*	233*

* Estimated.

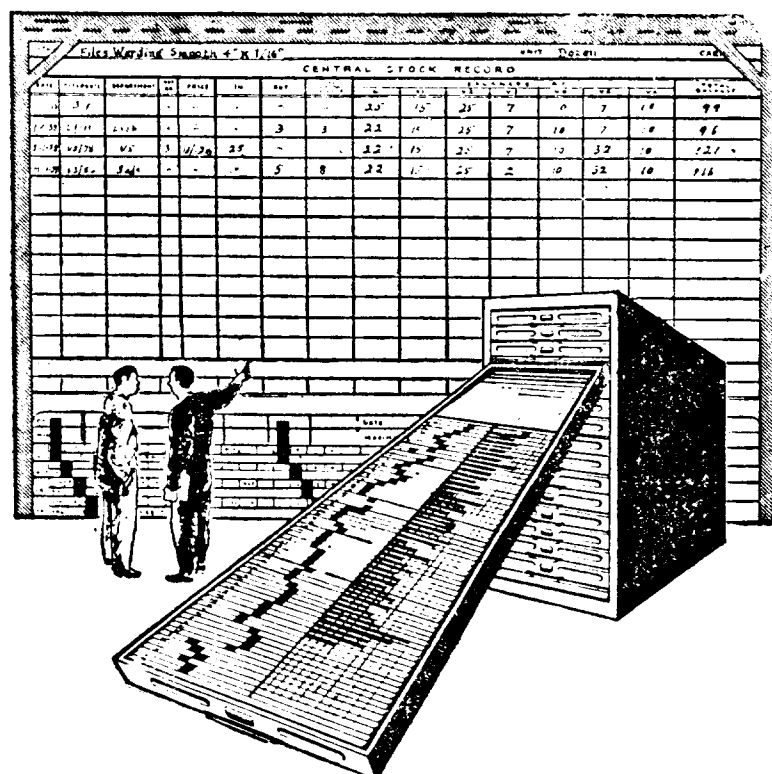
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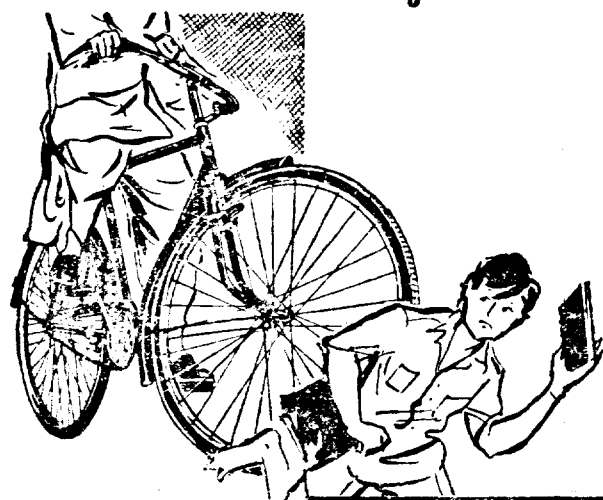
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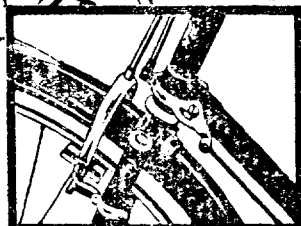
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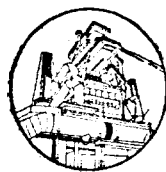
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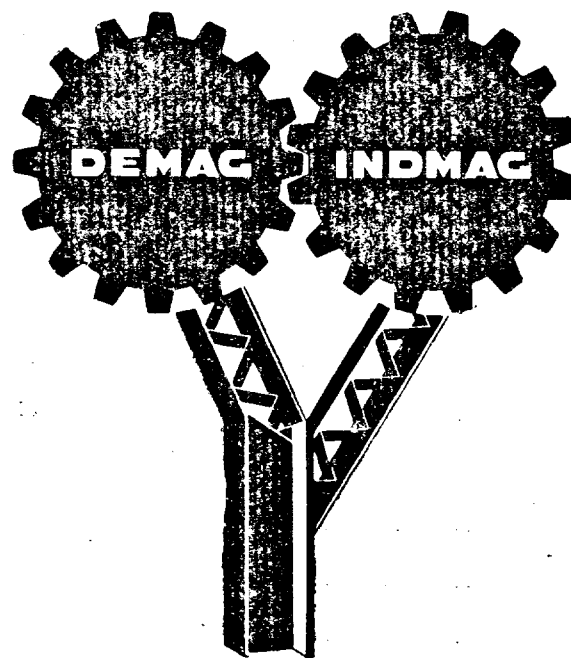
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TABLE T-6
RATIOS OF MOTOR VEHICLES TO AREA AND
POPULATION

Countries	Number of Motor Vehicles (Excluding Motor Cycles)		
	Per Mile of Road	Per 100 Sq. Mile of Area	Per Lakh of Population
Australia	4.4	78	24,587
Austria	4.7	822	3,810
Burma	3.2	11	149
Canada	8.0	112	26,886
Ceylon	4.1	322	913
China	2.0	2	21
France	5.5	2,351	11,464
West Germany	13.7	2,229	4,201
India	1.3	29	95
Iraq	2.5	18	628
Italy	12.1	1,273	3,066
Japan	11.7	734	1,164
Pakistan	0.8	13	56
United Kingdom	28.7	5,755	19,589
U.S.A.	21.4	2,158	38,777
U.S.S.R.	1.9	36	1,563

TABLE T-7
MOTOR VEHICLE TAXATION AND ROAD
EXPENDITURE IN SELECTED COUNTRIES
FROM 1952 TO 1954

Country	Taxation per motor vehicle (excluding motor cycles) for a year		Expenditure on roads per motor vehicle for a year
	(Ruppes)		
India	2,040	1,533	
Austria	959	2,255	
France	800	700	
West Germany	1,200	1,100	
Italy	1,550	1,230	
Sweden	1,200	1,100	
U.K.	1,300	415	
U.S.A.	500	437	

Source: Basic Roads Statistics of India 1957.

TABLE T-8
EXPANSION OF ROAD MILEAGE IN INDIA

Year	Surfaced Roads	Unsurfaced Roads	Total Road Mileage	Ratio of Surfaced Roads to Total	Ratio of Unsur- faced Roads to Total
1913-14	50,000	119,000	169,000	29.6	70.4
1943-44	88,000	132,000	220,000	40.0	60.0
1950-51	97,546	150,963	248,509	39.3	60.7
1955-56	121,617	195,051	316,668	38.4	61.6
1960-61	144,000	250,000	394,000	36.5	63.5
1980-81	252,000	405,000	657,000	38.4	61.6
2000-2001	630,000	848,000	1,478,000	42.6	57.4

TABLE T-10
MERCHANT SHIPPING: FLEETS 1932 - 1960
(Thousand gross registered tons)

Year	India	United States	Canada	World
1932	186	12,716	1,374	68,368
1933	187	12,563	1,331	66,628
1934	214	12,303	1,316	64,358
1935	208	12,145	1,295	63,727
1936	224	11,905	1,291	64,005
1937	221	11,788	1,257	65,271
1938	237	11,404	1,212	66,870
1939	238	11,362	1,223	68,509
1947	317	32,423	1,870	78,705
1948	315	29,165	2,007	80,292
1949	395	27,814	2,097	82,571
1950	420	27,513	1,931	84,583
1951	452	27,331	1,647	87,245
1952	477	27,245	1,692	90,180
1953	488	27,237	1,652	93,352
1954	513	27,344	1,610	97,422
1955	570	26,423	1,521	100,569
1956	580	26,146	1,504	105,200
1957	626	25,911	1,521	110,246
1958	674	25,590	1,516	118,034
1960	905	25,000*	1,500*	136,000*

* Estimated.

TABLE T-9

INDIAN UNION: REQUIREMENTS OF ROAD TRANSPORT: 1960-2001
(In thousand numbers)

	Motor Cycles Etc.	Jeeps, Cars, Etc.	Passenger Vehicles	Goods Vehicles	Total
1. Vehicles in 1950-51	26.9	159.3	34.4	81.9	302.5
2. Vehicles required in 1960-61	59.6	259.6	61.9	167.9	549.0
3. Vehicles required in 1970-71	163.4	493.2	132.6	419.7	1,208.9
4. Vehicles required in 1980-81	472.2	976.6	296.9	1,103.7	2,849.4
5. Vehicles required in 1990-91	1,364.6	1,933.7	665.1	2,902.8	6,866.2
6. Vehicles required in 2000-01	3,739.0	3,674.0	1,423.3	7,257.1	16,093.4

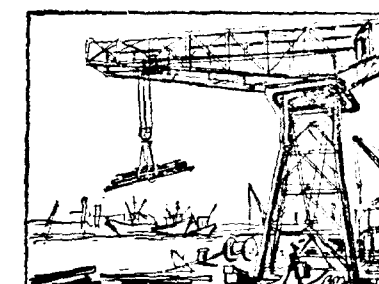
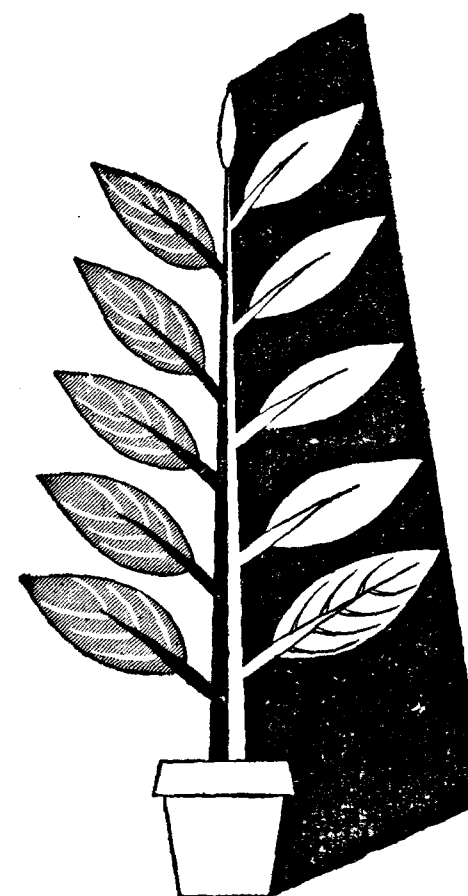
TABLE T-11

CIVIL AVIATION—TRAFFIC TRENDS
(Kilometres Flown and Revenue Traffic)

(In millions)

Country and Traffic	1932	1935	1940	1941	1942	1943	1944	1945	1946	1947
India										
Kilometres flown	0.2	1	2	2	3	3	3	5	7	15
Passenger kilometres	N.A.	0.3	3	4	5	8	15	27	98	223
Cargo ton-km.	N.A.	Neg.	Neg.	Neg.	0.1	0.4	0.6	0.4	0.6	2
Mail ton-km.	N.A.	N.A.	Neg.	Neg.	0.2	0.3	0.3	0.3	0.6	0.8
United States										
Kilometres flown	82	103	193	240	205	193	259	389	594	662
Passenger kilometres	238	583	1,854	2,491	2,594	2,922	4,005	6,132	11,344	12,736
Cargo ton-km.	N.A.	2	6	10	17	35	41	54	93	161
Mail ton-km.	N.A.	6	15	19	31	57	79	102	60	71
Canada										
Kilometres flown	7	12	16	18	20	24	26	27	34	36
Passenger kilometres	5	13	60	85	115	168	186	212	324	416
Cargo ton-km.	N.A.	N.A.	1	1	2	2	2	2	2	3
Mail ton-km.	N.A.	N.A.	0.9	1	2	3	6	5	3	3

Country and Traffic	1948	1949	1950	1951	1953	1954	1955	1956	1957	1958
India										
Kilometres flown	20	24	30	31	31	32	34	38	38	40
Passenger kilometres	284	307	376	414	386	440	515	679	782	864
Cargo ton-km.	5	7	18	22	21	22	27	30	29	31
Mail ton-km.	1	3	4	5	5	6	7	9	10	10
United States										
Kilometres flown	702	739	759	838	1,041	1,110	1,255	1,399	1,571	1,566
Passenger kilometres	12,665	14,184	16,444	21,180	29,211	33,169	39,188	44,457	50,308	50,692
Cargo ton-km.	231	293	415	442	531	553	677	787	869	863
Mail ton-km.	86	96	107	133	151	184	219	234	245	271
Canada										
Kilometres flown	39	43	47	53	62	64	72	84	95	103
Passenger kilometres	596	741	857	1,040	1,425	1,624	1,864	2,353	2,762	3,232
Cargo ton-km.	5	7	9	11	15	19	24	30	33	32
Mail ton-km.	4	6	7	7	9	12	13	14	16	17

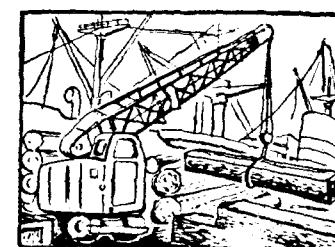


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Productivity: A Key to Prosperity

THE rapid growth of the Indian economy which is anticipated to take place during the next four decades described in the earlier sections is likely to receive a generous dividend from the latest technological changes, resulting in markedly higher output per man. The prosperity attained in the United States of America and other Western countries has been mostly due to the new productivity-conscious techniques, and if the Indian Union desires to attain the ambitious targets it has set before itself, there is no other way but to revolutionise both Indian agriculture and industry by the latest scientific methods.

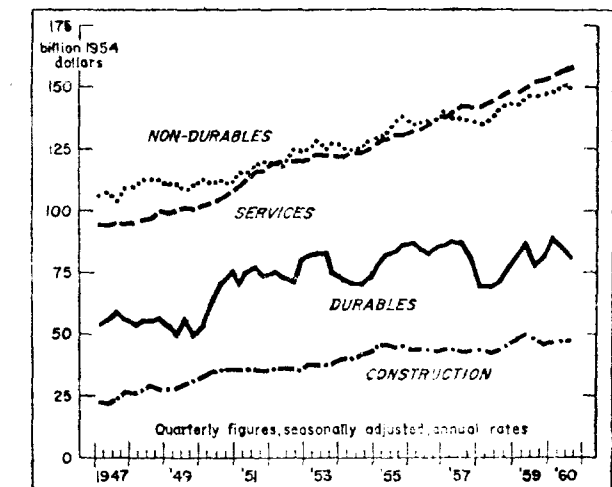
PRODUCTIVITY IN THE UNITED STATES

The progress of the United States in terms of its increasing productivity at the rate of 3 per cent per annum is clearly demonstrated in the table below. It may be mentioned here that the increase in productivity in America has largely been brought about as a result of expansion in research and development activity. Between 1953 and 1957, for example, industry's research and development expenditures nearly doubled from \$3.7 billion to \$7.3 billion, and in 1959 they were running at a rate of about \$9 billion a year.

The table below also shows a projection of the anticipated rise in productivity till 1970, assuming that the American economy would continue its search for new methods to produce more goods and services through automatic machines. As productivity in over-all terms in the United States has risen at a constant rate, it does not necessarily imply that each and every factor responsible for this rise will be exhibiting the same rate of increase throughout. Evidence is available that the durables, in particular, have not maintained a uniform rate of output.

The graph shows the manner in which the output of consumer goods, durables and construction have risen

during the last 15 years. It will be seen that while the construction and consumer durables have maintained a slow and steady upward march, durables after an initial rise have fluctuated between a narrow limit. It means that whatever capital is locked up in the manufacture of durables after a certain stage does not give increasing returns as productivity lags very much behind due to slackness in the market. Something like that is anticipated in the Indian Union as well in so far as the durables are concerned.



THE INDIAN PICTURE

Past performance of Indian industry in regard to productivity has not been measured in a very precise manner, though some general indicators have been pressed into service in order to determine how far Indian industry in general has come under the pressure of productivity methods. This study has been made

LONG TERM PRODUCTIVITY GROWTH IN THE U.S. ECONOMY

(Output per man-hour 1947=100)

1850	17.7	1912	44.2	1937	75.2
1870	22.4	1913	45.7	1938	77.8
1889	28.8	1914	42.7	1939	80.7
1890	30.1	1915	44.4	1940	81.8
1891	30.8	1916	47.7	1941	88.8
1892	32.6	1917	45.3	1942	90.2
1893	31.3	1918	48.9	1943	93.4
1894	31.5	1919	52.1	1944	100.7
1895	33.5	1920	51.7	1945	105.0
1896	32.7	1921	55.3	1946	99.6
1897	34.9	1922	54.8	1947	100.0
1898	35.4	1923	58.0	1948	102.4
1899	36.1	1924	60.5	1949	107.4
1900	36.7	1925	60.4	1950	115.8
1901	39.2	1926	62.1	1951	118.6
1902	37.8	1927	63.2	1952	121.1
1903	38.6	1928	63.2	1953	126.0
1904	38.5	1929	66.0	1954	129.3
1905	39.5	1930	64.3	1955	133.7
1906	42.5	1931	65.0	1956	133.7
1907	42.4	1932	62.7	1957	138.0
1908	40.3	1933	61.7	1958	140.6
1909	43.3	1934	69.0		
1910	42.5	1935	71.3		
1911	43.4	1936	74.8		
				1970 Proj	198.8

in terms of indices of industrial production and of employment. The results of this analysis are set out in the table TL—1 for the period 1939-1958. It will be seen that during the war period while employment steadily rose, the output was almost stagnant, mostly due to the reason that the machinery could not be renewed or replaced because of the peculiar conditions prevalent in those years. Immediately after the war, there was some revival. The index with 1939 base shows that a steady increase in productivity was registered in the period which followed after 1949. Within three years, productivity rose by more than 10 per cent. Then came the era of Five-Year Plans beginning with 1951. Increased productivity over a wide range of industries was witnessed, and while the total volume of employment was kept at a lower level, the volume of output started rising with the result that by the year 1955, overall productivity had shot up by 18 per cent in relation to the pre-war levels and considerably more in relation to the post-war year 1947. During the Second Plan there has been added considerable new capacity in almost all the old industries and many new industries, and there is bound to be a time-lag between the installation of capacity and actual production which inevitably results in lowering the general index of productivity in the short period. It is anticipated, however, that in future with increasing automation, the upward course in the field of productivity would be continued. By the end of the Second Plan, it is hoped that the production in terms of pre-war levels will have risen by not less than 25 per cent due to improved techniques alone.

There is need for educating Indian labour in regard to the increased benefits of productivity. The erroneous impression that automatic machinery and other gadgets which increase productivity, lower the volume of employment needs to be removed. The experience of the advanced countries is there to prove that increasing productivity is accompanied by rising earnings which in turn creates demand for new goods and services leading to higher output levels and higher employment. The Anglo-American Council on Productivity (AACP) Teams have emphasised in their reports that new methods and new machines can create new jobs. The Freight Handling Team for instance reported:

"In several instances it was found that the introduction of mechanical handling methods at depots had, by agreement with the Union, resulted in some initial redundancy of labour. In most cases, however, within a short time the turnover of the depot increased so greatly that not only were these workers re-absorbed but the additional labour was engaged."

The first AACP Team that visited America were struck by what appeared to them as the generally favourable attitude of American trade unions to improved techniques of production, the introduction of new methods and new machines, the problem of man-power displaced by them (redundancy), and so on. The very first report, for example, remarked that the Congress of Industrial Organisations offers no opposition to the inclusion or exclusion of specific duties from any man's performance, provided he is paid a rate of wages commensurate with his responsibilities, skill and effort. This is the lesson that the Indian Union has to learn from both Canada and the United States of America and the sooner Indian labour is able to change its attitude into the new line of thinking, the better it will be for them and the industry.

The Union Government on its part will have to reorient and streamline, with a vigorous productivity bias, the organisational set up of its agencies dealing with matters of industrial developments and take positive measures to ensure that the public sector enter-

prises develop into models of productivity-conscious administrations and demonstrate productivity techniques and benefits flowing from their introduction. While the coming into being of 40 local Productivity Councils, with a total membership of over 2,500 industrial units throughout the country is no doubt welcome, a great deal still for setting up joint consultative machinery will have to be done so that the management and the workers could go on together in a spirit of mutual trust and co-operation. The experiment of joint Management Councils, which had been introduced by the Ministry of Labour and Employment sometime ago is yet to demonstrate what could be achieved in the plants. Efforts will have to be intensified to extend the establishment of such machinery in the industries. An increase in Indian productivity will not occur without the maximum of joint, co-operative consultation between the management and organised labour. The National Productivity Council will have to come more effectively into being to demonstrate how appropriate incentive schemes can be introduced on the basis of scientific studies and work management.

TABLE TL—1
PRODUCTIVITY IN INDIAN INDUSTRY

(Index Numbers)

(Base: 1939=100)

		Index of Employment (E)	Index of Production (P)	Index of Productivity (P x 100) E
1939	.. ..	100.0	100.0	100.0
1940	.. ..	103.7	108.1	104.2
1941	.. ..	120.6	114.3	94.8
1942	.. ..	125.3	106.9	85.3
1943	.. ..	132.8	112.2	84.5
1944	.. ..	134.1	115.7	86.3
1945	.. ..	141.5	112.5	79.5
1946	.. ..	137.8	102.9	74.7
1947	.. ..	136.6	99.1	72.5
1948	.. ..	141.4	112.3	79.5
1949	.. ..	143.3	108.4	75.6
1950	.. ..	136.0	107.2	78.8
1951	.. ..	135.7	120.4	88.7
1952	.. ..	136.7	133.2	97.4
1953	.. ..	133.1	140.8	105.8
1954	.. ..	135.9	153.6	113.0
1955	.. ..	141.3	166.1	117.6
1956		151.4	179.7	118.7
1957		159.0	186.4	117.2
1958		161.2	189.7	117.7
1959		167.8	206.3	122.9



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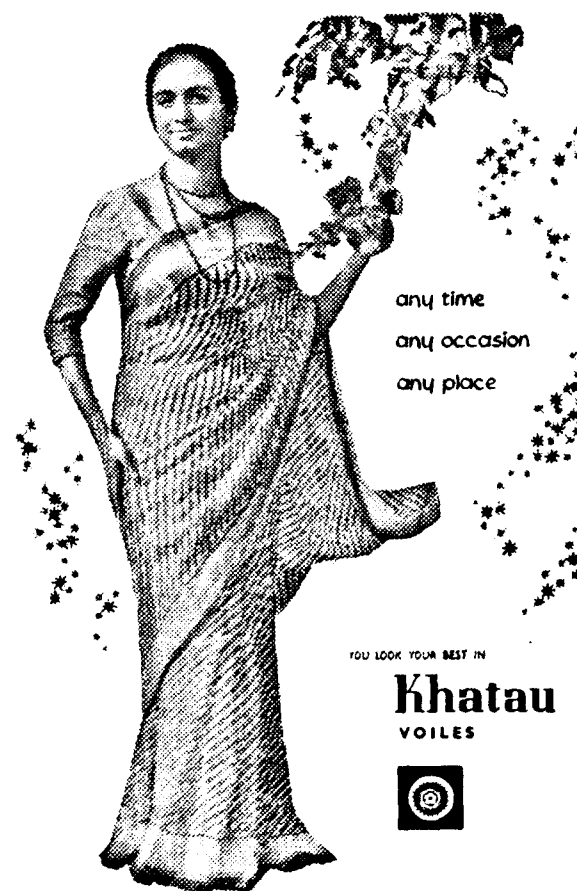
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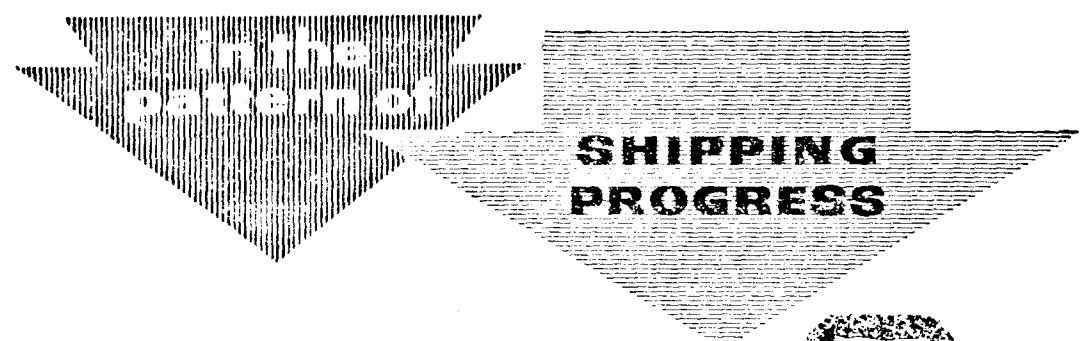
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Health

THE ideology of welfare state has become an accepted philosophy of political life not only in the industrially advanced countries—whether committed to the system of private free enterprise or socialism or a mixed economy or communism—but also in the states which have newly acquired a sovereign status. In any welfare state public health standards inevitably occupy a very important place. In America today, health services and health standards have been carried to a high pitch because of the spectacular improvements in the national income, per capita income and the capacity of the state to raise revenue and earmark it on an impressive scale to finance welfare services. This fact gives the correct explanation of the great gap that is witnessed today between the level of health services in America and India.

As a country, which has achieved political independence only recently, and is therefore under the compulsion of a mass demand for improvements in different welfare services, India has first to make a complete break from the past and introduce a programme of great magnitudes to carry the benefits of health services in the country-side. Before Independence, health and hygiene programmes for the masses had practically no place in the real sense in the policies of the Government. Attention was forced to medical relief by the occurrence of epidemics which held out a threat of destruction on a large scale. Undoubtedly, the government in those days showed energy and promptitude in fighting the epidemics and restricting their incidence to the minimum. But apart from the compulsions of epidemics, the realisation that medical relief and medical services should be placed at the disposal of the people can hardly be said to have come about. One has only to glance through the pages of the report of Bhore Committee which was released in 1945 to get a real picture of the state of medical and health relief services. Hospital facilities provided in India were 0.24 beds per one thousand of population as against 10.48 beds in the USA or 7.14 beds in the UK. The accepted norm, according to the specifications of American experts, was 5 beds per one thousand of population. The gulf between the norm and the provision of 0.24 beds in India and the provision in America of nearly twice as much as the specified norm gives a telling measure of the vast difference in the health services provided in the two countries. To reach the level in regard to the basic provision of hospital beds attained by the USA in 1942 will take something like four decades for India. This again is problemetical. The progress in India's population and national income explain the magnitude of the task to be achieved.

HEALTH ADMINISTRATION

To construct a far-flung network of medical relief and health services on the desired scale requires the right type of public health administration as well as the right type of medical education in its diverse branches to turn out the supply of the necessary personnel. Furthermore, rising per capita income, when it has crossed the minimum point of what is necessary for satisfying the bare necessities of life, has an important bearing on health standards because the urge for better health services is created by a greater capacity to spend on medical relief. In a mixed economy such as that of India, the responsibility for spreading this network remains in some measure with private institutions, but acceptance of the welfare state makes it principally the function of the government. The type of administration for health services has, therefore, great importance.

In so far as the pattern of administration is concerned, there is considerable similarity between the types accepted by America and India. In America, the health service is organised at the level of the Federal Government somewhat on semi-military lines. The Surgeon-General at the top of the administration has a band of commissioned officers, a reserve corps and civil employees. It is the function of the Federal authority to provide technical and consultative assistance to the state and local governments' health organisations. But it must be underscored that legislatively and administratively there is complete autonomy enjoyed by the States under the Constitution in the medical sphere also. It is remarkable how the whole pattern of medical services from the top to the lowest point functions in America. It has been aptly described in a recent United Nations International Survey in the following terms:

"The scope and intensity of services provided by local health departments vary tremendously. Because of limitations in staff and budgetary resources, services in some areas are only fragmentary. The State health departments assist local health agencies largely through financial aid, loan of personnel, performance of technical service and supervision. Part of this assistance originates at the State level, and the Federal Government is the source of another portion. Federal assistance is made available to State and local health services because many public health problems cut across both State and local boundaries, or are beyond the normal public and private resources of individual States and communities. Thus, although the three levels of government represent distinct and separate entities, their interrelationship is such that they really constitute a partnership for the protection and promotion of human health."

Under the Constitution of India, as stipulated in the Seventh Schedule, which sets out the division of function and responsibilities between the Union and the States or the concurrent responsibility of both, public health and sanitation together with provision of hospitals and dispensaries is essentially a responsibility of the State Governments. The Union Government is the repository of the functions of laying the broad outline of policy and co-ordinating the activities in regard to medical and public health services as well as disseminating information collected from various sources. The supply of experts and technicians as well as of technical assistance has actually become the function of the Union Government. Such a great leeway has to be made up in regard to public health and sanitation that, in practice, as demonstrated by the experience of the last decade since the Constitution was inaugurated, co-ordination has become a term and function of ever-widening connotation. Some idea of how the vague responsibility for co-ordination has in practice transferred increasing responsibility on the Union Government can be gathered from the fact that programmes of nation-wide importance, like malaria control, filaria control, water supply and sanitation, family planning (which has now started in a small way), control of communicable diseases and ever-widening provision of training facilities are being planned and introduced at the initiative of the Union Government. This is not to imply that there is any tendency on the part of the State Governments to shirk their responsibility. But so much has to be done simultaneously and on a co-

ordinated basis, so as to do justice to the requirements of all the regions, that the Union Government has to assume increasing responsibility, of course, with the consultation and full co-operation of the State Governments.

The magnitude of the task which has to be performed in the rural areas, irrespective of the fact whether they pertain to the advanced states or the less developed states, is so vast that there would be little point in deferring action, in the name of a thoroughly scientific approach, until adequate numbers of medical personnel providing different types of services at different levels are trained. Thirteen years since Independence have shown that appeals to the new generation in the medical profession to move away from the urban centres to the country-side, where there is such a dire need, have not produced any tangible results. The medical profession is hardly to be blamed for this because a fair standard of income as well as standard of social and cultural life, to which its members are certainly entitled, will be available in the rural areas after a lapse of quite a long time. In the meantime, in order that action may not be delayed the National Extension Projects and Community Development Programmes are being used as the agencies under whose auspices medical and health services should be placed within the reach of the local population. Likewise, the Ayurvedic and Yunani systems of indigenous medicine are being given active encouragement and the movement is afoot to place them on a more scientific basis than now by encouraging research. A system of licensing of physicians—Ayurvedic, Yunani or Homoeopathic—is being introduced progressively over the entire country. This approach has a promising potential to produce concrete

results, if the brief experience of the last few years is any guide.

In any assessment of the quality and improvement in health services two important indicators usually accepted are the trends in the birth rate and the death rate. It is an axiom that, with improving standards of life, the birth rate generally tends to show a steady decline. Exceptions the other way do occur and are consistent with higher per capita income and living standards. But they do not affect this general proposition. If this criterion is applied it will be easily seen that Free India has made impressive progress in regard to the birth rate. The crude birth rate per thousand of population in India declined from 25.2 in 1948 to 17.9 in 1958. Likewise, improvement or decline in the death rate is another vital index of improving health standards. The death rate per thousand in India was reduced from 17.0 in 1948 to 8.8 in 1958. This improvement in the death rate within the course of a decade is impressive and encouraging. If the rate of net growth in population has tended to increase, in spite of a decline in the birth rate, the change is explained by the improving death rate. Of course, the population problem remains intractable and ought to be tackled far more energetically than heretofore at the point of birth.

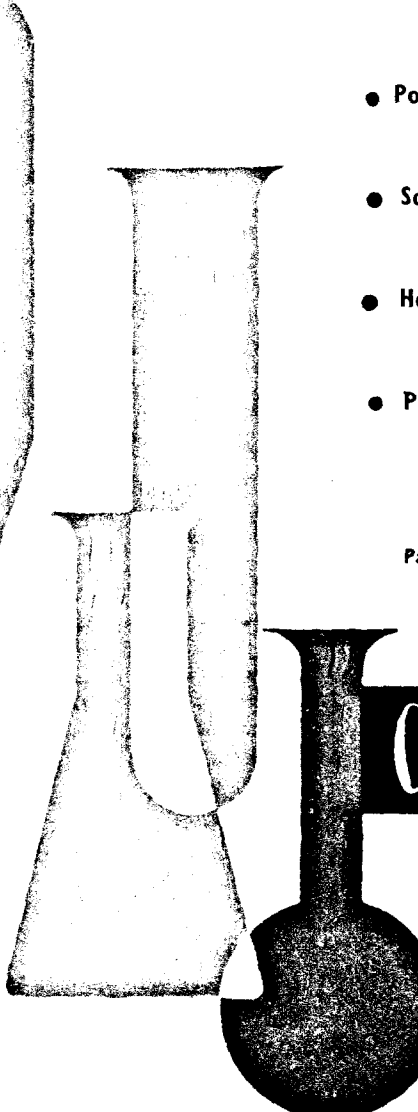
COMPARATIVE PICTURE

There can hardly be a close parallel between the strength of medical and health service personnel between any two countries. Social habits and the way of life have a decisive influence on the requirements of medical personnel. Just as in an under-developed country there may be utter dearth of health manpower so a lopsided proclivity of excessive resort to medical attention may raise the requirements of health man-



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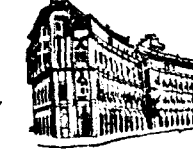
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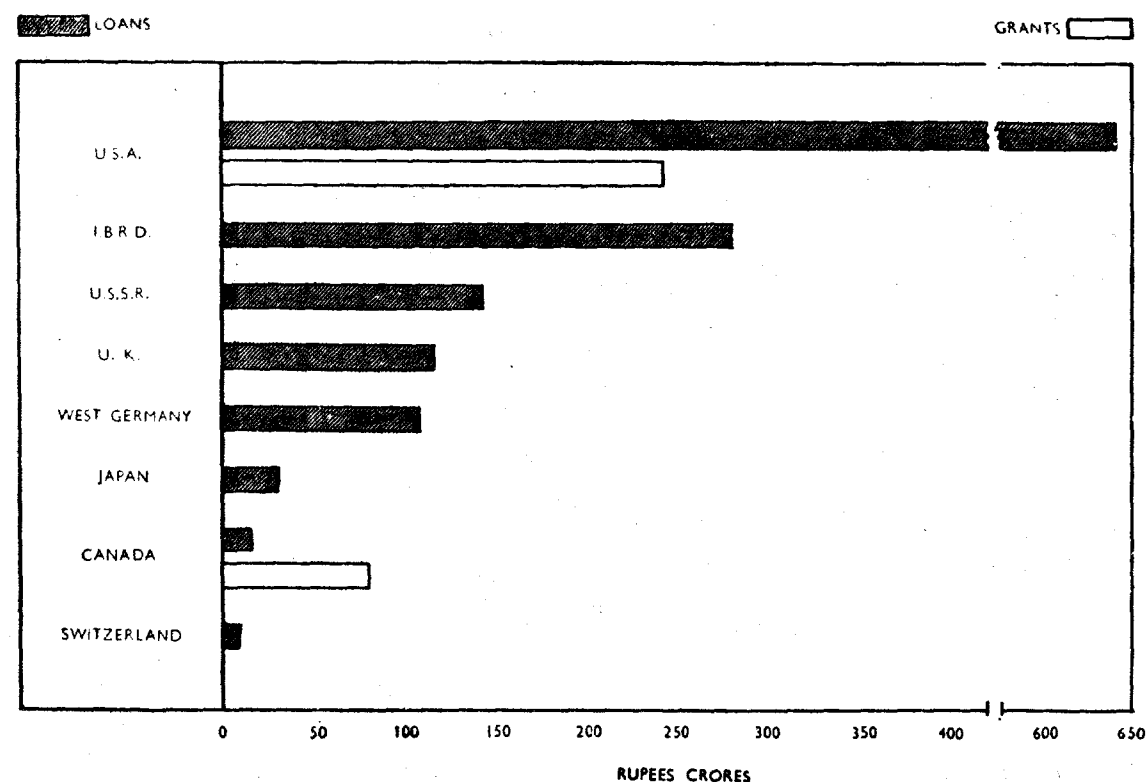
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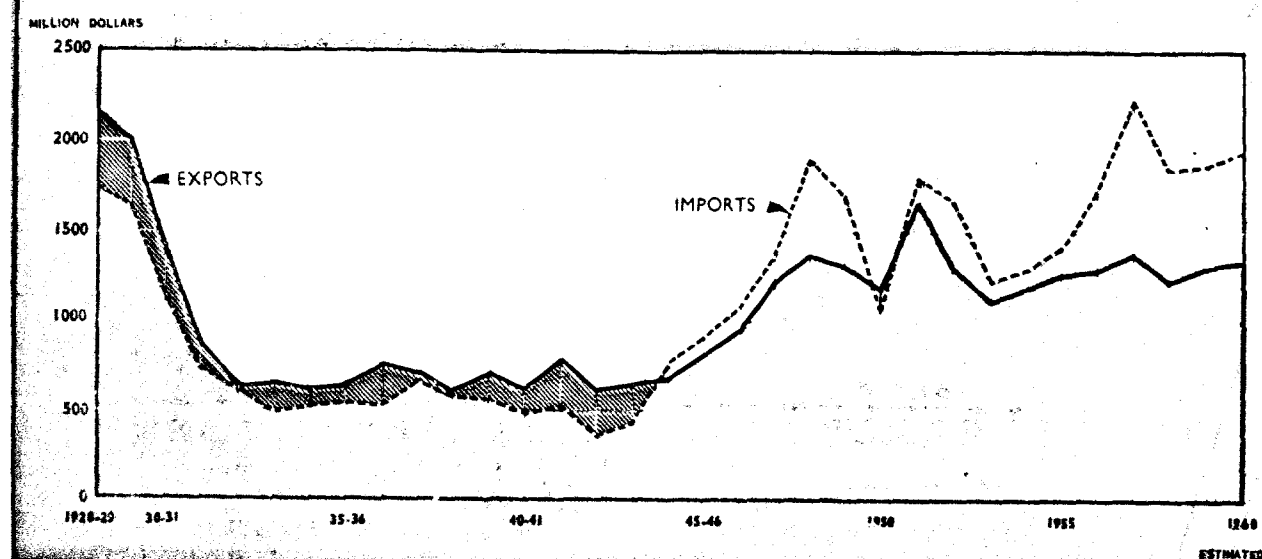
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INDIA'S FOREIGN TRADE



power in an advanced country. Ignoring these extremes, it would be interesting to make a comparison between health manpower in America and India. Only a few crucial indicators should suffice for this comparison.

In 1959 in America the ratio between physicians and the population of the country was 1 physician to 752 of population, 1 nurse to 379 of population and 1 dentist to 2,041 of population. In India the standard of dental health is relatively satisfactory and, even assuming that dental treatment is not procured by patients unless the malady takes an acute form, it would be safe to assume that the requirements of dentists will remain comparatively low in the Indian set-up. But in so far as the availability of physicians and nurses is concerned, the contrasts between the two countries are quite substantial. This will be apparent from Table TH-1 in this Section. In 1960-61 the ratio is estimated to be 1 registered doctor for 5,117 of population in India and in the case of nurses it is estimated to be 1 nurse for 13,255 of population. The same table would show that projections made on the basis of the estimated national income growth would provide India in 2000 A.D. with one registered doctor for 1,355 of population and 1 nurse for 2,131 of population. These assumed ratios even in 2000 A.D. will be a far cry from the ratios obtaining in America at the present time. The secret of a solid structure of health manpower which America has built up is to be found in the training facilities which have been provided. Table TH-2 in this Section sets out the growth over the first six decades of the current century in respect of different categories of medical training institutions and the students and graduates benefiting from them. One observation which needs to be made is that, while the rate of growth in the training institutions may show no fast rate, the quality of teaching and the nature of the curricula make all the difference in so far as training of students is concerned.

Table TH-1 in this Section highlights one important fact. It relates to the decade 1950-51 to 1960-61. The fact is that during such a short span the number of different categories of medical manpower has registered a reassuring rise. For instance the number of registered doctors increased from 59,000 in 1950-51 to 84,000 in 1960-61, that of registered nurses rose from 17,000 in 1950-51 to 32,500 in 1960-61. There is a crying need for nurse-dais and dais in the countryside where maternity aid is in a deplorable condition. The number of this category of badly needed personnel has increased more than five-fold from 2,200 in 1950-51 to 12,000 in 1960-61. In the sphere of public sanitation, the strength of health assistants and sanitary inspectors has been doubled from 3,500 in 1950-51 to 7,000 in 1960-61. One qualification, however, needs to be entered in assessing this rapid progress. It may not be denied that the quality of training particularly at the level of mid-wives, nurse-dais and sanitary personnel has been given lesser attention than it is entitled to, partly because of the shortages of trained teachers of the requisite calibre and the equipment required for training in the institutions. But the main reason for this low priority is the urgency to expand the number of medical personnel and to eliminate their acute dearth, since these requirements do not brook delay. Improvement in quality is bound to command attention once the minimum manpower is built up.

The projections made in Table TH-1 in this Section should be compared for the actual state of affairs in 1960-61 and the assumed requirements in 2,000 A.D. It will be seen from this Table that the ratio of doctors per thousand of population is going to be more than doubled and that of nurses is going to be increased six-fold. Their demand will be drawn from the urban as well as rural areas. But the deliberate emphasis which has been placed on carrying medical and health services in the non-urban sector cannot be missed and

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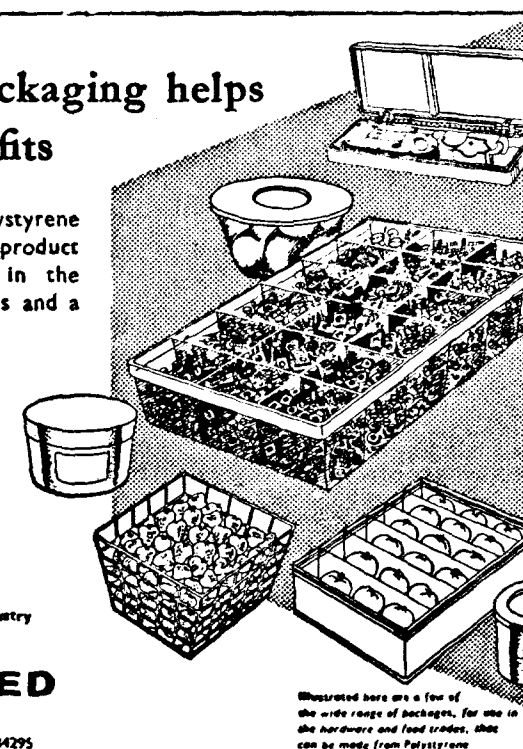
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is at once noticeable from the Table. The ratio of mid-wives to one thousand of population will be increased nearly ten-fold, that of nurse-dais and dais will be stepped up by nearly 32 times and that of sanitation personnel will be increased more than seven-fold.

W.H.O. ASSISTANCE

A survey of national health problems cannot be complete without a brief word of reference to the valuable part played by the World Health Organisation. In the post-war period international co-operation through various agencies has become a potential channel of distributing the benefits of science and research in the participating countries. To say that the role of WHO is basically advisory in character, that it has no executive powers and, therefore, it lacks the normal sanction is to totally mis-judge the valuable services rendered by it. It will undoubtedly be making a plain statement of facts to say that the advisory role of WHO is the very foundation of the massive and solid services it is rendering. The results of advances in scientific research are carried from one country to the other by WHO and this is reinforced by the distribution of benefits of actual experience gained by one country among other participating countries. WHO can advise

and encourage and in this way it can impress upon the national experts of the participating countries to shoulder the responsibility of executing health programmes, wherever necessary with the help of foreign technical experts. Since advice is the function of WHO and execution is the responsibility of the benefit-receiving countries, the latter fortify their own national manpower and institutions. Of course, considerable foreign financial assistance flows into the receiving countries with the activities of WHO.

The assistance which WHO has extended to India has proved of timely and of great value in training national health workers for carrying out programmes of malaria control, tuberculosis control, maternal and child health education, professional technical training, and so forth. We are still to receive WHO's assistance in other spheres where the beneficiaries at the present time are the countries of the West. This refers to mental health, occupational health, public health laboratories, communicable eye and other diseases, social health, and so on. In the order of priority, this type of assistance comes after the elementary and pressing requirements of assistance which we are now receiving are obtained on a sufficient scale.

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TABLE TH-1

GROWTH OF MEDICAL PERSONNEL IN INDIA : 1950 — 2001

	1950-51	1955-56	1960-61	1965-66	1970-71	1980-81	1990-91	2000-2001
1. Medical Personnel ('000 numbers)								
Doctors (registered)	59.0	70.0	84.0	103.0	133.9	220.9	364.5	583.2
Nurses (registered)	17.0	22.0	32.5	52.5	85.1	140.4	231.7	370.7
Midwives (registered) (including auxilliary nurse midwives)	18.0	27.0	40.0	70.0	122.5	202.1	333.5	533.6
Nurses Dais and Dais	2.2	6.8	12.0	42.0	147.0	242.6	400.3	640.5
Health Assistants and Sanitary Inspectors	3.5	4.0	7.0	14.0	21.0	34.7	57.3	91.7
2. Population served by each medical personnel (in numbers)								
Doctors (registered)	6,132	5,591	5,117	4,656	3,942	2,752	1,901	1,355
Nurses (registered)	21,282	17,791	13,255	9,133	6,202	4,331	2,991	2,131
Midwives (registered) (including auxiliary-nurse midwives)	20,100	14,496	10,770	6,851	4,309	3,008	2,078	1,481
Nurse-dais and dais	1,64,454	57,559						
Health assistants and sanitary inspectors	1,03,371	97,850	35,900	11,419	3,591	2,506	1,731	1,233
			61,543	34,257	25,133	17,522	12,094	8,615

TABLE TH-2

School Year ending	Medical Schools			Dental Schools			Professional Nursing Schools		
	Number**	Students	Graduates	Number	Students	Graduates	Number	Students	Graduates
1900	160	25,171	5,214	57	—	2,091	432	11,164	3,456
1910	131	21,526	4,440	54	—	1,646	1,129	32,636	8,140
1920	85	13,798	3,047	46	—	906	1,755	54,953	14,980
1925	80	18,200	3,974	43	11,863	2,590	—	—	18,623
1927	80	19,662	4,035	40	10,333	2,642	1,797	77,768	18,623
1928	80	20,545	4,262	40	—	2,563	1,797	77,768	18,623
1929	76	20,878	4,446	40	8,200	2,442	1,835	78,771	23,810
1930	76	21,597	4,565	38	7,813	1,561	—	—	—
1931	76	21,982	4,735	38	8,129	1,842	1,844	100,419	25,971
1932	76	22,135	4,936	38	8,031	1,840	1,781	84,290	25,312
1934	77	22,799	5,035	39	7,160	1,864	—	—	—
1936	77	22,564	5,183	39	7,306	1,736	1,417	69,589	18,600
1938	77	21,587	5,194	39	7,184	1,704	1,349	74,305	20,655
1940	77	21,271	5,097	39	7,407	1,757	1,311	85,156	23,600
1942	77	22,031	5,163	39	8,355	1,784	1,299	91,457	25,613
1944	77	24,098	10,303	39	9,014	2,470	1,307	112,249	28,276
1947	77	23,900	6,389	40	8,287	2,225	1,253	106,900	40,744
1949	78	23,670	5,094	41	10,132	1,574	1,215	87,708	21,379
1950	79	25,103	5,553	41	11,460	2,565	1,203	98,712	25,790
1951	79	26,186	6,135	42	11,891	2,830	1,183	103,433	28,794
1952	79	27,076	6,080	42	12,169	2,975	1,167	102,550	29,016
1953	79	27,688	6,668	42	12,370	2,945	1,148	102,019	29,308
1954	80	28,227	6,681	43	12,516	3,084	1,141	103,019	28,539
1955	81	28,583	6,977	43	12,601	3,081	1,139	107,572	28,729
1956	82	28,639	6,845	43	12,730	3,038	1,125	109,904	29,591
1957	85*	29,130	6,796	45	13,004	3,050	1,115	114,674	29,933
1958	85*	29,473	6,861	47	13,279	3,083	1,118	112,989	30,410
1959	85*	29,614	6,895	47	13,509	—	1,126	113,518	—

* Includes schools in development.
 ** Approved medical and basic science schools.

Source: American Medical Association.

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Education in India and North America

EMPHASIS on education in general and on provision of free and compulsory education at the elementary stage is an integral part of the national policy of both America and India. This is because education is regarded as a precondition of the exercise of democratic rights. The American counterpart of the Ministry of Education in India is the Office of Education. The Office of Education exercises in an indirect manner a great deal of influence on American educational policy and practice. In India, education is a State subject and the Union Government has no legal function in the field except to co-ordinate facilities and maintain standards in higher education and in technical education. The difference in the attitude of the Ministry of Education and the Office of Education may perhaps be expressed by saying that the Office of Education, even when it influences national policies, is continually taking the initiative in discussing problems, devising remedies, and framing policies which are then translated into action, by the State Governments and local educational authorities. Local autonomy is a basic fact in American education and the diffidence on the part of the Office of Education, and up to a point also of the State education authorities, is a measure of the devotion to the cult of local autonomy. The fact, however, cannot be ignored that in spite of great freedom in many matters, there are quite significant checks on local authorities. Ultimately, the inter-play of five agencies influence educational policies in the United States—the US Office of Education, the State Departments of Education, the Local Communities, the National Organisations and Associations and the Teacher Training Institutions.

NOTEWORTHY FEATURES

There are many noteworthy features of American education. It rests on a philosophy that stresses the worth and dignity of the individual and is opposed to authoritarianism or dogmatism and cannot accept restriction on knowledge. In methods consistent with this philosophy, American education stresses freedom to choose a programme balanced between the humanities and sciences. In the American system, a student is taught to make his own decisions. The goal is to make him what he wants to do, not what the State wants him to be. American education not only provides free and compulsory education to all its nationals up to the age of 17, but it is greatly diversified to meet the needs of boys and girls of various abilities and aptitudes. The new element in American education is that in it is the notion of equality of educational opportunity, regardless of race, religion, colour, national origin, sex, or financial resources. These features of American education are of direct interest to us. We, too, are aiming at diversified education to cater to the diversified needs and aptitudes of our boys and girls. Schemes have been evolved in this direction, but progress has been too slow. The inclusion of craft teaching has undoubtedly given a bias of diversification to elementary education.

The first consequence of the new philosophy in the United States is necessarily a great increase in the number of institutions of higher education, with all the attendant problems of staff, libraries, laboratories, dormitories, dining halls, medical services and the like. In 1958 there were in the United States some 1,450 colleges and universities, 1,950 if the two year junior or the community colleges are included. Precise information for the year 1958 is available in Table TE—1.

PROGRESS

Evidence of progress in education in America is found in the fact that in 1957-58, 43,135,000 persons or

about 1 out of every 4 in the population were attending public or private schools and colleges—an increase of more than 4 per cent over 1956-57. In 1900, less than 5 per cent of those of college age went to college; their numbers were only 2,30,000. By 1930, there were about one million students enrolled in colleges. In 1957, there were more than 2,500,000 in college. It is possible that before the end of the century one out of every two Americans will insist on going to college. So far as Canada is concerned a big bulge is passing through the elementary schools. It is estimated that by 1980, enrolment in secondary schools and universities will increase faster. Present-day enrolment in secondary schools is equivalent to just over 50 per cent of the population of 14 to 17 years of age, inclusive; by 1980, the proportion may be 70 per cent. Between 7 per cent and 8 per cent of persons 18 to 21 years of age are in university; perhaps by 1980, some 15 per cent of the same age group may be there.

TABLE TE—1

	Number	Enrolment
Universities	141	1,436,000
Liberal Art Colleges	789	909,000
Separately organised Profession Schools		
Teachers' Colleges	197	323,000
Technological Schools	46	97,000
Theological, religious and other professional	127	70,000
Junior Colleges	499	387,000
TOTAL	1,958	3,259,000

Progress made in India has also been encouraging though not as rapid as the needs of administration, business and various other sectors of public life require. Compulsory free education for all up to the age of 14 is still a goal to be achieved, though 1960 was set as the date-line for this purpose in the Constitution. The following table states briefly the enrolment of pupils expressed as percentage of children in the respective age-groups in the two five-year Plans and the estimates made by the Research Section of the Eastern Economist, up to 2000 A.D.

Period	6-11	11-14	14-17
1950-51	43.1	12.9	5.4
1955-56	51.0	16.3	8.1
1960-61	60.0	22.6	12.0
1965-66	80.0	30.0	15.0
1970-71	90.0	38.0	18.0
1980-81	100.0	54.0	25.0
1990-91	100.0	70.0	32.0
2000-2001	100.0	85.0	40.0

TECHNICAL EDUCATION

If American education places more emphasis upon technology—technicians, skills, practical things, the everyday business of life, in India, too, emphasis is being shifted in that direction with the planned economic development of the country. During the Second Plan considerable expansion has been achieved in technical education. The number of engineering col-

leges has increased from 65 to 97 and the annual intake from about 5,888 to 13,165. The number of polytechnics has risen from 114 to 197 and the annual intake from about 10,484 to about 24,020. Establishment of 7 Centrally sponsored regional engineering colleges and at least 5 States' sponsored ones, has now been decided upon as a result of discussions between the Planning Commission, State Governments representatives and the Union Ministry of Scientific Research and Cultural Affairs. The seven regional colleges will be located in States which have no such institutions, namely, Gujarat, Rajasthan, Punjab, Orissa, Assam, Madras and Kerala. With the establishment of these colleges, each of the 15 States will have 1 Centrally sponsored engineering college. The combined expenditure by the Centre and the States on these institutions and other schemes in technical education under Third Five-Year Plan is expected to total Rs. 157 crores, out of which the Centre's share will be Rs. 87 crores and that of the States Rs. 70 crores. States' schemes to promote technical education under the Third Five-Year Plan provide for the setting up of 46 new polytechnics and 70 junior schools, the latter for the 14 to 17 age group.

In the sphere of technical education, it takes five years to train graduates and three years to complete the training for the diploma course, the outturn of graduates has so far increased only from about 4,000 to about 8,300 per annum and for diploma holders from about 4,000 to about 12,000. As a result, however of the extension which has already taken place, by 1965, the annual outturn in existing engineering colleges will increase to 11,500 and of polytechnics to 18,400. Estimates of demand and supply of the Second, Third and Fourth Plans for the graduates and diploma holders are shown in the tables below. The estimates of supply for the Fourth Plan have been based on the increased provision of facilities in the Third Plan.

Category	Second Plan	
	1956-61	
	Demand	Supply
1. Graduates	28,000	26,000
2. Diploma holders	54,000	32,000
Category	Third Plan	
	1961-66	
	Demand	Supply
1. Graduates	45,000	51,000
2. Diploma holders	80,000	76,000
Category	Fourth Plan	
	1966-71	
	Demand	Supply
1. Graduates	75,000	75,275
2. Diploma holders	120,000	1,175,000

If the per capita expenditure on education in India, U.S.A. and Canada is assessed, it is found that it is as low as \$1.2 in India and as high as \$56 in Canada and

\$92 in the United States of America. The table below pertaining to this is self-revealing:

EXPENDITURE ON EDUCATION

	Year	Total Expenditure (million U.S. \$)	per-Capita (\$)	As a percent age of national income
1. U.S.A.	1957-58	15,700	92	4.3
2. Canada	1957	930	56	3.9
3. India*	1958-59	457	1.2	1.7

* Expenditure by Ministry of Education only.

The low per capita expenditure in India is understandable in view of its huge population.

The position in regard to female education has improved in this country and is bound to improve in future at a fast rate.

REFORM OF THE SYSTEM

Reform of the educational system is now under way and if the present system of examinations as the sole test of proficiency is modified and the American system is given a trial, in which each educational institution judges its own students on the basis of the work done by them throughout the session as well as of the final examination and then determines the grade to be awarded to them, the central weaknesses of the present system can be rectified. Since India like the United States is faced with improving the standards of education and the expansion of education, some of the experiments and practices followed in America could be tried in this country. The practice of providing teaching assistants to teachers, the role of audio-visual material—in particular television—with which our country will soon be provided, have definite advantages. While teaching assistants would be of help to the teachers in paying attention to the really creative aspects of teaching, audio-visual aids may be the only means by which a large number of pupils may be reached by them. The use of audio-visual aids will, of course, be only feasible when there is fullfledged television in this country. The provision of teaching assistants might also help relieve unemployment in this country. An attempt no doubt must be made to bring back into the teaching profession highly qualified men and to remove the shortage of teachers. This is basically the function of attractive emoluments to induce requisite talents in the teaching profession as well as of raising the status of the profession. Perhaps the employment of married women might help solve the problem of shortage of teachers of the appropriate calibre in a partial degree.

Our pre-occupation with priority for technical education is perfectly correct in the context of the gaping hiatus between actual needs and the supply of trained personnel. But the tendency of looking upon the humanities as superfluous or as being a luxury, which it threatens to create must be carefully safeguarded against. The humanities are as integral and vital part of the system of education as science and technology. The march of the economy will perforce accelerate the rate at which scientific and technical education will expand in response to the market demand. While this trend will be inevitable as well as salutary, the neglect into which the humanities may fall must be prevented. A rational equilibrium between the two is essential for a really healthy system of education. This is the moral to be drawn from the American parallel.

PART C

THE CULTURAL PICTURE

India and America: The Cultural Dialogue

TO what extent have the cultural systems of India and the United States intersected? Has the seed planted in recent years with the increasing association of Americans and Indians in the educational and business fields been fruitful in creating an appreciation of their cultural backgrounds? If so, does the future contain promise that there will arise, in some cultural fields, a fusion of the old and the new, the West and the East, the spiritual and the material, the fatalistic and the deterministic—as it were, polarised focal points in these cultures? These are questions on which at least some aspects of future Indo-American relations must depend.

THE OLD AND THE NEW

On the surface, the contrasts between the American and Indian cultural traditions seem deep and abiding. The United States is often described as a "young" culture, not bound by the iron rules of tradition or by the hard crust of custom. India, on the other hand, largely because it has been dominated by the Hindu way of life, which is enshrined in the laws of Manu and 4,000 years of custom, impressed deep on almost every feature, appears to have little room to manoeuvre. On the face of it, there is almost nothing which is to be found in the American tradition which runs on parallel lines, say, with the life of Gandhi who might in our century represent the apex of the Indian tradition. On deeper introspection there will be found to be more.

The first point that Indian leaders need to recognise is that, while American culture is often "new" in its expression, it rests against the age-old structure of European culture which possesses the grandeur that was Greece and the glory that was Rome. The great arts,—sculpture, music and even architecture—did not begin in the United States. For the better part, they are continuations of a powerful cultural tradition and the European way of life. Sometimes they reach remarkable heights of excellence in American hands. The Metropolitan Opera in the United States, and the great Philharmonic Orchestras of New York and Boston are second to none in the musical world. All these reside alongside the aggressive modern versions such as Radio City where the American form of the stage business (also now flowing back to Europe) has native roots. Forward and backward the tide flows; it is a combined Atlantic tradition now flowing with speed from, and to, both sides of the Atlantic.

Unfortunately, the Indian mind does not see the old secure base in what it believes to be current American art. Hollywood, and all that the movie business implies, and more recently, television, appear as the representation of a lower American taste. Similarly, we do not understand the light opera, or the musical comedies of which 'Oklahoma', 'Annie, Get Your Gun', and 'My Fair Lady' were fairly typical expressions. In point of fact, however, Oscar Hammerstein and before him, American composers like Gershwin and Cole Porter were already drawing from an old European spring. What, in fact, has happened is that, in its culture, America wears a new look on an old and enduring base. There is more on the surface that is new than old, but in truth, there is more that is old than is new in its internal structure.

THE ELEMENTS OF FUSION

This point, which Indians seldom realise, that to the extent that Americans have inherited the best European tradition, they are as old culturally as we are and that Hollywood, Jazz and the musical comedies are no bars to deep and profound comment on philosophy, morals, politics and religion, needs to be driven home. By contrast, the average American deals with modern India as though it was still a life circumscribed by high philosophy and Sanskrit, by the ancient temples of the glorious Gupta Age and by the Muslim architectural contributions of Akbar, Shah Jehan, and Aurangzeb. In point of fact, the India of today is already living away from the glorious architecture of two thousand years and is spreading what might be described a predominantly European approach in which utility is now rising superior to the traditional forms of Indian building. Indian music is still almost unaffected, but European and Indian music live side by side in a very amicable manner. So far as the political dialogue is concerned, with the coming of Western democracy in Indian hands, the dominant note is European. Here on the surface we are old, but in practice we are new. Reversing the point that has been made in respect of the United States on a superficial view, the sources of Indian culture today are ancient, but a deep scrutiny of the forward areas of expression of this culture will show that we are absorbing Western strains, at, what might seem to a traditionalist, an alarming rate. On the surface, India is old; in its areas of advance it is new.

RELIGION AND MATERIALISM

One more point of the current dialogue between India and America may be noted. The early Founding Fathers in the United States were deeply religious men, but they combined their passionate religious beliefs with a lively sense of material values. Whether Max Weber was right in his analysis of the Protestant ethic as the spring of capitalism in both Europe and America, undoubtedly, he was right in suggesting that there was no conflict between the introduction of modern technology and the old religious doctrines of Calvin, Wesley and Knox. In India, the deep religious base has not, for a long time, been compatible with an all-out pursuit of material ends. It may be that in this respect a kind of fatalistic philosophy (or Karma) still prevents the operation of a free enterprise way of life at its best. But here, too, the spiritual and material are losing their firm dichotomy. India is becoming more material every day. Perhaps one might even venture the point that in the United States great riches have not dried up great spiritual founts; it may be that the United States is, in fact, growing more spiritual in its general outlook. One at least of the reasons why Communism has not been able to attain much hold in the United States is its atheistic or agnostic outlook.

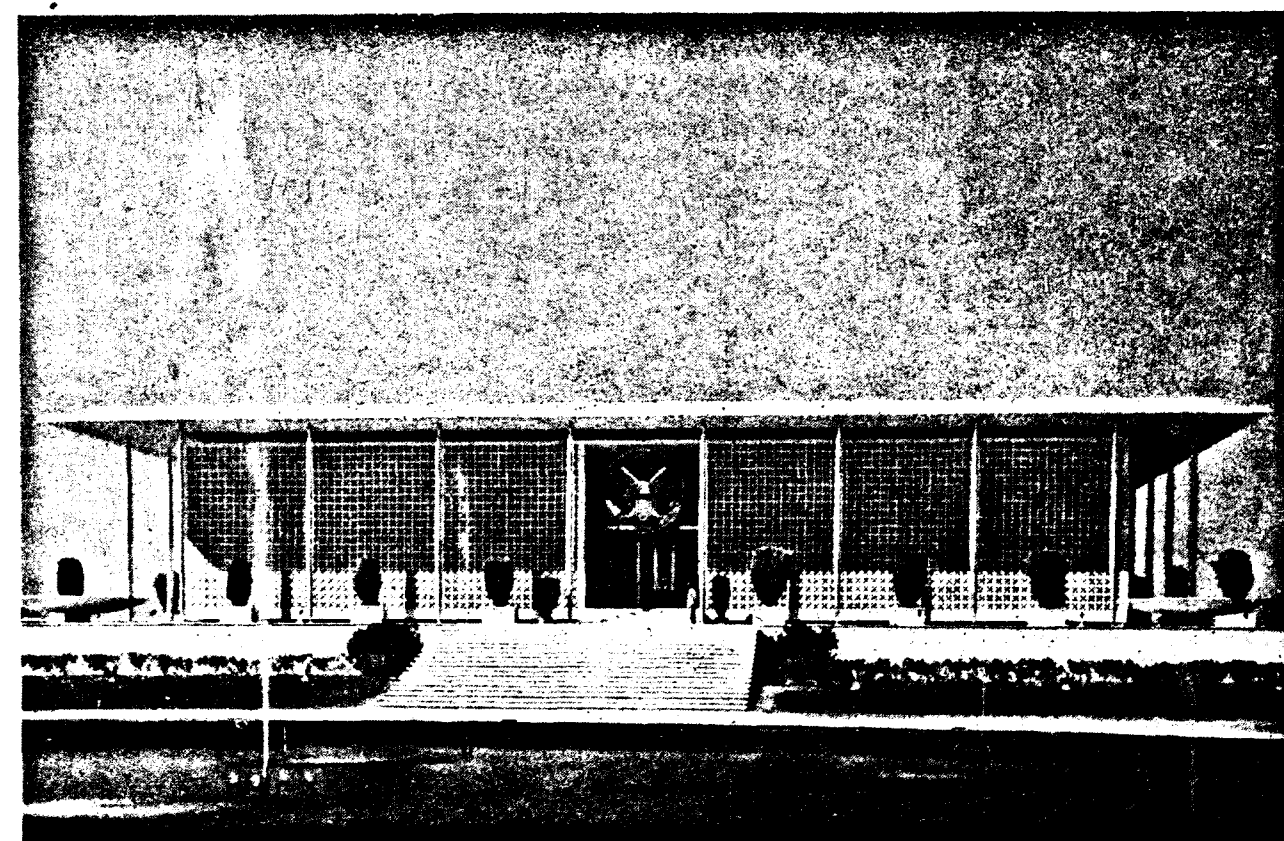
All in all, one might argue that the old and the new, the East and the West, the spiritual and the material are now on opposite sides of the world in a state of flux or perhaps fusion. Over the next century, undoubtedly, each cultural tradition will contain more of the other.

THE FUSION OF CULTURES IN ARCHITECTURE

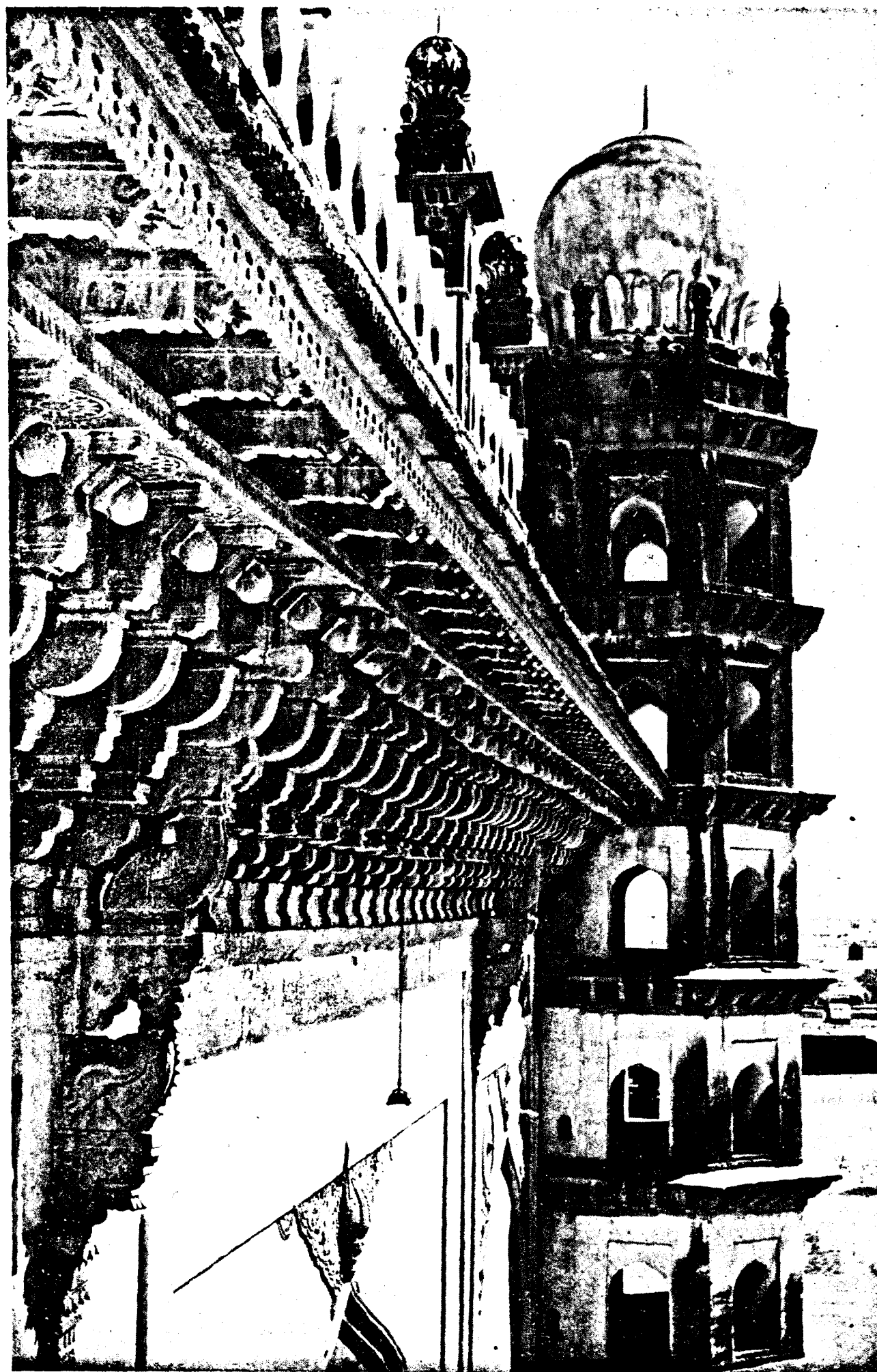


Old & New: JAMI MASJID, AHMEDABAD

Although its inspiration is Muslim, this arrangement, as well as decoration, is purely Hindu.



West and East: THE AMERICAN EMBASSY, NEW DELHI



Hindu and Muslim : GOL GUMBAD, BIJAPUR

Economic Wants: A Guilty Conscience?

WHERE does the cultural approach to problems of living between India and America most differ? There are likely to be as many opinions as there are men, but one might venture, in our age and time, to illustrate the differences in relation "to the grand theme of economic progress". Both the American and the Indian peoples are committed to higher living standards. One might have expected in this a single-minded and similar approach. In point of fact, the traditions are markedly different. For one thing, the doctrine of the limitation of wants never formed part of the American political tradition. In Mahatma Gandhi's hands it was the central idea, effective so long as the political problem was not solved; it has, indeed, overflowed after independence and the form in which the Ambar Charkha and labour-intensive methods of production have been put forth, reflect as much the doctrine of limitation of wants as it does the urge to solve the unemployment problem. India has an easy conscience about ostentatious living and about the creation of wealth. The United States has had a vastly unequal society; but the fear of riches has never been a conspicuous component of popular feeling. It has been possible for rich men to hold high political office and currently a millionaire has been elected the President of the United States. Radicalism has not had anything like the range which it possesses in Indian minds.

This is not, in fact, a minor aberration. It is part of a deep conflict in the Indian mind which goes on with both religious and social motivations. Excessive competition in the economic sphere is decried as lacking decorum and the business community, as a consequence, has not enjoyed anything like the same approbation which it enjoys in the United States. As a consequence, the doctrine of free enterprise is unacceptable under that form; the implication is that when the career is open to the talents and good fortune to enterprise the unfortunate go to the dogs. There are too many have-nots and too many sentimentalists for a system of this kind to work. India desires economic progress ardently, but it desires economic progress (as do most countries in the twentieth century) with a qualification. This qualification expresses itself in attempts everywhere to eliminate inequality by cutting off large incomes rather than by speeding up the rise of those which are low. The American fiscal system is also biased against inequality, but never restrains an individual from earning as large an income as he can. There are no ceilings on income in the United States as there are effective ceilings in the Indian Union, particularly on top managements.

The consequences of the approach to income and riches are to be seen also in the structure of consumption. While the great majority of the Indian people like a "show", the new Indian intelligentsia has a guilty conscience about displaying prosperity in the current environment of poverty. The fear of "profits", and the charge that the profits are the result of exploitation, are widespread, and thus, both Indian production and Indian consumption are held back by the unwillingness to let economic forces yield the highest rewards to those who are their best practitioners.

NO CONSPICUOUS CONSUMPTION?

Indian social life is also coloured by this strong sense of austerity. Prohibition is not merely a Directive Principle of the Constitution, it is a living creed over the Congress Party shared, as surveys of the Indian Institute of Public Opinion have shown, by the great majority of the Indian people. The unwisdom of prohibition in an economic sense has almost nothing to do with the fact that drinking is widely believed to be a great social evil. Vegetarianism has not been deeply affected by the current advent of Western forms of thought, and thus there is ingrained in the Indian system of consumption a deep inhibition against what might be called Western habits of conduct in food, drink and other forms of conspicuous consumption. Whether a society so constituted will be able to throw up in adequate measure incentives for the task of industrialisation and the mobilisation of talent in sufficient quantities for the solution of the country's problems, is a question which needs to be answered. At present, the answer is probably in the negative. It may be that one of the results of the American association and the agreement that the foreigners in this country should not be bound by Indian austerity standards will be reflected in the cultural life of Indian managers in the first instance, and then spread into all ranks of the intelligentsia. Currently the approach of Indians and Americans to the creation of business opportunities for individuals is by no means similar.

There has been a fear of certain callings as well as an inclination to austerity. For many years, work on machines was looked down upon; clerical callings and the professions were extolled and a marked literary bias existed in higher studies. This is all in marked contrast to the United States. The cultural pattern—and now the high level of wages—makes work with the hands a highly respectable everyday necessity.

The Outlook of the Intelligentsia

UNDOUBTEDLY, the future of countries is made more by the intelligentsia than what may be described as the rank and file, for the reason that leadership has to be found in this class. Something has been said in the two previous articles in differences in outlook in regard to cultural patterns in the two countries. The future depends particularly on the young. Perhaps a case study, recently published by Dr. Hadley Cantril of the Institute of International Social Research, Princeton, might indicate the manner in which the structure of opinion in a representative section of students in the two countries stands in relation to one another. These results, based on representative surveys, will show how markedly outlook in the two countries resemble one another.

The only important difference seems to be in the point that while 50 per cent of Indian students mention the desire to lead a life of service to the people or the nation, only 20 per cent of the American students mention anything related to this concept. Hadley Cantril's remark on the table is that "the most frequently mentioned" concerns are strongly similar in the two different environments. Regarding national aspirations and fears Indian students expressed much greater concern about moral leadership, while Americans are dominated by a sense of war and fears of war. In this they are reflecting areas of opinion not substantially different in the country at large.

In the wave of the future, this relative similarity

in goals of the respective student population of the two countries augurs well for joint economic co-operation. Political hurdles are likely to remain, but there is no reason to suppose that their intensity will not decline, once major differences on the Cold War subside. One of the most important effects of the imaginative United States Educational Programme has been to accustom Indian students (previous to World War II more frequent visitors to the United Kingdom) in many cases to change their country for foreign study. Not all students returning from the United States have unblemished admiration for the Universities in which they have studied. The chip on the shoulder, even though colonialism is gone, is sometimes still a living fact. And the sight of the prosperity of the average American is not often received so much as recommendation for his system as a criticism of bigness and power, resented the more because it is not equally shared.

The problem of giving and receiving of foreign aid plays an intense psychological part in these differences. Whether or not they will be reduced in a more normal period of association remains a matter for speculation. If, however, it should happen, as has been confidently predicted in the economic section preceding that the Indian Union should 'take-off' in the sixties and become a self-generating economy by the seventies, the confidence of the Indian people in their own destiny will presumably change our current psychological attitude both to bigness and to the receipt of foreign aid. Thus we might hope that in the years to come the suspicions which now attach to the United States in its power politics manifestations will be somewhat diminished. It may also be that, with the rise of the People's Republic of China, we will also need to call in a new world to redress the balance of the old. On both grounds, the chances of closer educational, and even emotional, associations can be described as favourable.

TABLE I.
PERSONAL ASPIRATIONS AND FEARS (IN PERCENTAGES) OF INDIAN AND UNITED STATES STUDENTS

Indian Students	%	United States Students	%
Personal Aspirations			
Life of service: ability and opportunity to serve people, nations	51	Harmonious family life; happy marriage, love children	75
Congenial occupation: independence in choice of occupation; pleasant, interesting work; chance for advancement	41	Congenial occupation: independence in choice of occupation; pleasant, interesting work; chance for advancement	61
Harmonious family life: happy marriage, love children	30	Economic security: sufficient money to live decently; freedom from debt; no, or few financial worries	49
Perform outstanding work: contribute to my field	22	Acceptance by others: be liked and respected, not be lonely, active in community and civic life	23
Economic security: sufficient money to live decently; freedom from debt; no, or few financial worries	18	Vacations and leisure: travel, rest; freedom to pursue hobbies; art, literature, music; time to spend with family	22
Personal Fears			
Uncongenial occupation: lack of independence in choice of occupation, no chance for advancement	26	Less harmonious family life; unhappy marriage, no children, no marriage (self or children)	58
Not to be of service: to community, nation, world; a person without character; lose religious faith	21	Uncongenial occupation: lack of independence in the choice of occupation, no chance for advancement	30
Less harmonious family life: unhappy marriage, no children, no marriage (self or children)	20	Disablement and/or poor declining health, lingering illness of self or family member	24
Personally inadequate to achieve aspirations as to occupation, marriage, etc.; emotional insecurity	15	Personally inadequate to achieve aspirations as to occupation, marriage, etc.; emotional insecurity	20
Lead a life of disharmony; less congenial living conditions, "vegetate"	11	Lack of economic security: insufficient money to live decently, debt, financial worries	19

TABLE II.
NATIONAL ASPIRATIONS AND FEARS (IN PERCENTAGES) OF INDIAN AND UNITED STATES STUDENTS

Indian Students	%	United States Students	%
National Aspirations			
Social justice	33	Peace	38
Exert moral leadership	29	Integration: remove prejudice as to race, class, creed	31
Education: more and better schools, fight ignorance and delinquency	28	International co-operation: reduction of tensions, stronger UN, etc.	28
Sound internal economy: country self-sufficient	27	Social justice	24
Employment for everyone	24	Education: more and better schools, fight ignorance and delinquency	24
Be a prosperous power: proper use of mechanization, science; wealthy; rich	22		
National Fears			
Disunity: unrest, civil war, division	29	War: live in fear of war	38
Political instability: poor leaders, dishonest government	22	Devastation from war	24
Pakistan	20	Domination by a Communist or totalitarian power	23
Lack of morality: no sense of social responsibility, lack of spiritual values	19	Economic instability	17
Low subsistence for people	19	Lack of personal freedom	17

Conclusion

IT is possible now to bring together the main threads of the entire piece. It has been argued, firstly, that the structures of politics in the United States and the Indian Union have some superficial constitutional resemblances. Firstly, they both enshrine vast "popular" democracies and have written Constitutions with a federal structure. On the other hand, the actual operation of relations has been over time to produce a truly "federal" distribution of functions in the United States with much intrinsic power in the States. By contrast India, because she is still living in the Age of the Revolution and is dominated by a leading hero of the Revolution, tends currently to be monolithic. This, however, is by no means a permanent polarisation in the federal structure of the two countries. The predominant element is time, and India is likely to become as "federal" as the United States when more normal conditions establish themselves. Secondly, in international affairs, there is also a natural dichotomy between the Indian Union and the United States decreed by their very different current positions in the international world. Because India is at the moment absorbed in the problems of reconstruction and cannot pursue her democratic faith internationally, she is in a state of relative isolation that corresponds with the position of the United States until World War I. The great shift in United States policy is due to the fact that she has emerged as a leader of the Free World in a classic conflict with Communism; both her responsibilities and her policies flow from her world position which we cannot share. Thirdly, there arise differences in the purely practical expression of American interests such as in the Doctrine of Containment and use of military alliances for that purpose. Partly because India is neutral and partly because it is friendly to the Soviet Union, the Indian people do not associate themselves with these expressions. While these differences are substantial, they cannot be deemed to be

perpetual, and are largely a function of what is called the Cold War. Should the Cold War recede, one might expect Indo-American political relations to improve rapidly with the recession.

There are also more particular causes of disagreement the most prominent of which might be summarised by Pakistan with its sub-head of Kashmir, SEATO, Laos and the Congo. Here it is difficult to say to what extent the Cold War is primarily responsible, but one must reckon currently that a large measure of American policy in all these matters is dictated by Cold War considerations. To the extent this is so, one can count on the disappearance of these differences over time. Unhappily, however, politics, like economics, produces its vested interests, that is to say, built-in rigidities arising out of past association or of mutual current interest. The long association of the United States with countries which have taken an anti-Communist line will, for some time, prevent it from embarrassing those nations by a too-sudden change to neutrality. One must, therefore, count on an improvement on all these special questions in the course of time, but one must not expect results too rapidly. By the same token, India's association with countries which have taken an anti-Communist line will not necessarily change overnight. Again, our relations with Communist countries themselves may need, under separate circumstances, to be revised. One can be at peace with the Communist world generally, and yet have an acute cause of discomfort, as we currently have from the presence of the People's Republic of China on Indian soil.

THE ECONOMIC PARALLELS

While the political scene is thus likely to be conditioned by contingencies, of which little can be now known, economic factors decree a process of extended

co-operation, collaboration and, perhaps, intellectual exchange which imply not merely understanding but a new and enduring bond between these countries. The argument in the economic section has gone further to the point of suggesting that the Indian economic system, although now pitiful by comparison with the massive system of the United States, will, in time, become massive in its own right, provided that the instruments of economic transformation are created with foreign assistance in which the United States must play a special part. It has been argued that three components of the United States' industrial transformation were technology, a genius for salesmanship, and a dynamic productivity consciousness so that production and consumption have managed to interact with very beneficial effects on incomes and on welfare. India's emphasis on the socialist method of achieving similar results does not seem to be necessary beyond a certain stage, and it is argued that a relatively free—may be even a free—market economy in forty years from now can raise us in a manner very similar to that of the United States where the demand for durables and for leisure provided a new component of dynamic welfare of a kind relatively absent in our economy today.

FROM A STAGNANT TO AN AFFLUENT SOCIETY

In effect, this economic component will be the catalytic agent changing a stagnant into an affluent society. The Indian society of the year 2000 will not be as affluent as American society is today, but it may have had strong resemblances, and one hopes less of

the dread of inequality which sometimes still disturbs the Indian mind. A great flood of opportunities which has made the American society dynamic, and more vigorously so than any other society in the world, such dynamism may not find its counterpart in the Indian Union which is fearful of ravages of inequality and suspicious of the 'have-nots'. Undoubtedly, the pressures of public opinion and of national psychology will leave all austere strain still in Indian society, but the movement socially is away from inequality, class and caste isolation, and, perhaps, economic jealousy. One might argue that although there will be a gap between American freedom which is proverbial, and Indian freedom which is still restricted, it will be a constantly narrowing one. Thus Indo-American relations might be said to be built on continuous political compromise, closer economic association, and a gradually broadening of social purposes with similar objectives and goals which will make each country more acceptable to the other as time flows on.

Only a disruption in the economic programme might bring a reversal of these hopes. Because a reversal of these hopes affects the international security of the United States, it is extremely unlikely that current difficulties of the dollar with the United States will resile her from a programme of foreign assistance to the Indian Union on a scale sufficient for the major attainment of her plans. Thus Indo-American co-operation is invested with an imperative on both sides. Herein lies its strength. Both India and the United States can ignore one another only at their deepest peril.

This is only an announcement for information and not a prospectus and applications are invited on the basis of the prospectus copies whereof are available from the Company's Bankers and Brokers mentioned herein.

An application will be made to the Stock Exchange of Madras and Bombay for permission to deal in the shares now being offered and in due course for an official quotation.

PROSPECTUS OF THE TRAVANCORE ELECTRO-CHEMICAL INDUSTRIES LTD.

(Incorporated on 4th April, 1945, under the Travancore Companies Act IX, of 1114)

AUTHORISED CAPITAL :

1,00,000 Equity Shares of Rs. 100/- each	Rs. 100,00,000
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PAID-UP CAPITAL :

13,288 Equity Shares Fully Paid-up at Rs. 100/- per Share	Rs. 13,28,800
1,912 Equity Shares previously forfeited but subsequently re-allotted at Rs. 100/- per Share and now partly paid at Rs. 25/- per Share	Rs. 47,800
	Rs. 13,76,600

NOTE :

By a Resolution passed on the 7th of December 1960 the Deferred Shareholders of the Company have given their consent to the conversion of the Deferred Shares issued by the Company into Equity Shares of the Company in the ratio of five Deferred Shares to one Ordinary Shares ranking pari passu with the existing Equity Shares.

CAPITAL NOW ISSUED FOR PUBLIC SUBSCRIPTION :

10,000 Equity Shares of Rs. 100/- each	Rs. 10,00,000
--	----------------------

AMOUNT PAYABLE IN RESPECT OF SHARES

The amount payable in respect of Equity Shares is as follows:

Rs. 25/- per Share on application.
Rs. 25/- per Share on allotment.

and the balance in two equal instalments provided that there shall be an interval of not less than three months each between calls and between the allotment and the first call.

APPLICATION FOR SHARES

Each application must be for a minimum of 5 Shares or in multiples thereof.

Where no allotment is made the Deposit will be returned in full and where a partial allotment is made, the unutilised balance will be adjusted against amount due on allotment.

The Share Certificates will be issued within six months of the date of allotment.

DIRECTORS

1. **Shri Murarji Jadavji Vaidya**, Industrialist, Chairman, Bombay.
2. **Shri S. Chattanatha Karayalar, M.P.**, Advocate, Trivandrum.
3. **Shri V. P. Varde**, Stock-broker, Bombay.
4. **Shri J. L. Mehta**, Businessman, Bombay.
5. **Shri Russi Jal Taraporevala**, Businessman, Bombay.
6. **Shri K. P. Vishwanathan Nair, I.A.S.**, (Nominated by Government of Kerala) Director of Industries, Trivandrum.
7. **Shri T. V. Krishnankutty Warriar**, (Nominated by Government of Kerala), Trivandrum.
8. **Shri Limjee K. Panday**, Stock-broker, Bombay.
9. **Shri P. E. Raman Menon**, Landlord, Parur, Kerala.
10. **Shri M. S. Bhandarkar**, Engineer, Bombay.

BANKERS

- (1) **The State Bank of Travancore Ltd.**, Trivandrum.
- (2) **United Bank of India Ltd.**, Bombay.
- (3) **The Indian Overseas Bank Ltd.**, Bombay.
- (4) **The Bank of India Ltd.**, Mahatma Gandhi Road, Bombay-1.
- (5) **The Central Bank of India Ltd.**, Mahatma Gandhi Road, Bombay 1.

AUDITORS

Messrs. Suri & Co., Chartered Accountants, Trivandrum, Kerala State.

MANAGING BROKERS

Messrs. Lewis & Jones,
Bank of Baroda Building, Apollo St., Fort, Bombay.

BROKERS TO THE ISSUE

1. **R. R. Nabar & Co.**, 35, Dalal Street, Fort, Bombay 1.
2. **A. B. Pandit & Co.**, 32, Apollo Street, Bombay 1.
3. **G. M. Pyne**, Allahabad Bank Building, 14, India Exchange Place, Calcutta.
4. **Kothari & Sons**, Oriental Buildings, Armenian Street, Madras.
5. **Paterson & Co.**, 42, Errabalu Chetty Street, Madras.
6. **M. Nanjappaiah Jahgirdar**, 18, Cavalry Road, Bangalore.
7. **Harbansingh Mehta & Co.**, 33, Regal Building, Parliament Street, New Delhi.

SOLICITORS

Messrs. **MATUBHAI JAMIETRAM & MADAN**, Lentin Chambers, Dalal Street, Fort, Bombay-1.

REGISTERED OFFICE

P.O. Chingavanam, Kottayam, Kerala State.

OBJECTS OF THE COMPANY

The Company was established to manufacture and deal in Calcium Carbide, Carbon and Graphite in various forms, all types of electro-chemical, electro-thermal and high temperature furnace products like Carbides, abrasives, metal alloys and refractories, and derivatives and bye-products of the above.

HISTORY OF THE COMPANY

Although the Company was registered in 1945 it started operating as late as in 1952 owing to late delivery of the electrical equipment. The Company's activities were then on a developmental or experimental stage as it had put up a pilot furnace with a capacity of Calcium Carbide up to 1000 tons per year only. The Company in its developmental stage, therefore, made small losses, particularly as the cost of production of Calcium Carbide in a small capacity furnace was high. The Company's experimental activities are of great importance in as much as it proved the advantages of using sea-shells for manufacturing Quick-lime—an important raw material, at very cheap rates and of prescribed purity. The Company in its development stage

also proved that it could produce Calcium Carbide of high purity meeting the requirement of the British Standard Specifications, as borne out by the Certificate in this respect of the Technical Development Establishment (M.E.)—Kirkee (Ministry of Defence). The purity of the Company's products has also been confirmed by the Tariff Commission report of 1956.

PROSPECTS OF THE COMPANY

Thanks to the developmental activities of the Company in the past, it is only now that the possibility of commercial production of Calcium Carbide appears to have come.

In 1956 the Company planned to expand its Capacity to 10,000 tons per year. The Company since then have secured the necessary Industrial and Import Licences from the Central Government for raising the production capacity to 10,000 tons per year. The Tariff Commission Report of 1956 commented on the proposed expansion project of the Company thus:—"The existing plant enjoys certain marked locational facilities for procurement of raw materials and electrical energy at economic rates, and expansion at the same spot should seem to afford them a reasonable assurance of success."

ASSISTANCE FROM KERALA GOVERNMENT

The Kerala Government has given the Company co-operation and assistance in this proposed expansion of the capacity of Calcium Carbide plant to 10,000 tons per year. The Government of Kerala have also invested Rs. 5 lakhs recently in the equity shares of the Company.

ELECTRIC POWER

The cost of Electric Power determines to a substantial extent the cost of production of Calcium Carbide. The Company has the advantage of having Electric power at cheap rates and on favourable terms from the Kerala Government.

TRANSPORT FACILITIES

The Company is located favourably so as to enjoy good transport facilities by rail as well as by water for the movement of its raw materials and finished products.

SCOPE AND PROSPECTS

Calcium Carbide is a basic chemical which is used in production of many important chemicals and materials such as P.V.C., Calcium Cyanamide, etc. It is also used in the manufacture of explosives, in which the Central Government may be interested. At present it is being mainly used in welding and cutting steel. But market for this product is very rapidly growing with

the development of steel and chemical industry in India. The statistics published by Government agencies indicate that in the year 1959 the production of Carbide was 4,074 long tons and import was 8,430 long tons. In the recently published **Outline of the Third Five-Year Plan**, the local production of Calcium Carbide in 1960-61 and in 1965-66 are estimated at 20,000 and 60,000 tons respectively. With growing demand, therefore, the Company's entire production of 10,000 tons per year will find a ready market within the country.

ESTIMATE OF PROFITS

The estimated cost of production of Calcium Carbide manufactured by the Company as accepted by the Tariff Commission is Rs. 462/- per ton, and the present ex-factory selling price fixed by the Tariff Commission is Rs. 865/- per ton. Even taking into account some adjustments and contingencies, there is still a good margin of profit in the manufacturing operations of the Company.

SUPPLY OF MACHINERY AND TECHNICAL KNOW-HOW

The Company has secured collaboration from Messrs. Deutscher Innen-Und Aussenhandel Invest Export of the German Democratic Republic. The Company has entered into two agreements with the above-named firm, one for supply of a complete Carbide Plant of 30 tons daily capacity and the other for supply of technical personnel and of project-true supervision of erection, function tests, trial run and putting into commercial operation the plant. The total purchase price of the plant inclusive of the necessary basic and execution projects, constructional documents, etc., amounts to about Rs. 17 lakhs. The machinery suppliers have further agreed to charge an interest of only 3% on the outstanding balances. The payment is to be made in Indian Currency. The Company has secured the necessary import licence and permission from the Reserve Bank of India to make the payments.

BROKERAGE

Brokerage at the rate of 1% on the nominal value of each Equity Share will be paid to registered Brokers on recognised Stock Exchanges and Banks on allotment being made in respect of applications bearing the stamp of such Brokers or Banks.

Messrs. Lewis and Jones have been appointed the Managing Brokers to this issue. They will in addition be entitled to a Brokerage of $\frac{1}{2}$ % on the face value of the shares subscribed by the public and a further sum of Rs. 5,000/- as incidental charges.

Subscription List will open at the Commencement of Banking hours on 4th January, 1961 and will close at the close of the Banking hours on 11th January, 1961.

THE ANDHRA HANDLOOM WEAVERS COOPERATIVE

SOCIETY LTD.,

VIJAYAWADA-2, (Andhra Pradesh State)

Tel: "COOPLOOM"

BUY HANDWOVEN "CO-OP. FABRICS"

Produced by

EXPERT WEAVERS OF ANDHRA

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ALL OUR DEPOTS THROUGHOUT ANDHRA PRADESH AND ALSO AT MADRAS, BANGALORE, BERTHAMPORE, PARLAKIMIDI AND CUTTACK.

Company Meeting

THE MYSORE KIRLOSKAR LIMITED

YANTRAPUR, P.O. HARIHAR

Extracts of the speech delivered by the Chairman of the Mysore Kirloskar Ltd., at Harihar at the time of the 19th Annual General Meeting.

"The management has been already following certain conventions and precedents in tune with the changing concepts of Company management and it is for this reason that I feel that the new amendments to the Company Law may not affect materially the working of your Company" said Dr. M. N. Mahadevan, I.A.S., Director and Chairman of the Mysore Kirloskar Ltd., Harihar at the time of the 19th Annual General Meeting of the Company held at Harihar on the 26th December, 1960.

He further said that so far as this Company was concerned an equitable consideration had been given to the various interests concerned all these years and he assured that the management would show the same equitable consideration in future also.

He referred to the tentative estimates of the Planning Commission in regard to the requirements of machine tools of all descriptions in the country which would be of the order of Rs. 60 crores per annum by 1965-66. He pointed out that there was tremendous scope for further expansion in the machine tool line because of the estimated target of production through the private sector to the extent of Rs. 17 crores per annum.

He again urged on the authorities concerned to continue the facilities of Initial and Additional depreciation atleast in the case of machine tool industry where the requirement of fixed capital is heavier than in other industries. In this connection he stated that

such facilities would not bring any loss to the Government but would only act as a temporary financial accommodation to the factories concerned.

He referred to the rise in Sales of Rs. 36 lakhs during the year ending 30th June, 1960, the total sales amounting to Rs. 1.41 crores as against Rs. 1.05 crores for the previous year ending 30th June, 1959.

He informed that the Company desired to issue fresh capital of Rs. 40 lakhs made up of Rs. 15 lakhs Equity capital and Rs. 25 lakhs Preference capital and that steps in issuing this capital would be taken in due course and requested the shareholders to co-operate substantially in subscribing to the said issue.

He also pointed out that the Company had already received a licence from the Government for substantial increase in its existing lines (almost doubling the existing production) and that the Company had also received the manufacturing licence for Grinding machines and Automatic lathes and Precision Measuring Instruments.

After comparing the percentage allocation of the various factors of production he pointed out that there had been some progress in the efficient working of the factory during the year 1959-60 when compared with the previous year.

N.B.: This is not a report of the proceedings at the above Annual General Meeting.

COAL

from the famous

DISHERGARH AND PONIATI SEAMS

BENGAL COAL COMPANY LIMITED

Telephone: 22-4668

8, CLIVE ROW, CALCUTTA-1

Telegrams: 'COLLIERIES'

This is only an announcement — not a Prospectus

Consent of the Central Government has been obtained to this issue.

A licence has been obtained from the Central Government for the establishment of this new Industrial Undertaking.

A copy of the Prospectus, together with the documents specified therein, has been delivered for registration to the Registrar of Companies, Madras.

An application will be made in due course to the Bombay and Madras Stock Exchanges for a quotation for the shares of the Company and permission to deal in them.

The Subscription list will open at 10 A.M. on 9th January, 1961 and will close at 2 P.M. on 16th January, 1961 or earlier as soon as subscriptions approximating to the amount issued hereunder to the public have been received, but not earlier than 2 P.M. on 12th January, 1961.

THE MADRAS ALUMINIUM COMPANY LIMITED

(Incorporated under the Companies Act, 1956)

AUTHORISED CAPITAL :

2,50,000 Cumulative Preference Shares of Rs. 100 each	Rs. 2,50,00,000
7,50,000 Equity Shares of Rs. 100 each	„ 7,50,00,000
	Rs. 10,00,00,000

ISSUED CAPITAL :

1,50,000 Redeemable Cumulative Preference Shares of Rs. 100 each	Rs. 1,50,00,000
4,50,000 Equity Shares of Rs. 100 each	„ 4,50,00,000
	Rs. 6,00,00,000

RIGHTS OF PREFERENCE SHAREHOLDERS

The preference shareholders will be entitled to a fixed cumulative dividend of 9.3 per cent per annum (free of Company's Income-tax but subject to deduction of taxes at the prescribed rates), payable in priority to the ordinary Shares. This means the shareholders will get a dividend of 9.3 per cent less a deduction of tax under Section 18-3(D) of the Indian Income-tax Act, which at present is 30 per cent.

In the event of winding up, the preference shareholders will be entitled in priority to equity shareholders to repayment of the capital paid-up at par, plus all accrued dividends, whether earned or declared or not declared, and also declared but not paid.

The preference shares will all be redeemed at par, on 1st January, 1975, on giving three calendar months' notice, with the option to the Company to redeem the whole or part of the preference capital outstanding at any time, at par, after 1st January, 1972, on giving six calendar months' notice. The proposed method of redemption, whether from profits or by fresh issue of capital will be decided by the Directors at the time of giving the notice, taking the then circumstances of the company into consideration.

The voting rights of the preference shareholders will be as per Section 87 of the Companies Act, 1956.

The issued capital is payable as follows:

- (1) Along with application at Rs. 25 per share, whether Equity or Preference.
- (2) The balance of Rs. 75 per share, whether Equity or Preference, will be called up in three calls of Rs. 25 each, with an interval of at least one month between each call, and the first of such calls will not be earlier than three months from the date of allotment of the respective shares.

PREFERENTIAL ALLOTMENTS AND RESERVATION

- (1) The signatories to the Memorandum of Association have subscribed for 1,200 equity shares. The promoters, directors, and their friends, have subscribed for a total of 48,800 equity shares of Rs. 100 each.
- (2) The Government of Madras have agreed to the Madras Industrial Investment Corporation Ltd., Madras, underwriting and subscribing for 70,000 preference shares of Rs. 100 each and 80,000 equity shares of Rs. 100 each.

- (3) The Life Insurance Corporation of India, Bombay, have agreed to underwrite and apply for 10,000 equity shares of Rs. 100 each and 20,000 preference shares of Rs. 100 each and these will be allotted in full.
- (4) There is a specific arrangement with Messrs. Dalal and Co., Madras, for their tendering applications for 35,000 equity shares of Rs. 100 each and these will be allotted in full.
- (5) As per the agreement entered into with Messrs. Montecatini of Italy, 1,20,000 equity shares of Rs. 100 each will be reserved for allotment to them.
- (6) In accordance with the provisions in the underwriting agreement with the Underwriters and Brokers, 28,500 equity shares of Rs. 100 each have been reserved for firm allotment in respect of applications procured and marked for "firm allotment" by them.

PRESENT ISSUE

The balance that is now unconditionally offered for public subscription is as follows:

60,000 Preference Shares of Rs. 100 each.
1,26,500 Equity Shares of Rs. 100 each.

THE ENTIRE ISSUE OF 60,000 PREFERENCE SHARES AND 1,26,500 EQUITY SHARES HAVE BEEN UNDERWRITTEN BY THE INDUSTRIAL FINANCE CORPORATION OF INDIA, NEW DELHI, AND BY THE VARIOUS PARTIES, AS PER DETAILS HEREIN GIVEN.

DIRECTORS

- (1) Sri R. Venkataswamy Naidu, B.Sc. (Madras), B.Sc. (Tech.) Manchester, Industrialist, 984, Peelamedu, Coimbatore-4.
- (2) Sri V. Ramakrishna, I.C.S. (Retd.), Industrialist, 38, Mount Road, Madras-2.
- (3) Sri T. A. Varghese, I.C.S., Secretary to the Government of Madras, 65, IV Main Road, Gandhinagar, Madras-20.
- (4) Sri T. K. Palaniappan, I.A.S., Secretary to the Government of Madras, Department of Industries, Labour & Co-operation, Fort St. George, Madras.

- (5) Sri G. K. Devarajulu, Industrialist, 2/239, Avanashi Road, Coimbatore.
- (6) Sri T. S. Narayanaswami, Industrialist, "Dhun Buildings", 175/1, Mount Road, Madras-2.
- (7) Sri D. C. Kothari, Businessman, "Oriental Buildings", Armenian Street, Madras-1.
- (8) Sri P. R. Ramakrishnan, M.Sc. (M.I.T.), M.P., Engineer, "Jyothi", 6/36, Race Course Road, Coimbatore.
- (9) Sri M. N. M. Veerabadra Chettiar, Merchant, Bungalow Road, Near Avanashi Road, Tirupur.
- (10) Sri R. K. Kandaswamy, B.A., B.Sc., (Tech.), A.M.C.T. (Manch.), "Brindavan", Trichy Road, Coimbatore.
- (11) Sri V. N. Ramachandran, Industrialist, "Asoka", 22, Pantheon Road, Egmore, Madras-8.
- (12) Sri V. Ramaswami Naidu, Landlord, 131, Uppilipalayam, Singanailur, Coimbatore.

MANAGING AGENTS

Messrs. SALCOE & COMPANY,
"KAMALA NILAYAM", Peelamedu, Coimbatore.

BANKERS

State Bank of India, Coimbatore and Madras.
The Central Bank of India Ltd., Coimbatore and Madras.
The Punjab National Bank Ltd., Coimbatore and Madras.
Bank of Baroda Ltd., Coimbatore and Madras.
The Indian Bank Ltd., Coimbatore and Madras.
The Canara Bank Ltd., Coimbatore and Madras.

UNDERWRITERS

The Madras Industrial Investment Corporation Ltd., Madras.
The Industrial Finance Corporation of India, New Delhi.
Life Insurance Corporation of India, Bombay.
The Investment Trust of India Ltd., Madras.

UNDERWRITERS AND BROKERS

MADRAS :

Messrs. DALAL & CO.
Post Box No. 149,
National Insurance Building,
Madras-1.
Messrs. KOTHARI & SONS
Post Box No. 267,
"Oriental Buildings", Armenian Street, Madras-1.
Messrs. MACONCHIE & CO.
Post Box No. 291,
"Mercantile Bank Buildings",
16, First Line Beach, Madras-1.
Messrs. SOMAYAJALU & CO.
Post Box No. 1263,
"Andhra Insurance Buildings",
337, Thambu Chetty Street, MADRAS-1.
Messrs. SWASTIK & CO.
Post Box No. 43,
7, Second Line Beach, Madras-1.

CALCUTTA :

Messrs. G. M. PYNE,
"Allahabad Bank Buildings",
14, India Exchange Place,
Calcutta-1.

BOMBAY :

Messrs. DEVKARAN NANJEE & CO.,
17, Horniman Circle, Fort, Bombay-1.

Messrs. JAMNADAS MORARJEE & CO.
8-10, Dalal Street, Fort, Bombay-1.
Messrs. MERWANJEE BOMANJEE DALAL
Allahabad Buildings, Fort, Bombay-1.
Messrs. RAMANBHAI LALBHAI SHETH
No. 5, Stock Exchange Building,
Apollo Street, Bombay-1.
Messrs. P. R. SUBRAMANYAM,
70-A, Stock Exchange Building,
Apollo Street, Bombay-1.
Messrs. HARISH CHANDRA GUTT & CO.
45-47, Apollo Street, Fort,
Bombay-1.
Messrs. A. B. PANDIT & CO.
32, Apollo Street,
Bombay-1.

BANGALORE :

Messrs. M. NANJAPPAIAH JAHGIRDAR,
181, Cavalry Road, P.B. No. 71,
Bangalore-1.

BROKERS

Messrs. LEWIS & JONES
"Bank of Baroda Buildings", Apollo St., Bombay-1.
Messrs. NARANDAS & SONS
"Union Bank Buildings", Apollo Street, Fort,
Bombay-1.
Sri NARENDRA BHAI LALBHAI SHETH, B.A., LL.B.
Stock and Share Broker, Manek Chowk, Ahmedabad.
Messrs. DESH BANDHU GUPTA & CO.
45, Stock Exchange Building,
Asaf Ali Road, New Delhi-1.

LEGAL ADVISERS

Messrs. Subbaraya Aiyar, Sethuraman and
Padmanabhan, Advocate, Pelathope, Mylapore,
Madras-4.

AUDITORS

- (1) Messrs M. S. Krishnaswamy & Jagannathan,
Chartered Accountants, R. R. Puram, Coimbatore.
- (2) Messrs. Suri & Co.,
Chartered Accountants, 1/29, Mount Road,
Madras-2.

REGISTERED OFFICE

"KAMALA MILAYAM", Peelamedu,
Coimbatore-4.

OBJECTS

The Company was incorporated on 31st August, 1960, for the several purposes set forth in the Memorandum of Association, and in particular to undertake the manufacture of aluminium ingots and alloys, from the bauxite reserves in the Sheveroy Hills. The plant capacity will be 10,000 tons, of which 7,000 tons will be ingots and 3,000 tons alloys, as per the Licence No. L/1B(1)N-760, dated 6th May, 1960, granted to this Company by the Government of India.

The Company has also applied to the Government of India for a licence to erect a Rolling Mill, as an adjunct to the proposed factory, for the manufacture of A.C.S.R., and A.A.C. Cables, extrusion, rods, foils, etc., and the licence is awaited.

The rapid progress made by the aluminium industry can be gauged from the fact that world production of aluminium, which was a little over 7,00,000 tons in 1939, has increased to over 3 million tons at the present time.

The development of a large scale aluminium industry is of particular importance to our industrial economy. Aluminium is the only non-ferrous metal for manufacture of which, on a scale commensurate with out increasing requirements, adequate natural resources are available in the country. And as indicated above, it is a non-ferrous metal with properties which permit its use as a substitute for several purposes for other non-ferrous

metals like copper, lead, zinc, and tin, the indigenous production of which cannot be developed to the required extent because of the very limited resources of the necessary raw materials as far as is known at present. It is in this context that the development of aluminium industry assumes a special significance in our plans for industrial progress.

According to the draft outlines of the Third Five-Year Plan, the estimated capacity of the Aluminium Industry in 1960-61 has been placed at 17,500 tons and production at 17,000 tons, against the production of 7,300 tons in 1955-56. The 1965-66 targets are estimated at a capacity of 82,500 tons and production of 75,000 tons.

The per capita consumption of aluminium in India is very low at about 0.12 lb. compared to 19 lbs. in U.S.A., 12 lbs. in Canada and 10 lbs. in the United Kingdom. With the growing use of aluminium for industrial purposes, the demand for aluminium is bound to far exceed production for several years to come.

RAW MATERIALS

Bauxite is the basic raw material for the production of alumina, while electric power is also as vital a necessity as bauxite. Bauxite deposits of Sheveroy Hills are considered to be very suitable for the manufacture of aluminium, because it is so soft and easily soluble in caustic soda in the process for the manufacture of alumina. The deposits in Sheveroy Hills are estimated at about 7 million tons.

In view of the advantages of nearness of bauxite, power, water transport facilities etc., the factory will be located at Mettur on a plot of about 400 acres, reserved for this Company by the Government of Madras. The Madras State Electricity Board have assured adequate power supply at the rate of Rs. 155 Kw/y for the Alumina section and Rs. 120 Kw/y for the smelter section.

TECHNICAL COLLABORATION

The Company has been fortunate in having secured the technical collaboration with Messrs. Montecatini of Italy, who are associated with the Neyveli Project of the Government of India, and who are one of the world known names in the manufacture of aluminium products, designing, erection and successful working of aluminium plants. Under the terms of the collaboration, M.s. Montecatini are to supply technical know-how, designs and specifications, procure the required machinery for the Indian Company, attend to erection, to supply required technical personnel and also train Indian technical personnel in their factory. The Government of India have approved the technical collaboration terms under which M.s. Montecatini are to be paid Rs. 45 lakhs for technical know-how, Rs. 40 lakhs for engineering fees drawings, assistance in purchase of plant and other allied services, and Rs. 35 lakhs for cost of foreign experts, contractors and agencies for the construction, supervision and other services, charges etc., and these payments are to be satisfied by the issue of 1,20,000 equity shares of Rs. 100 each. No further technical know-how fees are payable either for expansion of the plant capacity upto 20,000 tons or the Rolling Section.

COST OF THE PROJECT

The cost of the project, as estimated by Messrs. Montecatini, for a plant capacity of 10,000 tons of aluminium, of which 7,000 tons will be ingots and 3,000 tons alloys, is approximately as follows:

Foreign Side:	Rs.	Rs.
Plant and Machinery (to be imported)	3,40,00,000	
Technical Know-how	45,00,000	

Fees for designing, specifications etc.	40,00,000	
For Technical Services	35,00,000	
		4,60,00,000
Indian Side:		
Land and Buildings	1,70,00,000	
Fabrication of Machinery	1,00,00,000	
Customs Duty, Freight and Insurance	75,00,000	
Erection and implementation expenses	40,00,000	
Pre-operating expenses (plant trial expenses including raw materials)	13,00,000	
Bank Guarantee Commission for 3 years for deferred payment	15,00,000	
Preliminary Expenses, Underwriting Commission, Brokerage and Share Issue Expenditure	18,00,000	
Working Capital	50,00,000	
Contingencies	19,00,000	
		5,00,00,000
Total		9,60,00,000

The estimated foreign loan requirements (less Montecatini's share participation) of about 5,000 million Italian lire, equivalent to about Rs. 3.30 crores would be financed by a long-term loan under deferred payment arrangements, by "Mediobanca" of Italy, for repayment in nine years commencing from 1st January, 1965 in which direction preliminary negotiations have been completed.

The Industrial Finance Corporation of India have agreed to give guarantee for the foreign loan plus interest on the terms and conditions specified by them, one of which is mortgaging all present and future fixed assets in favour of the said Corporation for the duration of guarantee commitment.

ESTIMATE OF PROFITS

Aluminium ingots are now imported to meet the needs of the Rolling Mills in India. Secondly, rolled metal fetches good prices. The Company intends to instal up-to-date machinery and equipment and utilise the latest methods in the manufacturing processes. Based on current market conditions, the Directors anticipate that the operation of the factory will yield a satisfactory return on the capital invested.

COMMENCEMENT OF BUSINESS

After incorporation of the Company on 31st August, 1960, in order to facilitate carrying of all the arrangements and entering into early contracts for going ahead with the project, the Company obtained the certificate of Commencement of Business on 26th December, 1960, from the Registrar of Companies, Madras, after filing the Statement in lieu of Prospectus.

MANAGING AGENTS

Messrs. Salcoe & Co., a partnership firm consisting of Sri R. Venkataswamy Naidu, Sri P. R. Ramakrishnan, Sri T. S. Narayanaswamy, and Sri V. Radhakrishnan as partners, are proposed to be appointed as the Managing Agents of the Company for a period of ten years, as per the terms and conditions laid down in the draft agreement, with such modifications as may be suggested by the Central Government, and approved by the Board at their meeting held on 20th September, 1960, based on which an application has been made to the Central Government for approval of the appointment of the said Messrs. Salcoe & Co., as the Managing Agents of the Company.

The Managing Agents will be entitled to a remuneration in accordance with the prescribed graded

scale of commission on the Company's annual profits to be computed and determined as provided by Sections 349, 350 and 351 of the Companies Act, 1956, subject to a minimum of Rs 50,000 per annum in the event of absence or inadequacy of profit in any year:

DIRECTORS

The number of Directors shall neither be less than four nor more than twenty-one.

The qualification of a Director, other than the Ex-officio Directors, Italian Directors, if and when appointed by virtue of Clause 135 of the Articles of Association, Corporation Director, Government Director, Debenture-holders' Director and Alternate Director shall be the holding of at least fifty Equity Shares of Rs. 100 each in the Company, of the total nominal value of Rs. 5,000.

PAYMENT TO PROMOTERS

No amount of benefit has been paid or given or is intended to be given to any Promoter or Director of the Company, apart from the sitting fees for the Directors and the Managing Agency commission to the three Directors, Sri R. Venkataswamy Naidu, Sri T. S. Narayanaswami and Sri P. R. Ramakrishnan, as part-

ners of the proposed Managing Agents, Messrs. Salcoe & Co.

UNDERWRITERS

The Industrial Finance Corporation by their Letter No. U.C. 12/60—20657 dated 25th December, 1960, have agreed to underwrite 60,000 equity shares of Rs. 100 each and 60,000 Redeemable Cumulative Preference Shares of Rs. 100 each, and these 60,000 equity shares and 60,000 cumulative preference shares are offered unconditionally for public subscription.

In addition to the specific underwriting arrangements with the Madras Industrial Investment Corporation Ltd., Life Insurance Corporation of India and Messrs. Dalal and Co., set out in the paragraph under "Preferential Allotments and Reservation" the Company, has entered into underwriting agreements with the following parties, who have agreed to underwrite the number of equity shares set out against each of their names. The number of shares for which they will be tendering applications for full allotment (marked for "firm allotment") has also been shown as a deduction from the number of shares underwritten, in order to give clearly the number of shares offered unconditionally for subscription by the public.

		Number of Shares Un- derwritten	Less Firm Allotment Promised	Balance Offer- ed Uncondi- tionally for Public Sub- scription
1. Messrs. Dalal & Co.,	MADRAS	12,500	3,750	8,750
2. Messrs. Kothari & Sons,	"	5,000	1,500	3,500
3. Messrs. Maconochie & Co.,	"	5,000	1,500	3,500
4. Messrs. Somayajulu & Co.,	"	3,000	900	2,100
5. Messrs Swastik & Co.,	"	3,000	900	2,100
6. The Investment Trust of India Ltd.,	"	5,000	1,500	3,500
7. Messrs Devkaran Nanjee & Co.,	BOMBAY	10,000	3,000	7,000
8. Messrs. Jamnadas Morarjee & Co.,	"	10,000	3,000	7,000
9. Messrs. Merwanjee Bomanjee Dalal,	"	5,000	1,500	3,500
10. Messrs. Harish Chandra Gutt & Co.,	"	10,000	3,000	7,000
11. Messrs. Ramanbhai Lalbhai Sheth	"	10,000	3,000	7,000
12. Messrs P. R. Subramanyam,	"	5,000	1,500	3,500
13. Messrs A. B. Pandit & Co.,	"	5,000	1,500	3,500
14. Messrs. G. M. Pyne	CALCUTTA	3,500	1,050	2,450
15. Messrs. M. Nanjappaiah Jahgirdar,	BANGALORE	3,000	900	2,100
Total		95,000	28,500	66,500

The Directors are of the opinion that the resources of the Underwriters are sufficient to discharge their respective underwriting obligations.

All the Underwriters will be paid an underwriting commission of 2½ per cent of the nominal value of shares underwritten by each of them.

BROKERAGE

Brokerage at the rate of 1 per cent will be paid on all allotments made in respect of applications bearing the stamp of any Bank or recognised Broker.

Brokerage on the same basis is payable to the

Underwriters, in addition to the underwriting commission, as mentioned in the preceding paragraph, on allotments in respect of shares allotted on applications made or procured by them and bearing their stamps.

APPLICATION FOR SHARES

Copies of the Prospectus and Application Forms can be had from the Registered Office of the Company, or from the Underwriters or Brokers or from the Bankers of the Company, or from the Branches of such Bankers, at Madras, Bombay, Calcutta, Delhi, Bangalore, Coimbatore or Ahmedabad.

Soda Ash Unit :
Dhrangadhra,
Gujarat
State

Telegram :
SAHUJAIN, BOMBAY
Telephone :
251218-19-10

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Telegram :
CHEMICALS,
Arumuganeri

Telephone :
KAYALPATNAM: 30

Managing Agents:

SAHU BROS. (SAURASHTRA) PRIVATE LTD.,

15-A, Horniman Circle,
Fort, Bombay-1.

THE VYSYA BANK LIMITED

(A Scheduled Bank)

Head Office and Central Office :

489, Vysya Bank Building, Avenue Road,
Bangalore-2.

Shri. YADALAM S. GOPALAKRISHNA SETTY,
CHAIRMAN

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J. SURYANARAYANA CHETTY,
General Manager

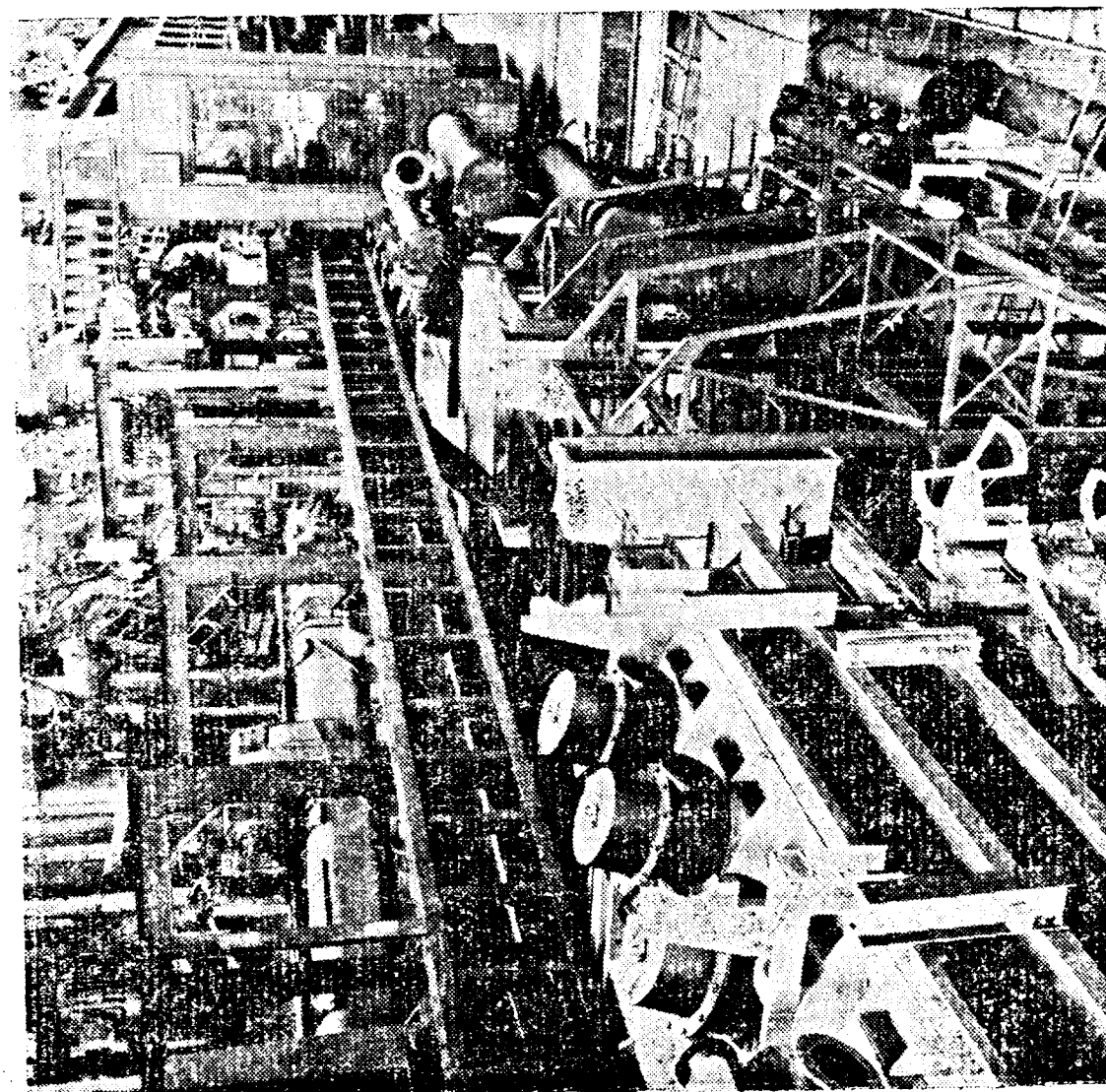
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The Praga Tools Corporation Ltd.,
Kavdiguda Road, Secunderabad (A.P.).



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Grams : SUGARS

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Phone : 88610

Grams : INDSUGAR

Bombay Office :

139, Medows Street, Fort, Bombay-1.

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Reg. Office: P.O. Rajgangpur (Orissa State)

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BOMBAY	CALCUTTA	MADRAS
Army & Navy Bldg.,	5-A, Sachidananda	Purshotham Bldgs.
148, Mahatma Gandhi	Chambers,	
Road.	7, Chowringhee,	193, Mount Road,

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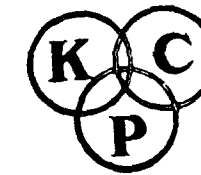


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* Messrs: Five-Lille-Cail have built the largest Sugar and cement Plants in the world and have supplied Soviet Russia in 1959 a five thousand ton daily capacity Cement Plant.

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* We also manufacture and supply complete Sulphuric Acid and Super-phosphate Plants.

We have secured orders for Six complete sugar plants of one thousand tons daily sugar cane crushing capacity each for the following Sugar Factories:

The Amadalavalasa Co-operative Agricultural and Industrial Society Limited, Amadalavalasa, The Chodavaram Co-operative Agricultural and Industrial Society Limited, Chodavaram, Nizamabad Co-operative Sugar Factory Ltd., Nizamabad (Andhra Pradesh), Co-operative Sugars Ltd., Chittore (Kerala State), Namakkal Co-operative Sugar Mills Ltd., Salem Dist. and Champaka Sugar Plantations Ltd., Mannargudi, Tanjore Dist. (Madras State).

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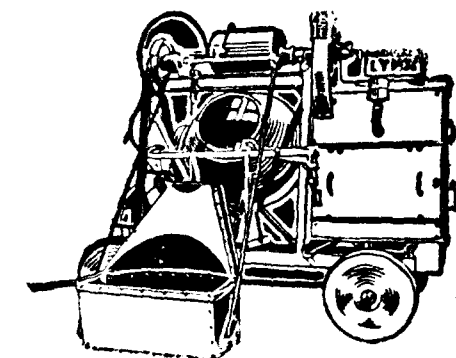
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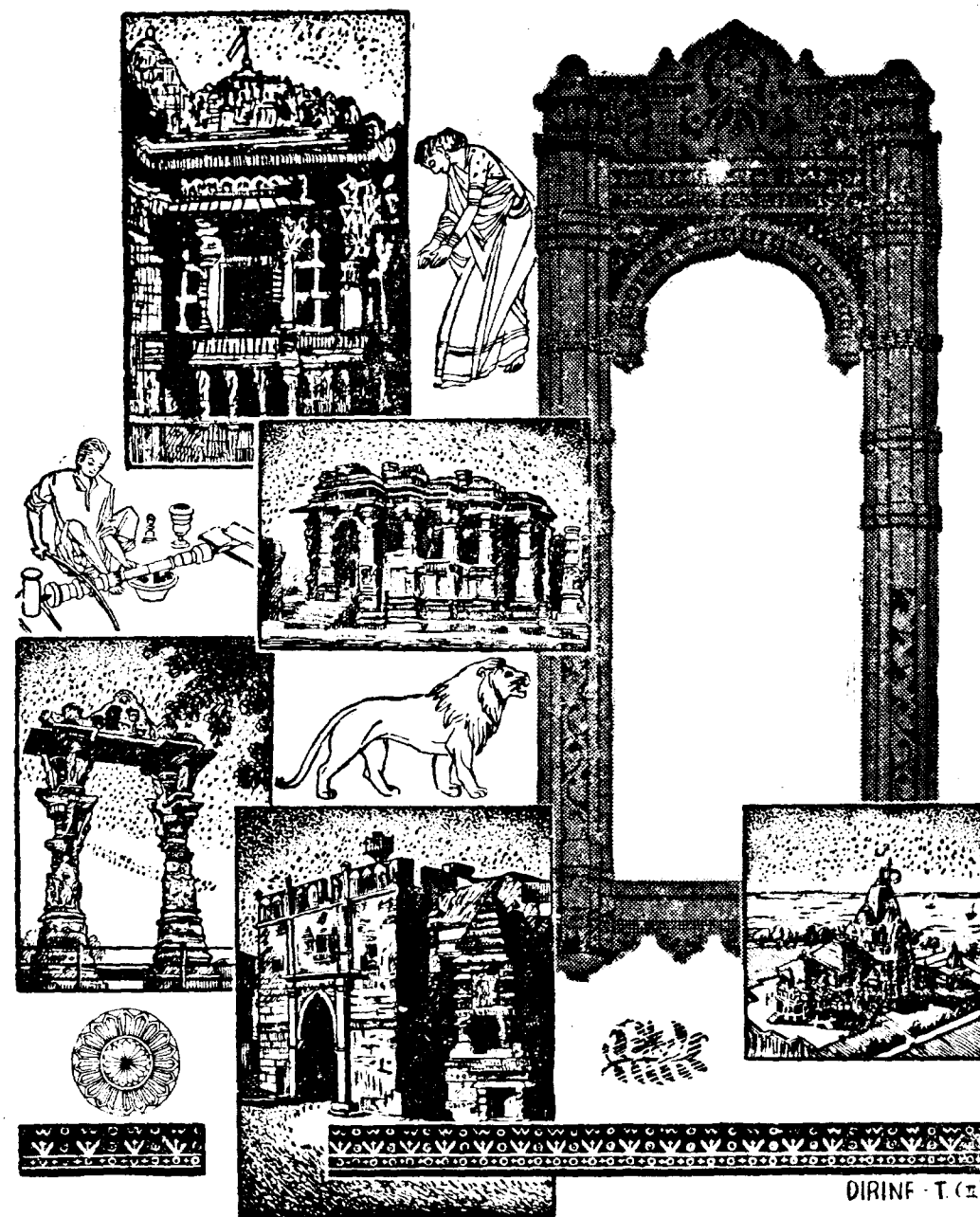


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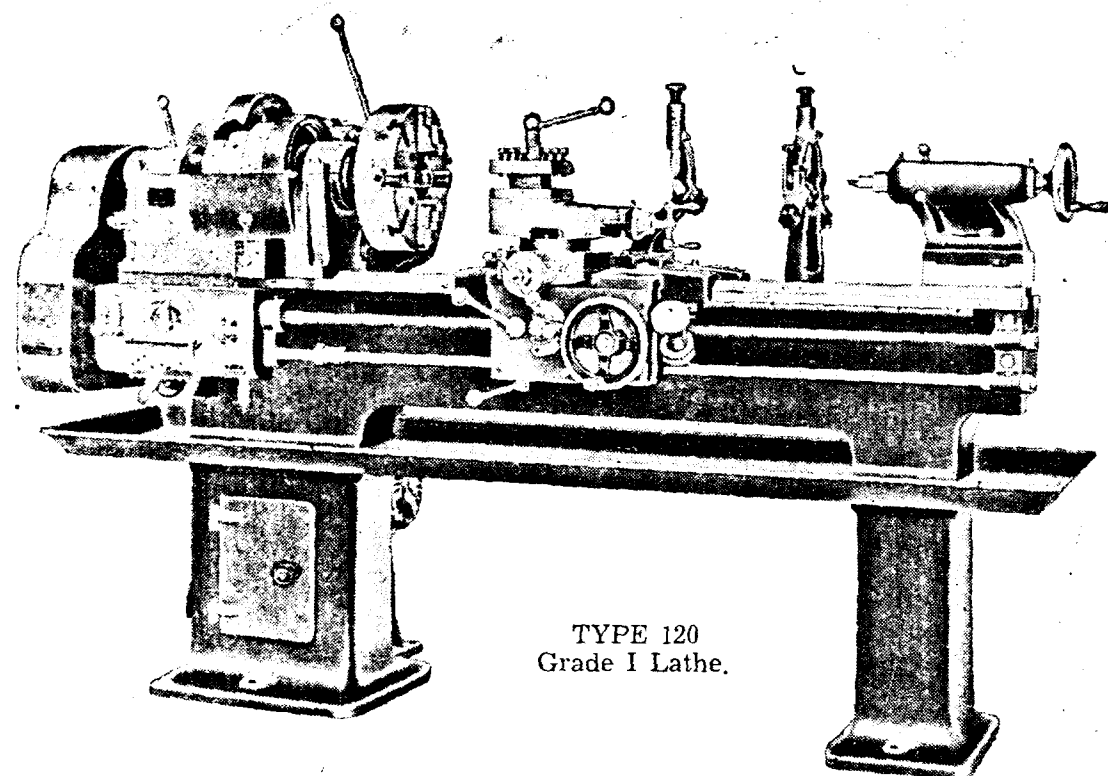
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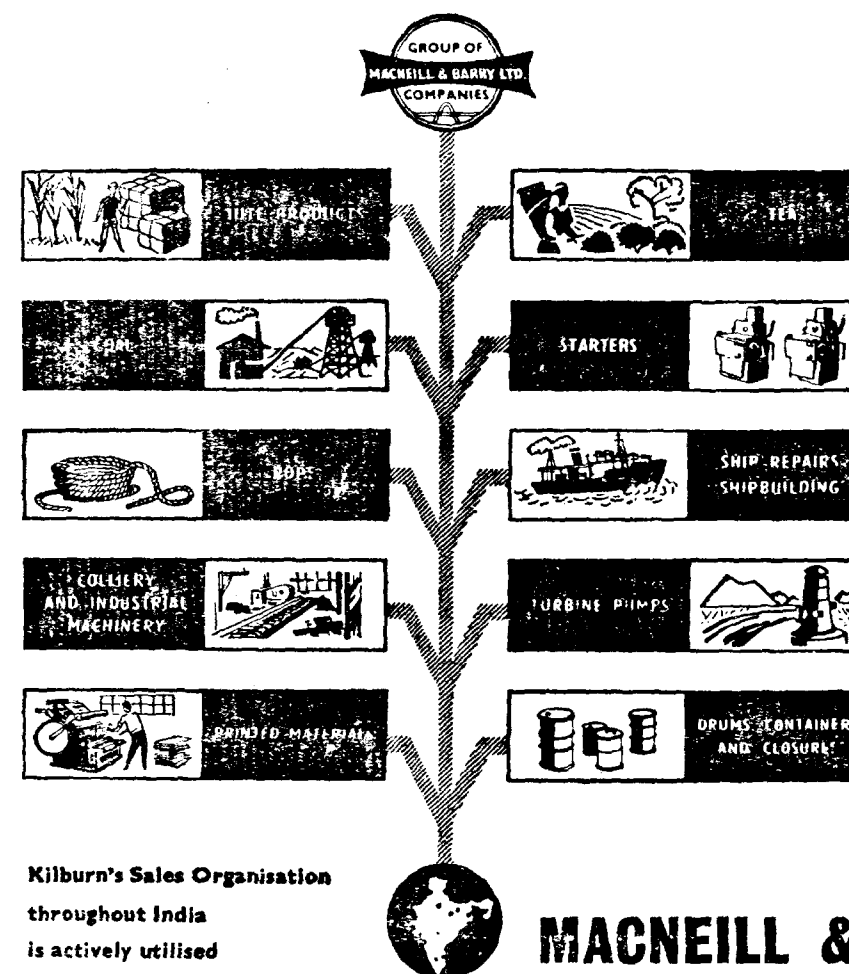


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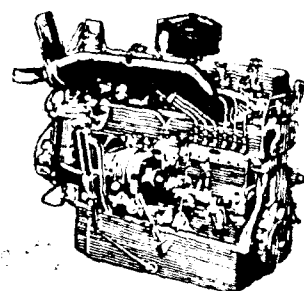
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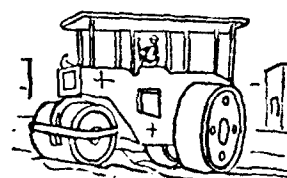


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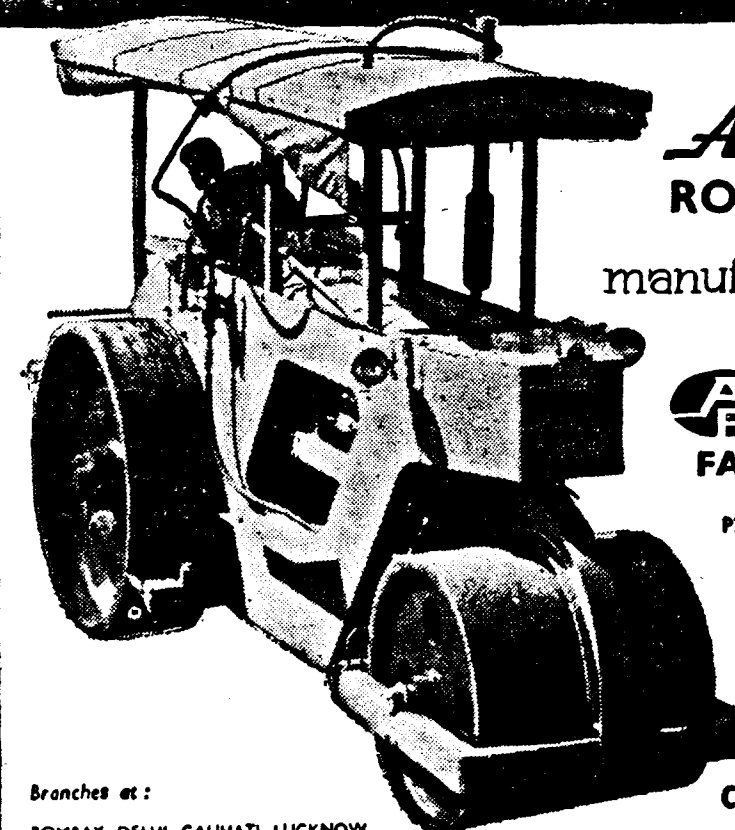
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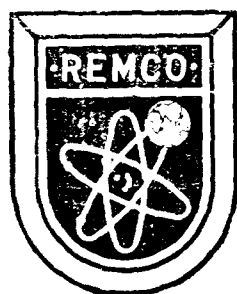
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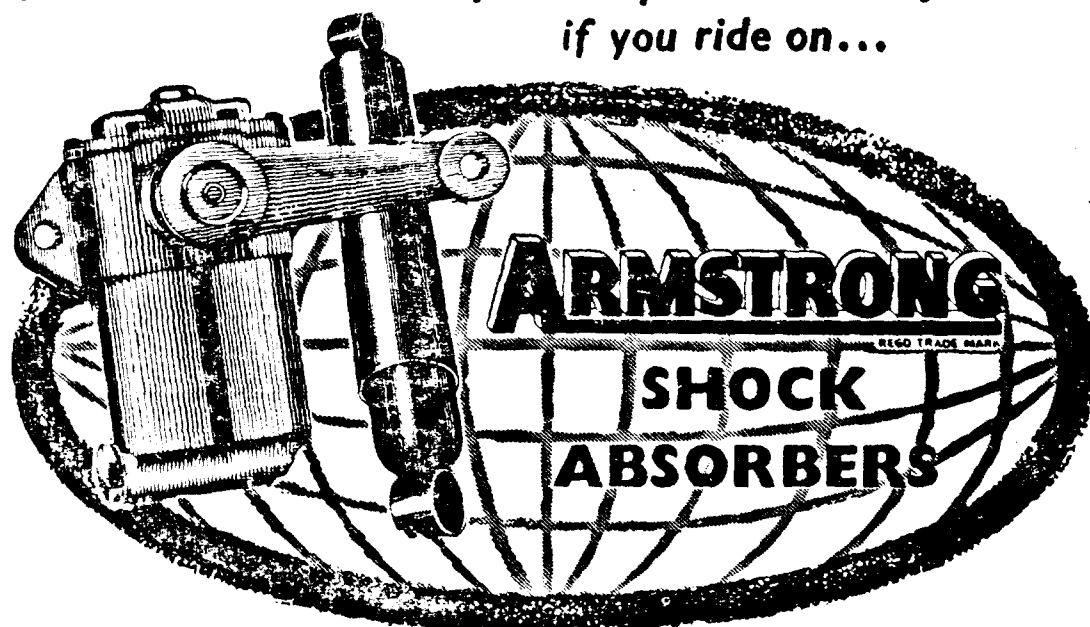
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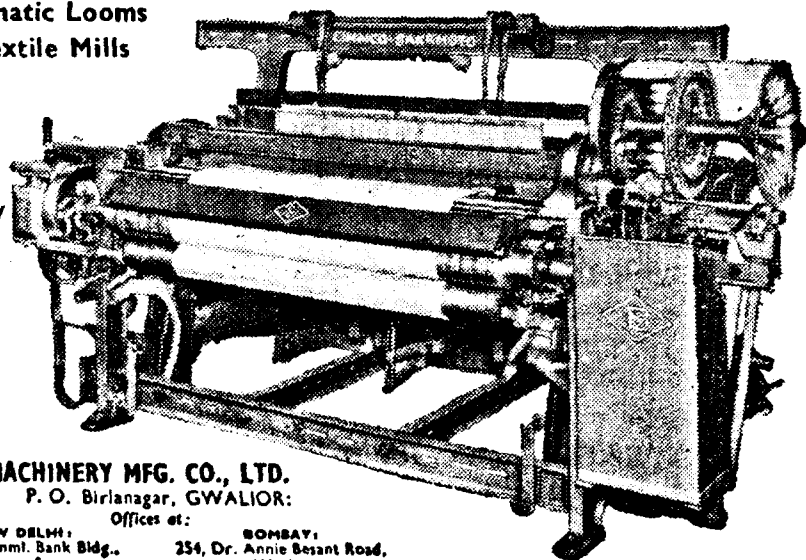
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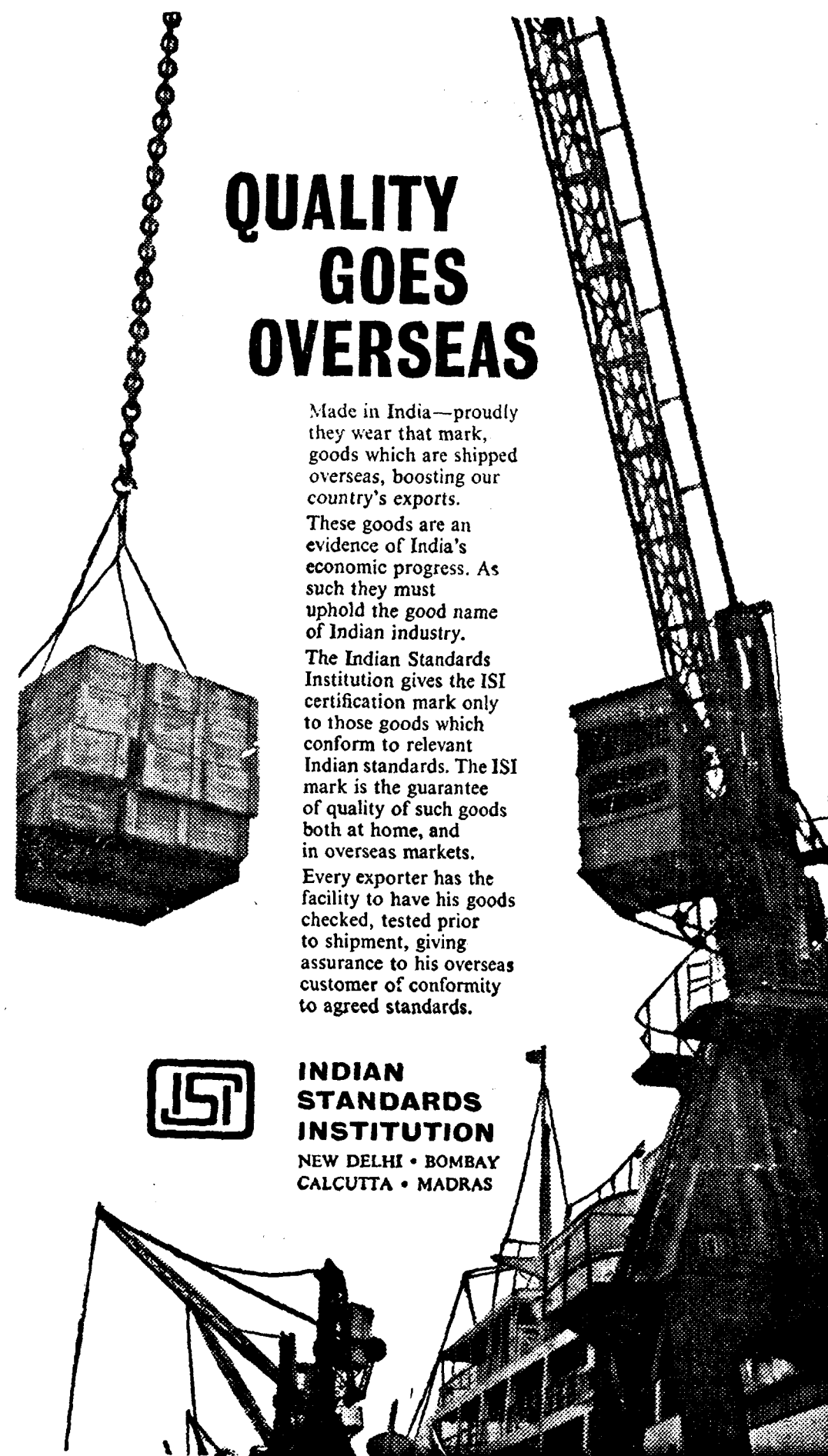
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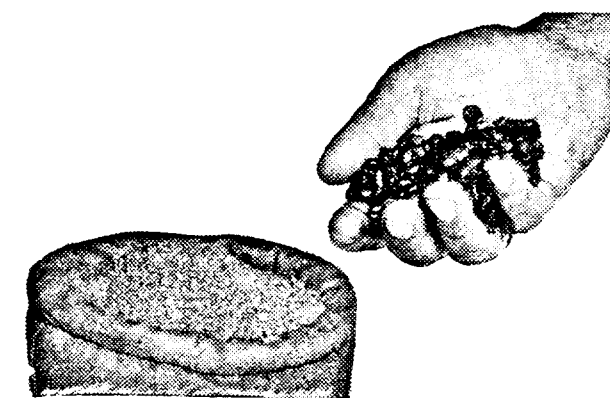


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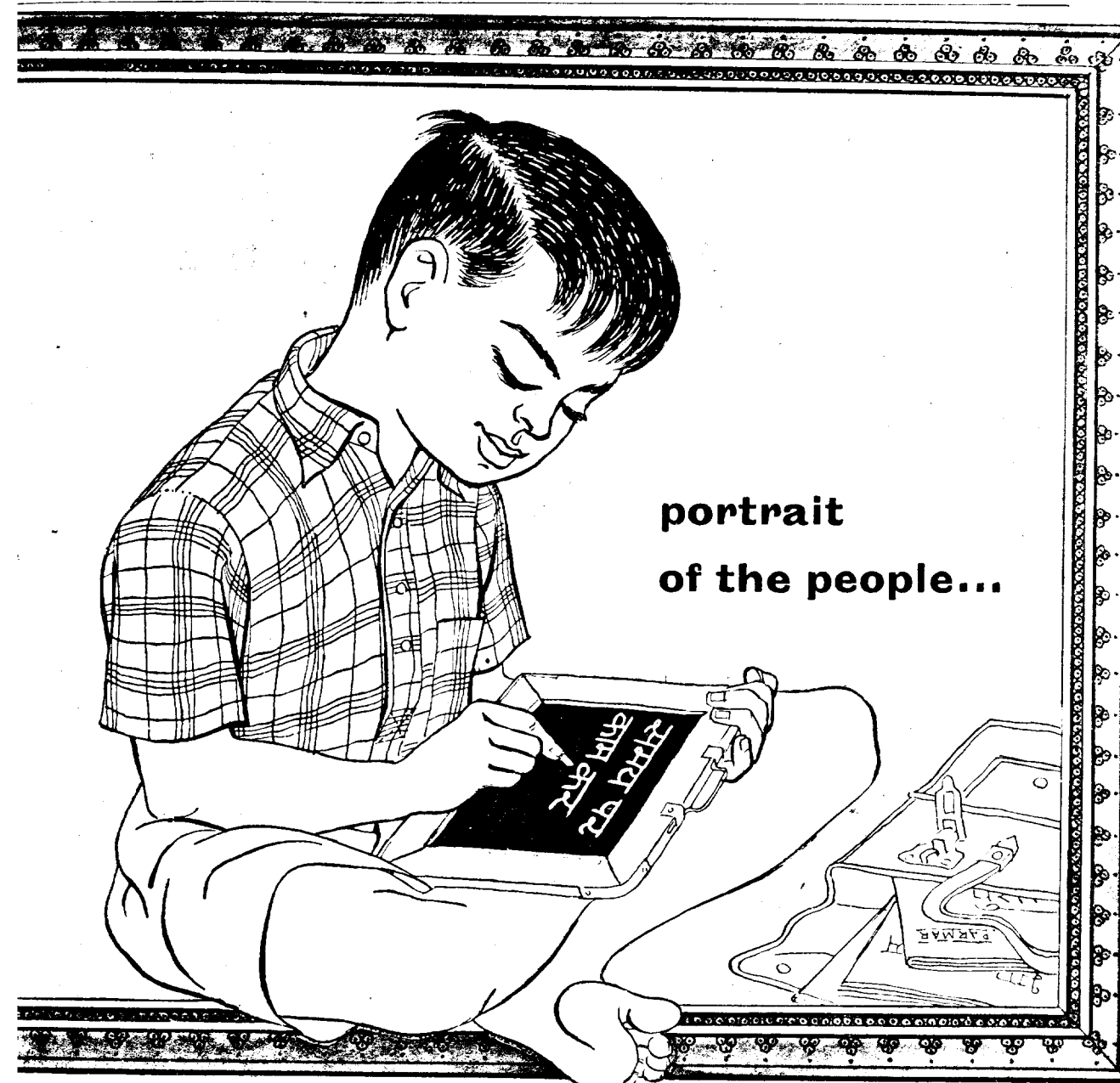


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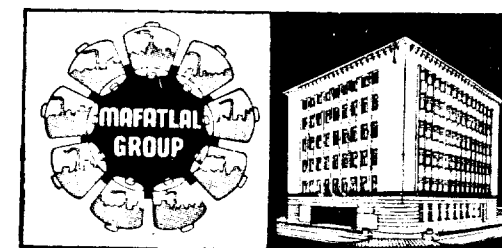


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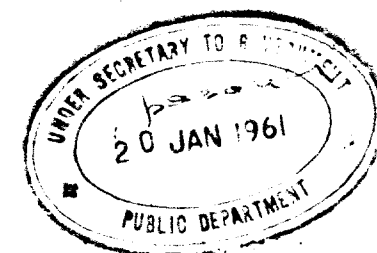
THE EASTERN ECONOMIST

VOL. XXXVI. NO. 2

NEW DELHI: JANUARY 13, 1961

ONE RUPEE

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The Punjab: Animated Suspense?

EVENTS have moved dramatically in the Punjab during the last seven days. As often, when events follow very quickly upon one another it is difficult to assess, until they settle down to what might be described as their equilibrium position, what they portend. Even the facts, as reported in the newspapers, are confusing enough. The only points which are clear are that Sant Fateh Singh ended his fast of twenty-two days on the morning of January 9, on a recommendation of Master Tara Singh that the Prime Minister's statement involved a fulfilment of the purpose for which the fast was undertaken. This has been hailed in official circles as a climb-down by the Akalis, and a suggestion has been made that the Akali leaders were all-too-ready for a symbolic gesture to change their minds. The mass release of Akalis detained and the Prime Minister's statement, equivocal and uncertain as it is, seems to have provided a welcome way out. If things could be left there, namely, that both sides have recognised that the agitation has fulfilled its main purpose and nothing more need be done, all would be well. Many observers have drawn this conclusion; but *The Eastern Economist* believes it is not warranted.

Two uncomfortable facts remain. In the first place, on Monday this week, Master Tara Singh announced that "the agitation would continue." While the Akali Morcha has been discontinued, something like a Gandhian demand is to be now made for the same end. While this displays moderation on the part of the leaders, the rank and file of the supporters is highly agitated. An attack was made on Master Tara Singh on January 11, when he was shouted down and had to be escorted to safety by armed Sevadars. So far as the temper of the rank and file can be gauged, it is still militant and by no means reconciled to the 'peaceful' proposals of its leaders. Since the rank and file will have a longer and more continuous influence on the making of policy than the leaders, there is no room for complacency.

This is not the first time that the volume of the Akali agitation has been misconstrued in Delhi. At the last Governors' Conference, the Governor of the Punjab, Mr. N. V. Gadgil, showed himself a very poor judge of its intensity. While

the Prime Minister has played his role with dignity and firmness, there is still no evidence that he is playing on firm and stable ground. Indeed, the vigour with which the agitation was pursued (notwithstanding the readiness with which it was withdrawn) seems to indicate that a settlement is not in sight. It is, therefore, right that one should consider whether or not a further concession to obtain a solution would, or would not, be historically expedient and administratively wise. The Central Government obviously has power with the Army—not the police—to defeat the Akalis. But is this expensive operation to be waged for no purpose beyond those the Prime Minister named?

In deciding whether or not a separate Sikh State should be conceded, one should not too narrowly conceive of "unity" in terms of a geographical area only. The essence of unity is the absence of tension between the inhabitants of the area. There is not much evidence in the Punjab that this obtains, and while the present position is certainly much better than it was a week ago, no one should underestimate the intensity of the feeling amongst the Sikhs in respect of their demands. The substance of the demand is that the Sikhs want a separate area to be run predominantly as a Sikh State. Equally there is a good deal to be said for a Hindu area covering Haryana in which the tension between Sikhs and Hindus will be reduced by placing a Hindu administration firmly in power. The division of the Punjab is not necessarily a reduction of all-India unity any more than the separation of Gujarat and Maharashtra previously refused on the same ground. It is sincerely to be hoped that, when talks are resumed, the Central Government will not take an unduly rigid stand. If it is true that the tension between the Hindus and the Sikhs makes working together impossible, the separation of two areas, both owing direct loyalty to the Centre would by no means be, on balance, an evil. The long-term solution, which has now been kept in animated suspense is one which should not be unduly delayed. And second thoughts on both sides suggest that the time to reach a compromise agreement is before disagreement hardens into an election battle, with the Sikh districts solidly in opposition.

Dandakaranya: The Tractor Scandal

THERE is much more in the scandal of the tractors acquired from the Defence Ministry for the Dandakaranya project than what was made out when this issue was raised in Parliament in the last Budget Session. Mr Sukumar Sen, Chairman of the Dandakaranya Development Authority, made the startling revelation at a Press conference in New Delhi on Monday this

week that not a single tractor out of the entire fleet of 58 was in working order. This certainly lays bare a very grave state of affairs. It was pointed out early in March last year in Parliament by Mr. M. C. Khanna, the Rehabilitation Minister, that certain defects were discovered in 16 tractors which were grounded on the advice of the collaborating Japanese manufacturer. It

is a matter for serious consideration that after the end of the monsoons, when the fleet of tractors was expected to be used in full swing to expedite the reclamation operations to rehabilitate refugees without any further delay, the entire fleet of 58 should be found fit only for being grounded. Mr. Sukumar Sen's forthright and categorical statement has not been contradicted. This is significant.

This statement takes the Dandakaranya tractor scandal a long step forward. In March last, when this issue was raised on a call-attention notice in the Lok Sabha, Mr. Khanna stated that out of the fleet of 53 tractors purchased from by his Ministry from the Ordnance Factories, 42 tractors of the D-120 type were in perfectly good working order and they were giving completely satisfactory service; it was only 16 tractors of the D-80 type which had to be put out of commission. They required mere minor adjustments which could be completed soon. What were then dismissed as minor defects in these tractors actually turned out to be so serious as to render them unserviceable.

The tractor scandal has now taken a grave turn by reason of Mr. Sen's disclosure that even the large sized 42 D-120's which, according to the Rehabilitation Minister's statement of March were quite sound, have also become unserviceable. The entire fleet is said to be rusting and lying in a corner like a scrap heap.

These tractors were manufactured by the Defence Ministry in the Ordnance Factories in collaboration with the Japanese firm of Komutsu Manufacturing Company. Immediately after the call-attention notice, this question was again raised in the Lok Sabha and the Defence Minister was called upon to explain the real state of affairs. Mr. Krishna Menon's explanation makes it crystal clear that responsibility for the tractor scandal ought to rest heavily on the shoulders of the Defence Ministry. The liability of the Rehabilitation Ministry may at best be confined to an error of judgment in seeking the agency of the Defence Ministry to acquire these tractors.

The Draft Election Manifesto

THE resolution on the draft of the election manifesto of the Congress Party for the ensuing general elections of 1962, which was adopted at the Bhavnagar Session, appears to be commendatory; but, in essence, it is directive in character. The text of the resolution sets out no less than twenty-two points, which are to be emphasized in the final election manifesto, as constituting the kernel of the politico-economic policies and the programmes of the Congress Party. This resolution has been over-weighted by economic issues and the attention which has been focused on domestic and international political problems has been kept within reasonable limits. This is undoubtedly a great virtue of the draft manifesto.

Achievement of food self-sufficiency by the end of the Third Plan is the acid test of the success or shortcomings in performance of the Third Plan. It is undoubtedly curious that definite programmes of intensive cultivation, which ought to be carried through in reaching food self-sufficiency, have been practically over-looked in the resolution or disposed of with mere exhortations. On the other hand, there has been so much high-sounding talk about the co-operative pattern of society and the setting up a country-wide network of farming co-operatives as well as service

But here again, the Defence Minister's ambition to make all manner of experiments in manufacture in the Ordnance Factories appears to have been the root of the whole trouble. Mr. Krishna Menon asserted in an over-confident tone that the report about the unserviceability of the 16 D-80's was nothing short of "a sensational story". He also asserted that the most eloquent testimony to the quality and efficiency of the type of tractors whose manufacture was taken in hand by the Ordnance Factories in collaboration with Komutsu was that the Rehabilitation Ministry had placed an order for a further supply of 125 tractors with his Ministry. One fails to understand how placing of the second order in such a short time without putting the first batch to a severe test for a sufficient time, amounts to a sound testimony. It is now alleged that the firm of Komutsu has little experience of manufacturing tractors of the types selected for the Ordnance Factories. If so, this fact raises still another fundamental issue.

On what evidence did the Defence Ministry come to the conclusion that Komutsu were the right manufacturers whose collaboration should be sought by it? The Defence Ministry ought to have taken the precaution in selecting the collaborator for manufacturing the tractors. Whatever the force behind the allegation about Komutsu, it is undoubtedly outrageous that the Dandakaranya project should have been singled out for this dubious experiment. In this case, Parliament ought to insist upon a thorough explanation about the facts collected and criteria applied by the Defence Ministry to satisfy itself about the suitability of Komutsu for collaboration. The stock plea of non-disclosure in the public interest cannot be maintained here. If the Chairman of the Dandakaranya Development Authority was constrained to declare that the entire fleet of 58 tractors has become absolutely unserviceable, this development calls for a parliamentary enquiry after the views of the Ministries of Defence and Rehabilitation have been presented.

co-operatives. Rural electrification for introducing technological improvements in agriculture and rural industries, on a progressive scale, has not escaped attention. A novel recommendation has been made that each State should earmark a definite proportion of the electricity generated by it for rural electrification. The Draft of the Third Plan exposes the hollowness of this novel approach. Taking a population of 5,000 as the norm for a village, only 3.4 per cent villages in India will have been electrified by the end of the Second Plan and the target for the Third Plan aims at pushing up this puny percentage to 6. The fundamental obstacles to carrying forward rural electrification programmes have been very frankly admitted in the Draft Third Plan. They are the wide distances separating the villages, the consequent difficulty of spreading the grid systems in the countryside and the sluggish response of effective demand, present as well as prospective. The resolution cannot but give the impression that the imperative instruments of food self-sufficiency have received scant attention.

Labour and employment constitute the Achilles heel of the first two Plans. Even in the non-agricultural sector of the economy, there has been a grave shortfall in the creation of addi-

tional jobs in the Second Plan, leaving a heavy load of carry-over of the unemployed to the Third Plan. The resolution hints at the possibility of exploiting the employment potential of the village industries as an immediate programme to fight unemployment. Comment on the assumption behind tapping this potential in the short run, in the light of the grave difficulties of organising these industries on modernised lines to generate self-sustaining capacity, is unnecessary. Emphasis has been placed on greater attention to welfare. Provision of training facilities has also been mentioned incidentally as a plank in labour policy. While improving standards of living and welfare are labour's due, their correlation to productivity, which alone can sustain them in the long run, has been totally ignored by a conspicuous omission. One wonders why, in the light of the grave challenge to industrial peace in both the sectors during the Second Plan, a rational link between wages and productivity has not been driven home.

Whether by inadvertence or otherwise, there is a reference to "socialisation" as a means, among

Guest Editorial

South Africa: Country of Minorities

By William Rees-Mogg

PARADOXICALLY the first impression of a visitor to South Africa is not of the state of tension but of the degree of stability. The events in the Congo, the Sharpeville shooting, and the policy of *apartheid* have created such a strong impression of crisis that there is bound to be some initial surprise at the solidity of the South African economy, and, for that matter, at the freedom of the South African Press.

Indeed one South African sympathetic to the Government asked me whether the violence of the opposition in the English-speaking press did not create a false impression of South Africa. I had to tell him that the vigour of the English language press criticism was one of the most encouraging points about South Africa; it both showed that a powerful element was absolutely opposed to *apartheid*, and that the censorship of the emergency period had not muzzled the press permanently.

There is certainly growing bitterness among English-speaking South Africans at being caught in the crossfire of the Nationalist Government's racial policies. Obviously these English businessmen do not all hold liberal views, but the general tone of their community is surprisingly progressive. The old idea that business and politics should be kept rigidly apart is now much less widely held; Sharpeville, and the crisis of confidence it created, showed that business cannot avoid the consequences of political action.

It does seem clear, however, that the long-term political future of South Africa depends upon a reconciliation of different races rather than on a simple transfer of power to the native majority. The latest figures of population show that in 1960 there were about 8 million native Africans, about 1½ million of mixed descent, about ½ million of Indian descent and about 3 million of European descent, more or less equally divided between the English-speaking and the Afrikaans-speaking communities.

The present Government is a tyranny of the Afrikaans people over everyone else. The English-speaking population benefits economically from

other priority measures, of the achievement of the socialist pattern of society. Socialisation or nationalisation has been definitely frozen, except in very urgent and indispensable cases, if the Industrial Policy Resolution of April, 1956, is to be interpreted in its correct connotation. There can be no frittering away of rupee resources for socialisation, scarce as they are. Perhaps this may be disregarded as a sop to the electorate. Nevertheless, it is gratifying to find that the central character of the pattern of the country's economy as a mixed economy has been emphasized and what is still more gratifying is that there has been a deliberate accent in quite unequivocal terms on the preservation of the worth and dignity of the individual in the accepted pattern of the economy. The draft manifesto, on a general view, attempts to clarify the attitude of the Party to the live issues before the nation, but the greatest flaw in it has been a serious lack of balance in emphasis. However, can any election manifesto have a true sense of proportion? Objective proportion, it seems, is not good for the people or at least their votes.

the advantages that are reserved for the European peoples, but it has been completely excluded from Government for twelve years, and expects to share the consequences of the eventual breakdown of the policy and much of the bitterness it has created. One South African—a supporter of the Progressive Party—said to me, "if it ever gets to the point of a shooting-match, I don't suppose that a white man will be asked 'do you speak English?' before he is shot at."

The Government itself seems to be completely without merit, but is not, I think, completely without sincerity. It leaves the impression of being an administration of dangerous fanatics but not an administration of dangerous criminals. Admittedly it is capable of some pretty sharp political practice, and its attitudes are far from liberal. I was impressed by the fact that no one while I was in South Africa mentioned the fact that their Prime Minister, Dr. Verwoerd, had been shot only a few months before. This was the ideal Reichstag fire incident on which to build a firmer dictatorship; yet the Afrikaans reaction to it had been entirely sane and level-headed. They knew it was the work of a lunatic and left it at that.

In economic terms *apartheid*—the complete separation of the races—is absurd and the consequences of attempting it have already been disastrous. The South African economy is the strongest and most prosperous in the whole of Africa, but it depends naturally upon the labour of all the people of South Africa. It never was reasonable to try to separate them into different economic units, and it is now far too late for the attempt to succeed.

At present the need to get away from *apartheid* dominates everyone's mind. Inevitably the bitterness the *apartheid* has created makes it difficult to work for any just alternative. A liberal South African told me that he wanted to get away from Verwoerdism without replacing it with Nkrumahism. That seems a fair way of expressing the dilemma of a country in which every one belongs to a minority and every minority needs protection.

A DELHI DIARY

MAN OF THE YEAR

IN the first Delhi Diary of this year I must create a new precedent and choose a man of the year just ended. Everyone keeps on telling me that 1960 has been a very bad year for every country except India, which has reached a new peak in agricultural and industrial production, rising at a rate, the statisticians tell me, never attained before. Amongst countries, I, therefore, choose India as the country of the year. Amongst individuals, I choose Jawaharlal Nehru. Not on the old argument which used to be repeated amongst schoolboys of a progressive selection on lines such as this: Asia is the most populous continent in the world; therefore, the most important. India is the most civilized country in Asia and, therefore, the most important; inside India the Central Government is the most powerful of all Governments, and, therefore, the schoolboys say, most important. The Head of the Central Government is Jawaharlal Nehru; therefore, he is the most important man in the world. Quod erat demonstrandum. I choose Jawaharlal Nehru not in terms of economics, or (let me be brutally frank!) in terms of his international achievements in 1960, which I reckon small, but in terms of the fine leadership he has given to the Indian people at what must have been one of their most critical years. It contains both Assam and the Punjab, and, more personally, Berubari and Dr. B. C. Roy. Over all of them is his fine sense of timing and, at the same time, his resilience, which compel admiration. Therefore, on his own account or what the Americans call 'on the record', I award the 'Argus Prize' for Leadership in 1960 to Jawaharlal Nehru.

It has become difficult, as the years go by, to reconcile ourselves with the point that Jawaharlal is a septuagenarian and, therefore, according to the Life Insurance Corporation's actuarial tables, has only a meagre expectation of life. No one need deny that he is looking increasingly tired and those who saw him at Bhavnagar, say that he showed great signs of strain. On this nobody should be surprised. He had more than one conversation with Master Tara Singh and 'intervened' on innumerable occasions in the A.I.C.C. meetings, apart from his marathon speeches which, it seems to me, keep his physical powers unnecessarily engaged at a time of strain. However, I have been told by a fellow-journalist that I lack understanding on these points. The question that is vital in assessing Jawaharlal Nehru is the manner of his method (or absence of method) of work. A very large number of people keep on repeating mechanically that he is a poor administrator, by which they mean that there is much overlapping, much absence of true delegation, much irritation and confusion in the apparatus which he heads. I accept none of these criticisms in exactly this form, though I admit that all these weaknesses exist when looked at from what might be called a completely orderly administration. But I think critics of the Prime Minister fail utterly to remember that the purpose of administration is to get things done. That (and not order) is both the acid test and justification of an administrator. When one looks upon the Prime Minister's achievements, particularly over the last two decades, which cover the two Plans, one is staggered by the volume of his positive accomplishments. We in India are querulous and often unimaginative people in terms of objective historical assessment. I venture to think that any historian of class, looking back on the achievements of the last ten years, would rank the Prime Minister as one of the world's great administrators. I, therefore, salute him today not merely as a man who has been able to break through the great mists in the minds of the

people of Assam and in the Punjab—though in both places the final chapter has not yet been closed—but as a man who has been able to move great new forces in the Indian social and economic system.

Whether this movement, which has taken place under what is called the socialist pattern of society or not, is directed in its best possible way is a different question. I see that 'The Eastern Economist' in its latest Annual Number has been propounding the doctrine that, if the American and Indian Revolutions are parallel, Jawaharlal Nehru is part Washington, part Hamilton, and will be overcome, in time, by the Jeffersonian spirit of individualism, more powerful States and even (horror of horrors!) free enterprise itself. I do not subscribe to this view, but I consider it is not entirely erroneous in its assumption that Jawaharlal Nehru's leadership, effective as it has been, has not been in the true line of the genius of the Indian people. The only question is to find India's Thomas Jefferson in order to influence policy in the next forty years to bring back individualism and private incentives. I presume he is already born. I often wonder whether it will not be good thing for us to institute search for divinely-sent leaders as in Tibet where they 'search' for the new Dalai Lama as soon as one departs. But I am reminded that the chances are that if a search had been made neither Mahatma Gandhi nor Jawaharlal Nehru would have been chosen. Let this not be any comment on more divinely inspired processes of selection, not vouchsafed to secular States!

MR. DUNCAN SANDYS

One of the great merits of the Prime Minister is that he finds time to see hundreds of people, not all of whom, to put it mildly, are interesting. This week, however, he really has had both an interesting and an important visitor in the form of Mr. Duncan Sandys, Secretary of State for Commonwealth Relations. Mr. Sandys met representatives of the Press on Wednesday and stood his grounds splendidly; Laos, on which he had conversation with the Prime Minister, naturally being in the ascendant. He made an eminently wise introductory speech stressing the broadening of the Commonwealth and the likelihood of the growth of its influence following the next Commonwealth Prime Ministers' Conference in March. He spoke hopefully on the new partnership symbolised in Durgapur, this had impressed him even more than the purely physical achievements which have also been striking. He skipped skilfully over the India House Library, smiling blandly when it was suggested this might be a gift from the Queen. He avoided Burma presumably as that would take him close to China and refused resolutely to be entangled with anything outside the Commonwealth except Laos. His comments were interesting in themselves, though I must confess I cannot work up in fever on Laos and am beginning to tire of international commissions, changing Governments, and anything connected therewith. I have ceased to remember names of the Prime Ministers of Laos as they come and go, or even—which is more important—its military commanders. What was really interesting on this occasion was Mr. Duncan Sandys himself. Some people tell me that he is a future Prime Minister of the United Kingdom. Would it be a terrible indiscretion if I admitted that the reason why I went to the Press Conference was that I thought it would be a good thing to form my own opinion on an astrological prediction. My own opinion is: Very Possible. But then how are Prime Ministers chosen?

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4,50,000 Equity Shares of Rs. 100/- each	4,50,00,000

The Subscription List will open at 10 A.M. on 9th January, 1961 and will close at 2 P.M. on 16th January, 1961 or earlier as soon as subscriptions approximating to the amount issued to the public have been received, but not earlier than 2 P.M. on 12th January, 1961.

With reference to the last paragraph under the heading TECHNICAL COLLABORATION (page 11 of the Prospectus) of the announcement published on 6th January, 1961 about the approval of the Government of India of the terms of the collaboration agreement with Messrs. Montecatini of Italy, we have to clarify that the Government of India have approved the said collaboration on the following terms:

- I. (a) Allotment of 45,000 shares of Rs. 100 each in the equity share capital of the Madras Aluminium Company Ltd., Coimbatore, to M/s. Montecatini of Italy in consideration of the transfer of the collaborators' technical know-how in the field of the mining of bauxite ores and production of alumina, aluminium ingots and aluminium alloys. It is noted that the collaborator would be agreeable not to charge any additional fees for the supply of technical know-how either in regard to further expansion upto 20,000 tons of aluminium smelter or in regard to manufacture of aluminium fabrications.
- (2) Payment to M/s. Montecatini of Italy of a sum not exceeding Rs. 40 lakhs in Italian lire towards engineering fees, drawings, assistance in purchase of plant and other allied services.
- (3) Payment to M/s. Montecatini of Italy of a sum not exceeding Rs. 35 lakhs in Italian lire for the cost of foreign expert's, contractors and agencies for the construction, supervision and other services, charges, etc. This amount of Rs. 35 lakhs represents the payments in foreign exchange to the technical personnel of Montecatini in India. The rupee expenditure on such personnel, it is understood, is estimated at Rs. 15 lakhs.
- II. It is noted that M/s. Montecatini will, apart from the equity shares to the extent of Rs. 45 lakhs issued to them for the know-how, would also invest a sum of Rs. 75 lakhs in equity capital of the company as and when this sum that is being paid to the Italian collaborator for engineering fees and personnel become due.

The reservation of 1,20,000 shares for allotment to Montecatini in page 2 of the prospectus is to meet the commitments stated above as and when they fall due.

(Sd.) R. VENKATASWAMY,
DIRECTOR

Dated January 5, 1961.

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THE WEEK'S NOTES

France

GENERAL DE GAULLE'S TRIUMPH

THE MASSIVE vote in favour of President de Gaulle on the Algerian referendum has demonstrated again the large personal equation in French politics. The final figures announced this week gave General de Gaulle, in Algeria, 1,747,529 'yes' votes against 782,056 'no' votes. It is true that under a suggestion of the leaders of the Algerian National Party, the referendum was boycotted by a large number of its members and the popular vote was, to some extent, vitiated thereby. It would not be an unwarranted assumption, however, to say that these abstentions are, in fact, no negative votes. If they were included in the counting even on a basis that half of them were willing to consider the de Gaulle proposals, one might say that in Algeria the vote is as favourable as in France. In Metropolitan France, there were three times as many 'yes' votes as 'no' votes. Thus one can argue that the President has received abundant authority from France and almost equal confidence in Algeria.

Whether the execution of his plan is aided merely by this recognition that large majorities in both areas are for the General, it is a different question; even a small minority, led by the determined Colons, will be difficult to extinguish, if it is based on violent opposition. Nevertheless, the General is now likely to shoot down opposition as much as to decrease it. The referendum strengthens his own personal position in terms of justification of such shooting as seems inevitable in Algerian politics.

What has been again demonstrated is that the personal equation in French politics, which ran at an all-time high with General de Gaulle's coming to power, has not been significantly diminished. Curiously, it is not so much in Algeria as in French politics that the referendum is interesting. The constant complaint that General de Gaulle has fallen from grace and the French people are restive under his decrees, does not seem to have any evidence in fact. He still rides on the crest of the wave.

Laos

RE-ACTIVISING THE SUPERVISORY COMMISSION

A RECENT Gallup Poll conducted in the USA on the eve of the latest crisis in Laos reveals that an increased number of Americans have come to believe that there is a growing danger of another World War. The percentage believing that there is "much danger" of war has risen from 38 in February 1960 to 50 in December 1960 and those confident that there is "not much danger" of war has dropped from 51 to 35 per cent. Compared to this, in Britain there is still the optimism that the chances of war breaking out are bleak. A similar survey conducted in Britain reveals that 18 per cent of the British people fear that there is "much danger" of war, while 65 per cent believe that there is "not much danger." These views apart, it, however, is clear that the situation in Laos is in a state of flux. With the turning down by Prince Souvanna Phouma, the former Premier of Laos, the invitation of Boun Oum's Government to return to Laos to resolve the crisis, the situation seems to have been worsened.

The only silver lining in the cloud that now appears to be is that Britain and India are agreed on the view that the International Supervisory Commission needs to be reconvened. It may be recalled that in the summer of 1959, Britain was not anxious to reconvene the Commission when the proposal was mooted by India. Boun Oum's Government now functioning in Vientiane is not prepared to admit the Commission until and unless it recognizes the present

Government. Russians on the other hand are putting forward the claim that Prince Souvanna Phouma's Government in exile has not yet resigned and should be regarded as the functioning Government for the purpose of the Commission and even otherwise. The present position is that India on her own cannot take action until there is a request from the two co-chairmen. This is because India cannot function independently of the procedures laid down in the Geneva Agreement even though she is a chairman of the Supervisory Commission.

Feelers continue to be thrown that the Commission may not deal with the Governments as such, but with the King who is the constitutional head. But is the King prepared to have the Commission back? Then again, while Britain, the USA and France are in favour of revival of the Commission, Russia continues to insist that there should be a preliminary meeting of the two co-chairmen to work out the details. In its anxiety to solve the present crisis, there has come a new move to convene a 14-nation conference including, among others, the signatories to the Geneva Agreement. The Soviet Union, France, North Vietnam and Cambodia are said to have committed themselves to the view that such a conference would be more fruitful than a re-activation of the Laos Commission. On the face of it, the convening of the 14-nation conference might appear to be well-meaning, but the fear is that it perhaps may not be so effective to induce the contending forces to cease fire and to stop foreign military intervention. The immediate need is to check fighting and under the circumstances, the revival of the Commission seems to be the only workable solution. All those interested in peace in South-East Asia must strive for its re-activation.

University Education

MR. S. R. DAS'S CONVOCATION ADDRESS

THE ADDRESS of Mr S. R. Das, Vice-Chancellor, Visva-Bharati University, Santiniketan, at the thirteenth convocation of Rajasthan University on Monday, the 9th January, 1961, is a happy departure from hackneyed and routine addresses that young graduates have to swallow against their will every year. Mr Das's address is not only useful to the university students, but also to people in all walks of life. Mr Das is not given to making frequent speeches. But in the few which he makes his magnificent and noble personality and his breadth of vision cannot be missed. One listening or going through his convocation address is amazed at the sincerity of feeling and a complete identification of his sentiments with the young graduates of the university. But what marks out Mr Das from most others is his depth of compassion and feeling, punctuated properly with the realism of life that only comes through living a useful and eventful life. When Mr Das advises the young graduates to lead a life of usefulness, one does not feel that one is listening to another of those tall talks in which many people have become habituated to indulge without really meaning what they are saying. And Mr Das explains to young students what he means by useful life in the context of India's rich heritage and of modern strains and stresses, both at home and abroad. He reminds the students that the Indian youth have forgotten the Fatherhood of God and the Brotherhood of Man, and the declaration of human dignity by the words 'Amritasaya Putraha' enunciated by our 'Rishis.'

Mr Das is pained to see that a large number of educated young men have been involved in linguistic quarrels; naked goondaism has replaced a logical argument of one's case with supporting reasons. The failure on the part of university students to live upto certain standards of moral, spiritual and intellectual

values has been ascribed to the failure of our universities to discharge their duties and functions properly. The main purpose of university education, according to Mr Das, should be to promote the study of the mind of man and research into the various cultures and civilisations of the world with a view to strengthening the fundamental conditions of world peace, through the establishment of free communication of ideas between the thinkers and scholars of both eastern and western countries, free from all antagonisms of race, nationality, creed or caste. And in order to attain those ideals, Mr Das gives the following practical pieces of advice to young students which are worthy of emulation by all. They are: Speak the truth. Practise righteousness. Deviate not from your duties. Be firm as a rock. Be sharp as an axe. Be worthy as gold.

MAHARASHTRA LAND CEILINGS BILL

Press Statement of Mr. F. Edwards, President of the Deccan Sugar Factories' Association, Bombay

The proposed Land Ceilings Bill of the Government of Maharashtra is a very risky and dangerous move! No right thinking businessman or industrialist could possibly support such a retrograde step. The very basis of the success of the Sugar Industry in Maharashtra is being undermined, and the benefit, experience and efficiency built up over a period of 40 years is being thrown to the winds. Maharashtra is the most successful sugar producing area in India and this success is only due to the pioneering work and perseverance put in by the old established joint stock companies. Their experience has proved that only by having the growth of its Sugar Cane under its own complete control can a factory produce quality sugar at low prices. The profits made by such factories are not due to high selling prices, or profiteering, because the selling rates are fixed by the State Government! They are due solely to lower costs of growing cane and manufacturing. Looking to the yields of cane per acre and quantity of sugar produced per acre of cane, it is completely beyond all comprehension why there should be State Government interference, when the Central Government are urging higher production, at lower costs, to enable the country to participate in world trading and earn valuable foreign exchange.

Maharashtra produces results equal to the averages in other well known Sugar producing countries of the world. Take Java, for example, and study the following figures:

	Yield of Cane in Tons per Acre	Average percentage recovery of Sugar from Cane
Java	56.20	11.49%
Maharashtra	53.25	11.80%
All India	14.70	9.84%

Compare Maharashtra's results with the averages throughout India, and ask yourselves the question "Why should the State Government attempt to disturb such progress in Maharashtra, when the rest of the country's Sugar industry is obviously so sick and ailing"? The answer cannot possibly be that it is in the interests of the Nation or even in the interests of the State. There are abundant facts to prove that. It is therefore astounding that the Central Government should allow such legislation to be brought forward. The only obvious answer to the question is that the move is entirely political and is an effort to attain some ideological goal

at any and all costs. The intention to apply Ceilings to Sugar Cane farms is all the more astonishing when one recalls the utterances of Ministers and the Planning Commission in recent times and the steps that have been taken in other States to exclude industrial undertakings from their Land Ceiling Bills. Surely it can't be that the Governments of Andhra, Kerala, Madras, etc. are more enlightened than that of Maharashtra! In the Madras Bill provision is made for the setting up of a Sugar Cane Board with a High Court Judge as Chairman to determine whether Sugar Cane farms shall continue to be run by the factories which have been cultivating them hitherto. This is fair enough as it is expected the decisions will depend on facts and merit but the Maharashtra Government has set itself up as the sole judge as to what it should do with the Surplus lands which become vested in it. And if any difficulties should arise in administering the bill when it is enacted, the Government has taken the power to make such adjustments or take such decisions as it may consider necessary to meet the case. This is a bad feature of the bill and should be opposed vigorously. Another possibility is that some of the Sugar factories in the country may find themselves deprived of their farms while others will not and this discriminatory treatment should not be allowed by the Central Government.

The whole Bill is another example of unnecessary political interference in industry and commerce and the effect, if the bill is enacted in its present form, must inevitably be detrimental to the progress of the Sugar industry in the Deccan. It is to be hoped that the Government even at this late stage will indulge in some re-thinking and come to the right conclusion that it would be infinitely wiser to exclude well run Sugar Cane farms attached to factories, from the provisions of the bill.

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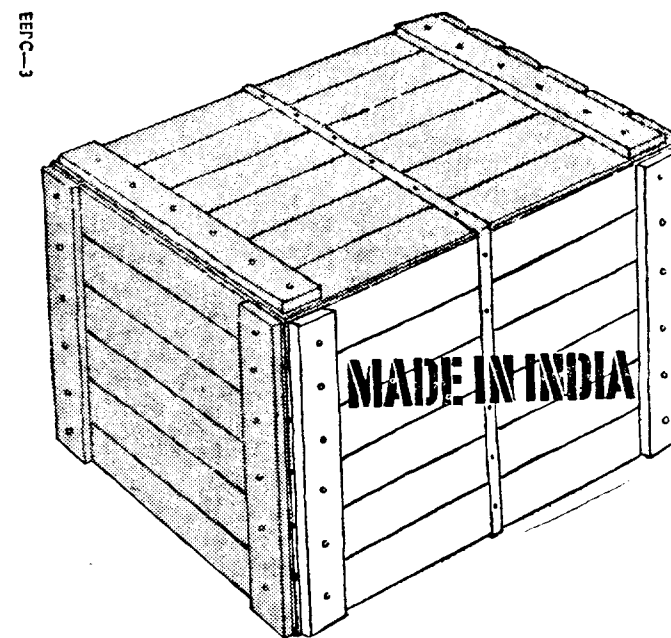
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The World Abroad

CONTRASTS IN THE BRITISH AND GERMAN ECONOMIES

By

ODYSSEUS

IN his dispatch "After the German Miracle" (March 18, 1960), Our West European Correspondent explained why, although Germany's economic growth will no longer proceed at the spectacular pace that it was able to maintain as long as it was aided by the influx of refugee labour, the national product may be expected to continue to expand, albeit at a more "normal" pace, related to Germany's ability to raise productivity. After a three weeks' study tour of Germany, I offer, as a footnote to my colleague's carefully documented exposition, some points of contrast between the UK and German economies.

The labour shortage will, of course, enable the masses to secure a larger slice of the national cake. Most Germans with whom I talked believed that competition for votes between the parties would lead to rising "welfarization", but they thought, for reasons that I outline below, that for some time to come the term "Welfarism" is likely to have widely different meanings in the UK and in Germany.

Since the British Trade Union Congress and the German Federation of Workers (DGB) are important factors in their respective economies, a comparison of their different attitudes towards labour problems is enlightening. The TUC is staffed by intelligent men, who understand what makes for economic growth, but they cannot control the jealously independent craft unions that they loosely federate. The TUC realize the imperative need, if wealth is to grow, for labour-saving devices and new techniques. Recent events in the Wills cigarette factory illustrate their difficulties. Wills want to instal machines which will each do the work of five men. They guarantee that no present worker will be dismissed. But the Tobacco Workers Union struck because they realized that, over the years, the new machines would cause the membership of their union to contract. The plethora of unions in shipbuilding (rivetters, boiler makers, fitters, etc.) is another and even more notorious example of the way in which the craft unions impede (a) technical advance and (b) mobility and flexibility in the employment of workers.

DISCIPLINED GERMAN WORKERS

In Germany, most unions cover whole industries, not crafts, so that a new technique, in e.g. rivetting, need not contract membership of a union; men can be shifted to other jobs inside the industry. The DGB's centralized structure gives it control from top to bottom. The unofficial local strikes in defiance of union authority which plague UK industry are unknown in Germany. The DGB is strong enough to enforce a strike code. No strike can be launched until all the prescribed steps in negotiations have been taken. A union's local section cannot strike without the authorization of headquarters. Once authorization has been obtained, the local must hold a secret ballot amongst its members. A strike is illegal without a 75 per cent majority. Even then, a strike does not follow automatically because the union is required also to consider the circumstances as a whole, e.g., the state of the trade cycle and the possible repercussions on other enterprises and other branches of the economy.

The DGB's goal is not the abolition of capitalism but the greater participation of labour in its working.

Its attitude is empiric, not doctrinaire. Although, in practice, the DGB has close links with the Democratic Socialist party (SPD), it is not affiliated to it, as is the TUC with the Labour party. (Incidentally, two members of the DGB Council belong to Adenauer's party). The DGB therefore enjoys a certain freedom of action, whereas the TUC has always to think in terms of avoiding policies that might harm the Labour party and of pursuing policies that will help it. Although the DGB's natural affinities are with the SPD, it has a wider margin than the TUC in which it can assess any situation in terms of abiding economic realities rather than of the SPD's current political slogans. The DGB's attitude towards wage problems and rationalization is therefore more flexible than that of the TUC. I do not suggest that the DGB will not exploit the labour shortage to increase the workers' share of the cake. Of course, they will. But the DGB will be more alive than the TUC to the need (a) to increase the size of the cake and (b) to moderate demands in accordance with realities.

Few realize that the cost of social security in the UK and in Germany is about the same (about £3,000 million a year). The difference is in the systems of collection. In the UK, four-fifths is raised from general taxation. In Germany, social security is financed mainly by a charge per employee paid by the employer. The UK system means a low level of taxation on labour and a high level on capital, because the rate of tax on unearned or investment income is higher than that on income created by work, and also because profits are taxed. Because the social security charges are an important element in his labour costs, a German has a greater inducement than a British employer to use his workers economically and efficiently, and to substitute capital-intensive methods whenever possible.

DEFENCE, EXPORTS, AND OVERSEAS INVESTMENT

Since the war, the UK has made an immense and successful effort to modify the structure of its exports. The leading example is textiles, which have dropped from 19.4 per cent of total exports in 1938 to about 10 per cent today, while machinery, transport equipment, and chemicals have risen from 30.1 per cent in 1938 to 43.3 per cent in 1955. In 1938, only 74 per cent of UK imports were financed by exports; today the figure averages 100 per cent. This is remarkable evidence of post-war Britain's resilience. But when her obligations to maintain the reserves of the sterling area and to export capital are remembered, the balance of payments record shows that a still greater effort is required. One of the UK's handicaps has been the expenditure of 8.4 per cent of her gross national product on her share of defence in NATO and elsewhere. Moreover, the defence burden falls mainly on the metal and engineering industries, which today constitute 56 per cent of the UK's export earning capacity.

By contrast, Germany has hitherto spent only 4.3 per cent of her GNP on defence, and beside the UK's total post-war export of private capital (£3,000 million) and government aid (£800 million), the German totals of £208 million and £200 million respectively are puny. German defence expenditure is, however, likely henceforth to rise steadily. Will this effect the export earning capacity of her metal and engineering industries?

My German informants did not think so. They pointed to Germany's policy of buying defence equipment from France, Italy, and the USA, rather than of building up a domestic armaments industry.

Our West European Correspondent has explained that Germany will henceforth substantially increase her exports of capital and that the German economy should be able to bear the burden. Among contributory factors to this satisfactory prospect is the way in which state owned enterprises are managed in Germany. The Federal government alone (apart from the states and municipalities) has an interest in over 400 companies, sole control of over 220, and employs over 200,000 workers. Although efforts are being made to denationalize as many as possible, a vast sector of the economy is likely to remain state owned.

In Germany, each state owned enterprise competes for capital in the market. The terms on which it can borrow depend on the market's estimate of its profit earning capacity. This means that the prices charged for the commodities produced must be those of the market. It follows that Germany's state owned enterprises are (a) compelled to be as efficient as those of private enterprise and (b) that they do not distort the economy.

How does German "state ownership" compare with British "nationalization"? The products of UK nationalised industries have been sold at artificially low prices, because the politicians feared that to charge market prices would anger the electors. Investments have therefore had to be financed out of gilt-edged loans at low rates of interest. Even so, the industries have mostly failed to cover costs at the prices charged, so the yield on their investments has been about 5 per cent, compared with 15 to 20 per cent in the private sector. The government have at last begun to realise

that when these low prices compel them to finance investment programmes by issuing more and more government stock every year, a big hole is created through which inflation continues to pour. Artificially low prices have also stimulated wasteful use of nationalized products. Where, as in Germany, market prices are charged, the comparative costs and efficiency of, e.g., coal, coke, gas, electricity, and oil, as fuels, sort themselves out. A further distortion has occurred in the UK because charges to private consumers have been kept below charges to industry. This has stimulated wasteful private consumption, raised costs to industry, and has increased unnecessarily the huge investments needed in these industries, not in order to raise efficiency but merely to satisfy artificially stimulated demand. Productivity has decreased.

The management of UK nationalized industries in accordance with the Socialist doctrine of substituting the alleged "public interest" for the "selfish profit motive", and of allowing political motives precedence over economic principles, have been major factors in (a) keeping inflation alive, (b) the wasteful allocation and use of resources and capital, and (c) slowing the rate of the UK's economic growth. It is one of the outstanding strengths of Germany's economy that it is not plagued by these distortions.

We may conclude by noting that, in the past three years, the Socialist principles, taken for granted in the UK after the war, are being widely questioned. With a comfortable majority in hand, the Conservative Government is tackling these anomalies one by one.

On October 14, I debated here whether any man was worth Rs. 2 lakhs a year. I propose in the following article to reconsider this question in the light of my talks with some of Germany's post-war millionaires.

GERMANY'S 3,502 MILLIONAIRES

WHY did the German national income rise between 1950-59 by 6.5 per cent a year, compared with 2.7 per cent in the U.K.?

A glance at the economic organization of pre-1914 Europe provides part of the answer. Before 1914, the European masses enjoyed modest living standards. To all appearances they were reasonably contented. And any man of capacity at all above the average could ascend into the middle classes, for whom life offered standards beyond the dreams of the richest monarchs of other ages. Barriers to the flow of trade and capital were negligible. Some 300,000,000 lived inside the frontiers of Russia, Germany, and Austria-Hungary.

Pre-1914 Europe was organised to ensure the maximum growth of wealth. The living standards of the masses crept up slowly but steadily (real wages in the U.K. doubled between 1850 and 1904). But, of course, a great part of the increased income went to classes who consumed little of it. It is at any time only a tiny minority that indulges in conspicuously wasteful expenditure. The average pre-1914 middle class men preferred the power which investment gave to the pleasures of immediate consumption. It was the UNEQUAL distribution of wealth which made possible those vast accumulations of fixed capital — new harbours, bridges, railways, industrial plants, cable, and telephone systems — which distinguished that from all previous ages. Investment on that scale cannot occur when taxation redistributes surpluses. The railways of the pre-1914 world were built by workers who did not immediately consume a "fair" share of the result of their labour. The saving and investing middle classes were allowed

their "unfair" shares because they consumed only a small part of them in practice. "Saving became nine-tenths of virtue and the growth of the cake the object of true religion."

"UNFAIR" SHARES MULTIPLY WEALTH

Remember, however, that the cake was small in relation to the potential consumption of the millions. If it had been shared "fairly", the poor could not have risen above subsistence level because (a) in relation to their millions there was little of it and fairly shared slices would have been thin to the point of transparency, and (b) mass consumption of these extra slices, however thin, would simultaneously have consumed what the middle classes would otherwise have invested.

What ended the golden age was the splintering of the great economic units of Germany and Austria-Hungary into small, intensely nationalistic units; each with its own currency that, divorced from gold, was steadily depreciated; each with its rising protective tariffs, quotas, and exchange controls that diminished the volume of international trade, wasted capital in duplicating production of identical goods behind tariffs, and slowed down the growth of wealth throughout the world. Trade was also contracted by the withdrawal of the U.S.S.R. into isolation. Another factor was that, to the masses, the lesson of World War I seemed that governments could afford limitless expenditure on high explosives and on good living for millions of troops. If in war, why not in peace? They did not see that, in war, capital had been recklessly consumed and that, before living standards could be raised, new accumu-

lations were necessary. Nationalistic policies, seeking the illusion of economic self-sufficiency, helped to induce depression, which, in turn intensified protectionism. Since economists had not yet found the solution to depression, unemployment further undermined the confidence in free enterprise of masses and entrepreneurs alike. Germany went over to a state-controlled economy. After World War II, memory of the depression dominated thought in the U.K., and the ideology of "fair" shares held the field.

But post-war Germany listened to the great economist, Walter Eucken, who taught that the basis for the growth of wealth is a stable currency, who denounced the political serfdom of an economy in which the state is the chief employer, who upheld individual initiative, and explained that what multiplied wealth quickly was its unequal distribution. The result was that the index of industrial production (1936 = 100) rose from 89 in 1949 to 281 in 1960, i.e., over three times pre-war. I don't have comparable UK figures to hand, but with both Germany and the U.K. on 1950 = 100, free enterprise Germany had risen to 211 by 1958 and Welfare U.K. to a meagre 121.

This was because whereas the U.K. upheld (at any rate until recently) the "fair" shares ideology of reduction of inequality by punitive income taxes, which deadened incentives to invest and gave free rein to the masses immediately to consume as much as possible, Germany, on the other hand, granted tax exemption to anyone ready to work, save, invest, and produce. Germany's millions of refugees provided cheap labour? So what? If they had insisted on "fair" shares, Germany would be an under-developed country, with starving masses on the unfortunate Asian scale.

Since the war, 3,502 Germans have become millionaires. Their success demonstrates anew that all men are not born equal because after the war every German started equal — from nothing. Of the millionaires with whom I talked, Axel Springer, now worth Rs. 20 crores and owner of newspapers with a total circulation of ten crores a month, started in 1945, aged 33, in an old air raid shelter, with a packing case for a table, and a borrowed typewriter. Iwan Herstatt, now chairman of an influential private bank with a Rs. 78 lakhs balance sheet, was an obscure bank clerk. Friedrich Flender, now chairman of a power drive company, employing 2,000 workers with a wage bill of Rs. 1.20 crores, started with a heap of rubble. He collected 300 refugees and rebuilt it into a modern factory. Josef Neckermann, now head of a mail order business with a turnover of Rs. 5 crores, was controller of civilian clothing supplies under Hitler. As such, he was sentenced to a year's imprisonment by the Allied authorities, contracted tuberculosis in gaol, and went to a refugee camp to recover. At the age of 32, he started only with the clothes on his back.

Why have these men become millionaires? Each, of course, had business ability, but many have that without making fortunes. What each had, in addition, was the imagination to spot either an untapped market or to keep several jumps ahead of their competitors in an existing market.

I INTERVIEW FOUR MILLIONAIRES

Take Springer: Before Hitler, the German press only produced papers for serious readers. Circulations were small. Under Hitler, the censored press became monotonously uniform. Circulations fell steeply. Pre-war Germany never had a popular press. Springer had the vision of a newspaper adjusted in content and language to the average man. His newspapers approximate to the responsibly popular London "Daily

Mail". I confess that I rarely find anything to read in the popular press, but that only means that I'm a highbrow. It is a mistake to think that if you only allow "Manchester Guardians" to be produced, you will compel the masses to read them. They will read nothing at all. Why should the lowbrow be deprived of entertainment? And the Springer press, which includes "Kristal", a popular illustrated weekly devoted to science, provides entertainment of reasonable quality. (Incidentally, he also publishes the highbrow "Die Welt").

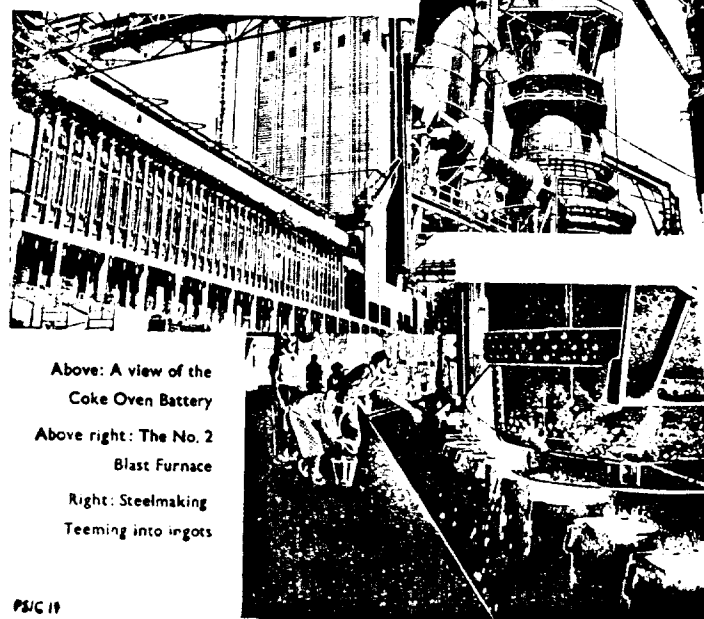
In his refugee camp, Josef Neckermann realized that millions with low incomes would want cheap household goods. In 1950, he borrowed Rs. 10,000 from a bank, and sent out a 12 page catalogue to 250,000 refugees picked from card indexes. He soon had a turnover of Rs. 1 crore. The secret of his success was to insist on high quality of manufactures and to cut prices by placing bulk orders. When an ordinary radio sold for Rs. 325, he offered an equally good set for Rs. 200. Retailers refused to repair his sets and threatened to boycott the manufacturers from whom he bought. Neckermann assembled imported spare parts, and inaugurated his own fleet of radio repair vans. Result: He brought the prices of radios down throughout Germany. Neckermann was also the first to realize that factory and office workers have little time for shopping, that traffic congestion makes travelling to and from shopping centres slow and time-wasting, and that milling peak hour throngs in stores make shopping fatiguing. Mail to their home a 400 page catalogue, plentifully illustrated with detailed specifications, offer low prices, guarantee quality, and money back on unsatisfactory goods, open instalment credit accounts, and satisfied customers will make you a millionaire. Out of your "grossly unfair" share you'll be able to re-invest ever increasing sums to start new lines and to bring down prices further over a widening range of goods. Is that unfair to the consumer?

As I know nothing of power drives, I took Friedrich Flender's word that it was constant experiment with new ideas that enabled him to race ahead. As for Iwan Herstatt, it is not easy to get onto paper the secret of success in private banking, beyond saying that it consists in the ability to judge the capacities of industrialists who want to borrow from you, and in the vision to risk investment to develop untried machines and ideas. It was not, in fact Herstatt who advanced Springer the initial credit which enabled him to make his start by producing a small paper listing radio programmes and reprinting broadcast talks, nor Neckermann the credit to buy his initial stocks, but it must have been someone with similar gifts.

In short, post-war Germany recreated the conditions of the pre-1914 era in which entrepreneur was supreme, in which his drive for profit thrust the economy forward. Whereas in "fair" shares Britain, punitive taxation slowed savings (or diverted them to inefficiently run nationalized industries), inhibited initiative, and encouraged indifference to the control of expenditure in industry, and all this, together with over-full employment, promoted inflation and uncompetitive sellers' market, in Germany, on the other hand, a buyers' market threatened entrepreneurs with bankruptcy if they did not discover new techniques. Because in the early post-war years, domestic buying power was limited, German entrepreneurs were driven into export markets to secure adequate profits. Low tariffs forced them to be competitive. The stable Mark helped to keep their prices cheap compared with those of inflating countries. Gradually rising exports multiplied internal wealth. Thus have unfair shares given all Germans bigger shares.

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Right: Steelmaking
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BRITISH COMPANIES WORKING FOR INDIA

PS/C 19

The European Scene

THE COMMON MARKET CROSSES THE RUBICON

From Our Special West European Correspondent

PARIS, January 8.

IN the jargon of rocketry, the first-stage rocket of the Common Market got well off the ground this month and the big new satellite should go into orbit at the end of 1965. The two previous tariff reductions that took place in 1959 and 1960 were little more than the count-down, because the venture could not be held to have overcome the force of gravity until it had made internal tariff reductions that were not extended to outsiders, and until it had begun to set up its uniform external tariff. These things having been done this month, the enterprise is at last successfully launched. There remains one intermediate rocket that has yet to function satisfactorily: adoption of a joint agricultural policy. This is due to be fired this year and thereafter the engine will never fall back to earth, and might even gather momentum very rapidly.

Already, from this height, it is interesting to look back over the distance traversed since the Common Market came off the drawing board in Rome. It was then reckoned that the first phase—the period in which internal tariffs would be progressively reduced to zero—would last 12 years, from 1958 to 1970, but the French had demanded the inclusion of so many escape clauses that it could well have lasted 18 or even 20 years. Moreover, as 1958 approached it became clear that France was in no state to enter the path of duty reduction, even with all the safeguards she had invented; Paris served notice on her partners that the beginning of the venture would have to be postponed one year, to 1959. Then came the return of de Gaulle and the subsequent economic reform, which enabled the Six to start moving toward a customs union on the scheduled date. The first steps were so successful that there was soon a move to hasten duty disarmament. This was agreed to in principle in May last year, but now it was the West Germans (or more exactly, the party led by Dr. Erhard) that were seeking to delay matters.

Dr Erhard managed to get a decision on acceleration postponed from June 1960 till December 1960, and throughout those six months there were ample reasons to suspect that nothing would in fact be done. The hopes of the liberal free-traders both inside and outside the Common Market, whose ambition has always been to drown that venture in a vague free-trade area, were revived and led to a spate of rumours that London and Bonn had agreed on a plan to scuttle the Common Market in a customs union for all West European manufactures. Such uncertainty was reinforced by the evident political discord between Paris and Bonn, by Continental hostility to President de Gaulle's project for a confederation and by the fear that the successor Administration in Washington would not continue the Eisenhower regime's support of the Common Market. Scepticism about the Common Market's future was not limited to newspaper articles but had an immediate effect on the flow of investments; to quote a typical example, I know of a Franco-Swedish paper pulp combine that abandoned plans to build plant at Nantes, in France, and decided instead to build in Sweden because they felt sure that West Europe would end up in a vast free-trade area.

The tide turned when it was known that President-elect Kennedy had chosen only one eminent Republican to continue in high office in the Democrat Administration, and that was Mr. Douglas Dillon, who had been the main agent of US support for the Common Market. Assured of American backing, and thus protected from attack in the name of free trade, the Common Market was free to press ahead as fast as it could. There were numerous economic interests within the six-nation region opposed to acceleration (the farm lobbies and north German industry are the most vocal) and they were all set to delay matters at the crucial Brussels conference at the end of last month. Yet when the negotiation began, everyone realised that to abandon acceleration plans now would mean jeopardising the whole enterprise by reviving the responsibility of ruining a venture to which most Continentals are firmly attached, so that when it came to a showdown the special interests had to bow before diffuse but lively public opinion.

Thus it is not at all a question of six nations merging economically despite political differences. On the contrary, all the forces opposed to economic integration are sectional economic interests, whereas the main motor of progress is a firm political will to unification. Naturally, this political aspiration takes many forms, which often seem to conflict: one group wants a super-state to be built from the people upwards, others envisage a prior confederation of existing governments. Yet these are minor differences comparable to theological disputes within a religion; however much they interest the doctrinaires, the mass of the people is indifferent to them, as long as unification continues to progress by whatever means are, for the moment, most apt.

What, then, is the economic structure of the Common Market at the start of its fourth year? Firstly, what remained of the first phase of tariff disarmament—10 years, to 1970—has been neatly halved: internal duty reductions will be complete by 1965. Already duties have been cut by 30 per cent for manufactures traded within the six-nation area. That is, an article sent from Italy to Germany and which used to meet a customs duty of 20 per cent is now charged, since 1st January, only 14 per cent; this will fall to zero by the end of 1965. Next, all import quotas for manufactures will be abolished by the end of this year at the latest. But this is less important because the six nations are abolishing the quota system for imports from all countries except Japan and a few others.

For agricultural produce, tariff disarmament is slower. Duties are, since 1st January, 25 per cent lower against 30 per cent for manufactures. However, for trade in agricultural goods, import quotas and customs duties are much less significant because almost all primary produce prices are falsified by intricate systems of subsidies, open or disguised, controls, export incentives, preferential transport charges, and so on. Before farm produce can be traded freely, this jungle of supports and discriminations has to be sorted out in a common agricultural policy. This is not easy, since countries like Holland that have a

competitive agriculture and export heavily want the freest commerce possible whereas countries like West Germany that have a subsidised farming class and import much of their food from overseas want to continue protection and discrimination. On the one hand, West German farms would not survive an avalanche of cheap produce from France and Italy (which, they claim, is cheap in part because indirectly subsidised). On the other hand, West Germany wants to go on buying food from non-industrialised countries such as Denmark who, in return, buy her manufactures. No final solution has been found to this conflict, and this is the next task before the Common Market. It is, assuredly, soluble at the cost of some political courage; it is too late now for the impetus of economic integration to be broken on the resistance of a few farm lobbies.

For the outside world, the main novelty in the Common Market this month is the variation in external tariff, i.e. customs duties imposed, not on trade between the Six, but on goods coming from outside. These changes are so far minor, and are limited to manufactures; external tariffs on primary produce will be part of the uniform agricultural policy that has yet to be written. But the important thing is that they have occurred, for they mark the beginning of a process that should be complete by 1965. At that date, all the Six will have identical tariffs for imports from outside; the same article will pay the same duty whether it enters West Europe at Genoa, Le Havre, Antwerp, Rotterdam or Hamburg. What will that uniform tariff be? At first, the idea was that it should be the arithmetical average of the six national duties, but it is now agreed that it will be that average minus 20

per cent. It is toward that level — the average minus 20 per cent — that the national tariffs began to move this month, the high ones coming down and the low ones going up. In fact, there is much more coming down than going up; many Italian and French duties have fallen while very few West German duties have risen and when they have it is by a smaller percentage.

This first step toward a uniform external tariff is as important a date as 1st January, 1959, when the first internal duty cuts were made. On the earlier date, the Six announced their will to trade more freely among themselves; this month, they affirm their personality to the outer world. In so doing, they put an end to the long period of dispute between them and their neighbours grouped under British leadership in the Free Trade Association. The debate about whether West Europe should be economically "divided" is out of date, for the two groups now exist and their only problem is peaceful co-existence. Any difficulties that arise from their parallel development can be settled within the Organisation for Economic Co-operation and Development, with the Americans acting as umpire. The Outer Seven propose to meet in Geneva next month to see whether their customs union can be speeded up to keep pace with the faster integration of the Six. This competition between the two groups is, of course, welcome and does not constitute a "trade war". Quite the contrary, experience of tariff disarmament within a customs union will prepare Britain to face the problems of membership of the Common Market if ever the day comes when she decides to apply to join an enterprise that cannot now be stifled.



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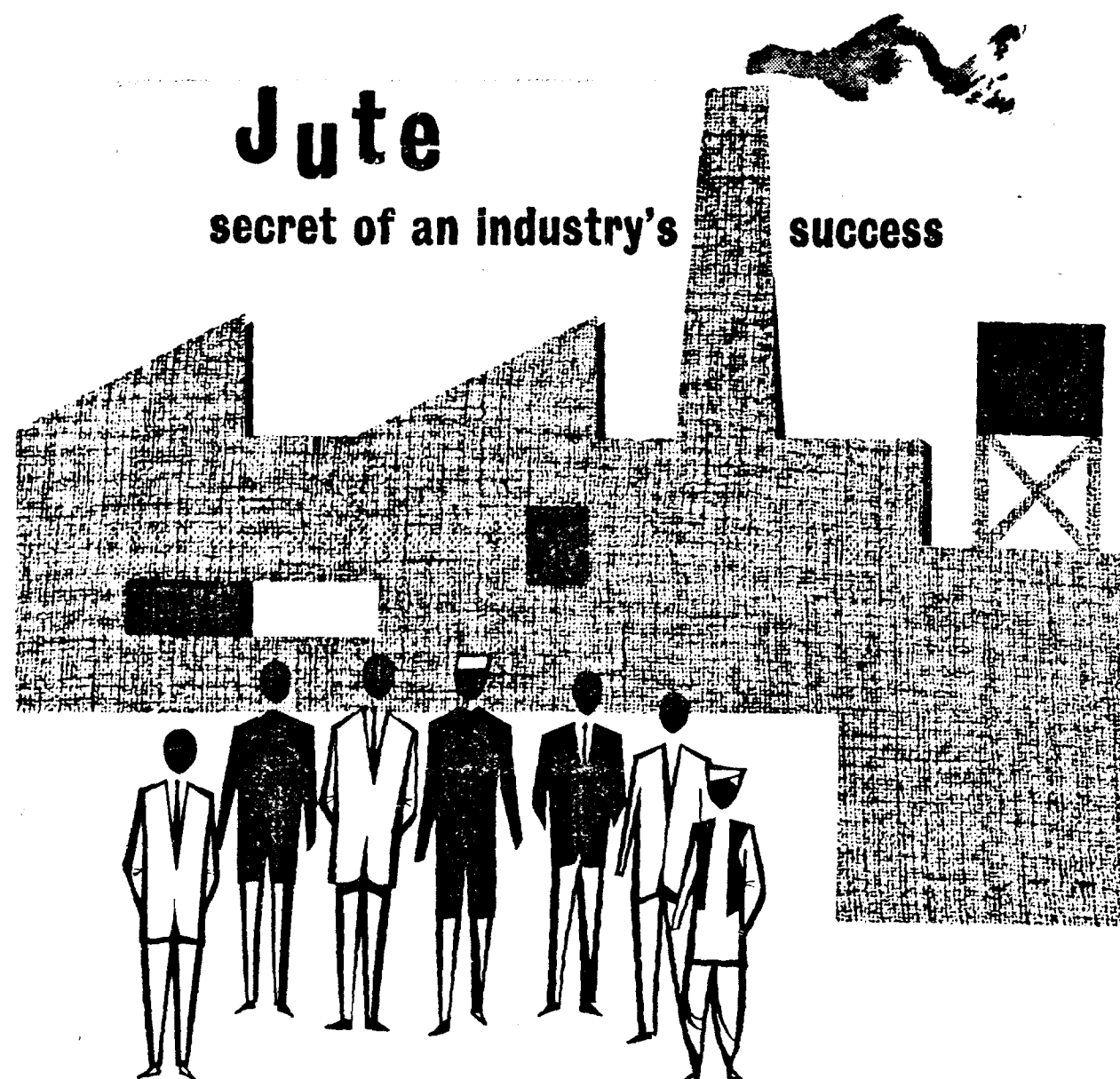
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Economic Report from the U.S.

1961 ECONOMIC PROSPECTS

By GUY SIMS FITCH

WASHINGTON, Jan. 4.

ECONOMIC news from the United States can hardly be described as very cheerful as 1961 takes over from 1960. Yet, it would be a mistake to underestimate the forces which in all likelihood will be pushing the economy upward again before many months have passed. This is the case even though the statistical measurements are likely to be showing further deterioration in the months immediately ahead. The probability is that unemployment will rise, while retail sales, industrial production and other key barometers will fall. It will be very important, however, to keep this apparently gloomy picture in perspective. It is well to remember that as the winter season deepens, such declines in economic activity are quite normal. Actually there is much that is encouraging about the present economic situation in the United States. Economists, by and large, are sticking to their view that by mid-1961 the United States will again be shifting to a growth trend. There are a number of reasons for this anticipation. In the first place, this economic dip—or recession—has not burst forth with a sudden and devastating impact. It has been a rather mild slowdown—even milder, so far, than previous postwar recessions—and has been under way for many months now. Some experts trace its start all the way back to the spring of 1960, yet the Gross National Product (GNP)—the total output of goods and services—has slipped by less than one per cent. Secondly, in key sectors of the economy, such as housing, steel and some raw materials industries, the downturn has gone about as far as it can reasonably be expected to go.

Third, and very important, is the fact that the downturn has not "snow-balled"—has not fed on itself, so to speak. Despite the slippage in some sectors, over-all economic activity has remained high. Whatever unemployment there is—and at this writing, it still is less than 4.5 million out of a total civilian labour force of more than 71 million—has tended to be concentrated in a few industries and a few parts of the country. It has not spread geographically to any marked extent, nor has it noticeably affected service and commercial trades. This is reflected in the fact that the total personal incomes and expenditures of the American people have held up well. In fact, retail sales, despite stated misgivings by some of the experts, were strong enough at year's end to assure a new annual record for 1960, about two per cent above the previous record set in 1959. In assessing the 1961 economic prospects, it also is well to keep in mind that a number of anti-recessionary moves have already been started, and they are bound to have an impact on the economy. Partly as a result of market factors, but also because of deliberate U.S. Government policy, credit is now cheaper and more abundant than it was six months or a year ago. Government spending also is rising, and this too should help push money into the economy and thus stimulate business activity.

To these existing policy trends must be added the likelihood that the new Kennedy Administration, which takes office on January 20, will pursue anti-recessionary policies of its own. While no one can or should prejudge the course of public policy in the coming months, the incoming administration appears pledged to the idea of more public spending for such vital services as schools, housing, highways, and defence. Moreover, a special task force appointed by President-elect Kennedy and headed by Senator Paul Douglas of Illinois—a noted economist in his own right—already has proposed an ambitious programme for

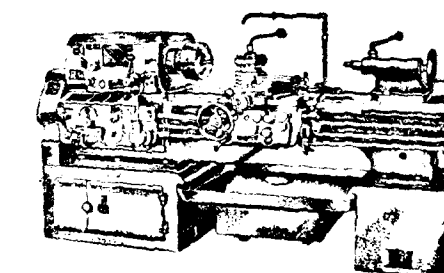
dealing with the special problems of the so-called "depressed areas." These are the few "problem" areas of the United States—such as some coal mining and textile producing centres—where unemployment has been labelled as "chronic" and where business activity has tended to lag even in times of burgeoning prosperity for the nation as a whole. One can safely conclude, then, that the fundamental forces making for the expected 1961 upswing in U.S. economic activity are already at work, and they may well be abetted by whatever vigorous steps the incoming President, and the new Congress, may deem advisable. It is in this context that one should read and interpret what may be some rather dark economic statistics in the next few months. As the saying goes, it is always darkest before the dawn and the U.S. economy in 1961 undoubtedly will be reversing the 1960 pattern: it is starting on a downturn, but it will be ending on an upturn.

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WORLDGRAM

India

India's Foreign Trade in Merchandise in November 1960: The provisional figures of India's Foreign Trade in merchandise by all routes — sea, air and land — on private and Government accounts during November 1960, according to information available in the Department of Commercial Intelligence and Statistics, are given below:

Exports	Rs 60,76 lakhs
Re-exports	Rs 1,24 lakhs
Imports	Rs 68,71 lakhs
Balance of trade	Rs—6,71 lakhs

The figures exclude trade with Tibet, Sikkim and Bhutan, and the trade arising in the Andaman and Nicobar Islands and the Laccadive, Minicoy and Amin-dive Islands. In the case of Nepal, air borne trade alone is included. The figures are exclusive of the value of certain consignments of private merchandise under reference to the Customs for verification and of Government stores awaiting adjustment. Table I below brings together provisional figures for Nov. 1960, along with similar figures for October 1960, November 1959 and the revised figures for November 1959.

TABLE I
INDIA'S FOREIGN TRADE DURING NOVEMBER 1960,
OCTOBER 1960 AND NOVEMBER 1959:

Foreign trade in	(Lakhs of rupees)			
	November 1960	October 1960	November 1959	
			Prov.	Revised
Exports	60,76	55,65	61,26	59,36
Re-exports	1,24	39	50	1,12
Imports	68,71	72,91	69,99	77,93
Balance of trade in merchandise	—6,71	—16,87	—8,23	—17,45

The cumulative total for the eight months ended November 1960 are shown along with the corresponding figures for 1959 in Table II below:

TABLE II
INDIA'S FOREIGN TRADE DURING THE EIGHT MONTHS, APRIL-NOVEMBER, 1960 AND APRIL-NOVEMBER, 1959

Foreign trade in merchandise	(In lakhs of rupees)			
	1960	1959	Provisional	Revised
		April to November		
Exports	407,46	421,98	411,31	
Re-exports	7,73	2,96	5,43	
Imports	657,40	549,65	628,25	
Balance of trade in merchandise	—242,21	—124,71	—211,51	

Tractor Factory for Madras: The latest addition to M/s. Simpson Group of Companies in Madras is a Company known as Tractors and Farm Equipment Private Ltd. with an authorised capital of Rs. 2 crores for the manufacture of Massey Ferguson Tractors and allied equipment in India. The object of the company is to augment the mechanized cultivation of the farms and to achieve the target of Third Five-Year Plan for self-sufficiency in food. 51 per cent of the shares are held by M/s. Simpson Group of Companies and the remaining 49 per cent of the shares is provided by Massey Ferguson & Company. The factory will be located in Sebiun, near Perambur at the Simpson Industrial Estate and will be completed in 12 months' time. The licensed capacity of the new factory will be 7,000 tractors annually on a double shift basis at present.

Indian Transistor Set: An Indian transistor set is claimed to have been made by an Indian manufacturer. Its difference with the imported set lies in the fact that

though its parts are imported they are assembled on a layout pattern quite different from the printed design that comes from abroad. Its circuit system is also claimed to be different from the imported one and in fact follows from the different layout pattern for the parts. The improvements on the imported variety include a push button system for changing the wave-length, a small window to see that the battery cells are properly fitted, a safety device to prevent any harm to the transistor in the event of wrong battery cells being used, provision for attaching extension 'speakers' and the locally produced coil for sound reception.

U.S.A.

Detroit Firm Ships Giant Press to London: A 1100-ton capacity power press weighing 255 tons—so big that it reaches two stories above ground and one below—is on its way to England, consigned by a Detroit press dealer. Machine parts usually are created for overseas shipment, but this disassembled press went aboard the British motorship Beechmore uncrated. Max Wender, president of Wender Presses Inc., 1957 Glay, said that crating would have cost an additional \$10,000. He sold the big machine, which has a replacement value of \$250,000 for \$50,000 to the British firm E. H. Jones, Ltd., who will install it in their London factory. Most of the parts were loaded recently at the Detroit Marine Terminals on the Rouge River. But the Press bed—large enough to contain a whole auto—and what is known as the crown, were too heavy for the terminal cranes. So the Beechmore was shifted to the Great Lakes Engineering Works, where a giant "sheerlegs" derrick handled the job. The press stood in the one-storey plant of the former In'erlake Manufacturing Co., 13595 Helen, which went out of business. To get it out, Wender's men had to remove part of the plant roof because the towering machine had been encased in a cupola on the roof.

German Imports of Cotton Seed Oil from U.S.: German imports of cotton seed oil from the U.S. amounted in value to \$6 million in 1954. These imports doubled in each of the following 2 years and reached a peak of more than 1,18,000 metric tons or \$40 million in 1957. In competition with soybean oil which was gaining in popularity, and vegetables (coconut, peanut and palm) oil from other countries, U.S. cotton seed oil, sales to Germany fell in 1958, but were back upto \$26 million in 1959. As this oil has become one of the major ingredients in the production of first quality margarine, Germany will undoubtedly continue to provide the United States with a good market for it.

U.S.S.R.

Supply of Oil to Cuba: It is reported this year the Soviet Union will supply Cuba with 3.5 million tons of oil, 9,50,000 of oil products, and 2 lakh tons of mineral fertilizers. The Soviet Union will receive from Cuba in 1961, one million tons of sugar and several other traditional Cuban export goods.

Increased Soviet-Rumanian Trade in 1961: The protocol on reciprocal goods deliveries between the U.S.S.R. and Rumania in 1961, signed in Moscow, is another important step in the promotion of the economic co-operation between the two countries. In accordance with the protocol the volume of the goods exchanged will be 19 per cent above the 1960 level. It will amount to over 550,000,000 roubles (in new roubles put into circulation as of January 1, 1961). Substantial growth of reciprocal deliveries of machinery and equipment is a characteristic feature of the exchange his year. The total volume of Rumania's foreign trade in 1960 was 150 per cent above the 1950 figure.

United Kingdom

British Firm to Build Indian Chemical Factory: A contract worth about £1,300,000 for the design and construction of a chemical plant in India has been placed with Humphrey and Glasgow Ltd. of London, a firm of international contracting engineers. The plant is to be built at Bulsar, 120 miles from Bombay, as an extension to the existing chemical works of the Indian company Atul Products Ltd. British technicians will supervise the erection of the factory, and British experts will come to India to supervise the initial operations, remaining on to train Indian staff. Nearly 50 per cent of the equipment and material for the factory is expected to be Indian-made. The remainder will be supplied from Britain. Design work is now in progress and it is expected the factory will be operating in 1963. It will produce chemical products based on naphthalene for use in the preparation of dyestuffs. The manufacturing programme includes a range of 24 different products, but these can be extended to meet other demands.

Novel Atlas of British Plants: A plant atlas of the British Isles which will be without parallel anywhere in the world is being printed by new mechanical methods in Cambridge. More than 2,000 volunteer plant observers have helped to gather the material. The volume, which is being prepared by the Botanical Society of the British Isles under the direction of Dr. Franklyn H. Perring, of the Cambridge University Botanic Garden, will have about 500 pages. It will indicate the distribution of each of some 1,700 specimens on separate 'plant maps.' The atlas will be published in February, 1962, with the aid of an automatic tabular for transferring data direct to the maps.

France

Construction of an Oil Refinery in the Philippines: The Compaigne Industrielle et Agricole de Vente a L'Etranger (C.I.A.V.E.) signed in Manila with the Filoil Refinery Corporation a \$10,700,000 financing contract for the construction of an oil refinery capable of refining 10,000 barrels of oil a day. This contract also includes a contract for material to be supplied by the Constructions Metalliques de Provence and the Societe des Ateliers et Chantiers de la Sine-Maritime. Engineering will be carried out by the American Procon Company and its French affiliate Procofrace. A group of banks, presided over by MM Worms et Cie and the Banque de L'Indochine, will ensure the financing of the project. The construction of this refinery is the first large French activity in the Philippines and the first large scale business deal made by the Philippines since the end of the war.

Italy

New 500 Fiat Station Wagon: The 500 Fiat Station Wagon a tiny car which can be used for the carriage of passengers and goods is now available at 565,000 lire from Fiat Agencies throughout Italy. The car can seat four persons and carry additional luggage weight, or can be converted into a specious van with two front seats, and carry upto 200 kilos besides the driver.

Norway

Labour Management Pension Plan Approved: The Norwegian Employers Confederation and the Norwegian Federation of Trade Unions have voluntarily negotiated and approved a pace-setting pension plan geared to collective wage contracts. Due to go into force on January 1, 1962, the pension plan will initially cover some two 240,000 union workers employed by firms affiliated to the Employers Confederation. On certain conditions, membership in the pension plan may be extended to other groups of workers. Pension payments will start in January 1, 1964. At the end of 5 years the agreement may be revised.

Pakistan

Soviet Oil Offer: The Pakistan Government has been offered Russian oil at cut prices and Soviet assistance in developing its own oil resources. The Pakistan authorities have recently been pressing the Western oil companies further to reduce prices for their products, but they are reluctant to do so, because world markets are uncertain and further reductions might meet with resistance from the Governments of the oil-producing countries.

Canada

Solving Unemployment Problem: A new bid to solve the unemployment problem, particularly the high seasonal level in the winter months, is under consideration of the Canadian Government. At its summer peak unemployment was nearly 7 per cent and the winter figure is expected to be more than 10 per cent. Heavy investment in new primary resources may produce a temporary boom as it did in 1957, but does not seem to provide a stable basis for continuing prosperity; unemployment is further aggravated, by the virtual stagnation of many parts of industry.

Germany

Volkswagen Issue: The issue of "people's share" in volkswagen was announced in November, 1960. The subscription list will be opened for two months from January 16, 1961: DM 360 millions of the nominal capital of DM 600 millions will be offered for sale at a favourable price—DM 350 (£30) per DM 100 share—decided by the Cabinet. The maximum allocation will be DM 500 nominal value, so that the cost of a full quota will be DM 1,750 (£150), but the system of rebates can reduce this by 10-25 per cent depending upon the number of dependents the applicant has, and his salary. The offer may be fully taken up by investors qualifying for a rebate as they will receive first consideration and they can pay DM 100 down and the remainder in three or six instalments spread over a year. The share will be introduced on to the bourse next autumn.

Ceylon

Report on Steel Works: The report of the group of Soviet experts on the proposal to construct an iron and steel works in Ceylon has been completed. The report is said to state that the project would cost Rs. 150 millions of which 65 per cent could be provided by Russia under the agreement for economic and technical collaboration between the two countries concluded early in 1958.

Kuwait

A National Oil Company: A petroleum company has been set up with a capital of Rs 100 million, of which 51 per cent is being subscribed by the Government and the rest by Kuwait shareholders. Initially it will be engaged only in the distribution of oil products within Kuwait, but it is expected that later it will engage in drilling operations in collaboration with a foreign concern, possibly in the off-shore areas of Kuwait (tenders for the exploration of which were recently invited by the Government).

Ghana

Agreement on Smelter: Negotiations concerning the aluminium smelter part of Volta Dam scheme were completed in mid-November 1960, the Anglo-American Canadian consortium of Valco having undertaken to construct the smelter at an estimated initial cost of £57 millions subject to the conclusion of satisfactory financial arrangements.

NEWS IN BRIEF

INDIAN

It is reported a process on surface coatings from castor oil has been developed at Regional Research Laboratory, Hyderabad.

As against the current year's target of afforesting an area of 1,000 acres under the Bhakra Soil Conservation Programme, the Forest Department of Himachal Pradesh exceeded it by 287 acres at the end of November last.

The allocation of indigenous art silk yarn to art silk powerloom weaving units for January-March, 1961, will be made on the basis of the number of loom shifts worked by the units during July-September, 1960, says a Press Note issued by the Textile Commissioner.

It is reported the Forward Contracts (Regulation) Amendment Bill, 1960, has received the assent of the President.

Exports of rice bran, wheat bran and husk of pulses will now be allowed only from the ports of Calcutta, Vishakhapatnam, Madras and Bombay, during the period ending March, 1961.

The Planning Commission has agreed to the establishment of a fruit canning factory in the Union Territory of Himachal Pradesh during the Third Plan.

About 3,600 more factory workers have benefited by the Employees' State Insurance Scheme as a result of the extension of the Scheme to Dandeli in Mysore State and Hissar in Punjab, from the mid-night of Saturday, January 7, 1961.

The Central Board of Revenue has decided to grant concessions in respect of the overall alternative allowance admissible to the Expenditure-tax assesses under section 6(2) of the Expenditure Tax Act.

The production of automobiles in the country touched a new high in 1961, according to the figures for the complete year, recently made available. With the output of cars, commercial vehicles and jeeps totalling 5,073 in December, 1959, the year's production reached the peak level of 52,115 as against 36,923 in 1959 and 32,138 in the first year of the Second Plan.

A phased programme of development of rural higher education costing over Rs. 1.35 crores during the Third Plan period was discussed by the Standing Committee of the National Council for rural higher education, which met in Udaipur recently.

Among the subjects on which attention will be concentrated during the Third Plan is the question of utilising to the fullest extent the vast manpower in the country, particularly in the rural areas.

FOREIGN

Imperial Chemical Industries has signed an agreement giving American Cyanamid Company manufacturing rights in the U.S. for ICIs know-how on methyl methacrylate.

It is reported the General Electric Company's lamp division has started building a 15m, 125,000-square foot refractory metals plant on 11 acres at Cleveland Ohio.

October, 1960 world production of natural rubber at 170,000 tons was again higher than consumption according to the latest bulletin by the International Rubber Study Group. This figure shows an increase over September of 2,500 tons (a normal seasonal improvement) but is 11 per cent lower than the figure for October, 1959.

The official German share index climbed by 38 per cent during 1960, the Federal Statistics Office announced recently. It began the year at 516, climbed to an all-time peak of 322 at the end of August, then slumped to 710 at the end of 1960.

British insurance companies whose assets were taken over by the Egyptian Government at the time of Suez or subsequently no longer have to provide the Foreign compensation Commission with proof that their Egyptian assets were sold before they can obtain compensation from the Commission.

The U.S. Development Loan Fund recently approved three loans totalling 27.7m. for the economic development of Yugoslavia; one loan was made to extend the Kosovo power plant.

A group of underwriters, headed by Swiss merchant banks announced recently that it has underwritten a 60m. Swiss franc 4½ per cent loan to be raised by International Business Machine World Trade Corporation, an I.B.M. subsidiary.

Vauxhall Motors production of cars and trucks in 1960 topped 250,000 for the first time, with total output of 252,026 vehicles, 2.4 per cent higher than in 1959.

The sterling area's reserve of gold and convertible currencies rose by £23m. during December. For 1960 as a whole, it went up by £177m. to £1,154m.

According to Mr. Mackenzie, the Minister for Agriculture, a start will be made early this year on the Kenya Government settlement schemes for African farmers. The schemes will cost £8½m. over two and a half-years and two members of the Kenya Government will visit America next month for final discussions on a World Bank loan.

The Nuclear Power Group has won the contract to build Dungeness nuclear power station on the Kent Coast. Work on the site began in August last year, and the Dungeness station which will be Britain's sixth commercial nuclear power station, is due to be completed and handed over to the Central Electricity Generating Board in 1964.

Special Article

THE LINE OF BALANCE TECHNOLOGY†

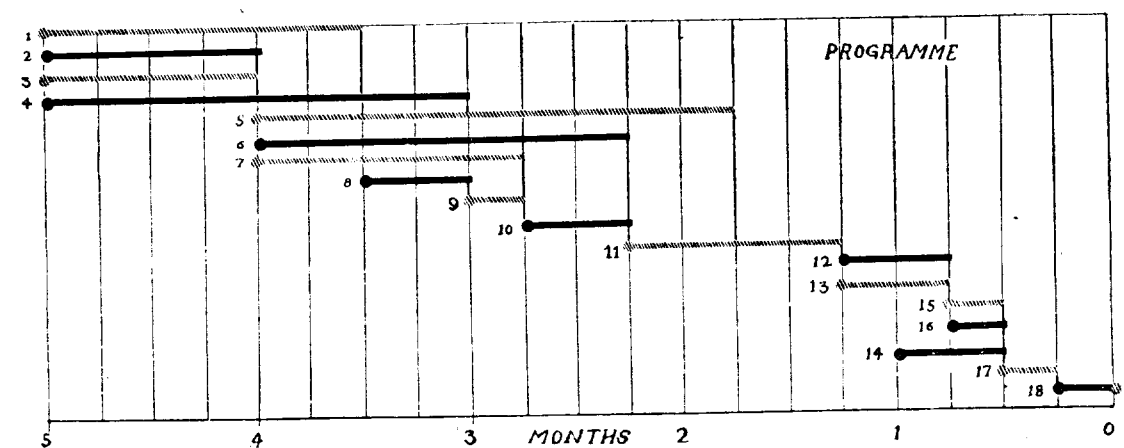
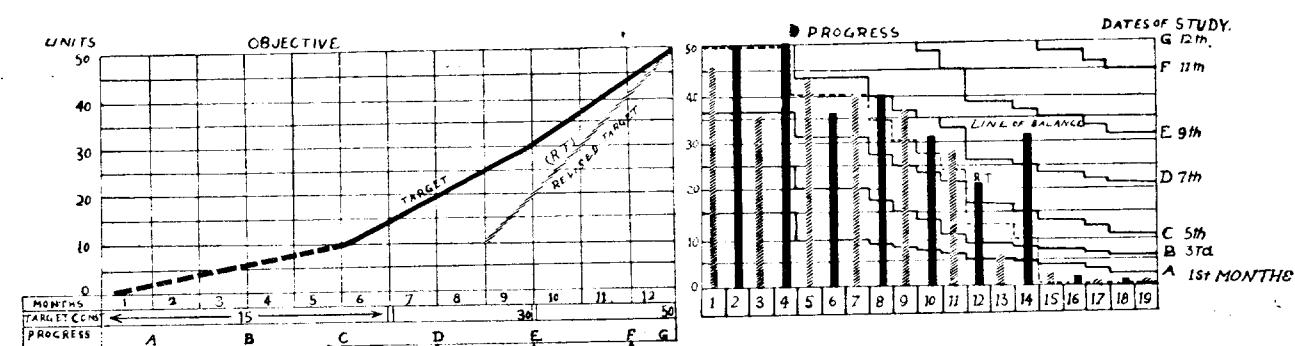
THE Five-Year Plans of the Indian Union not naturally have a very high construction component. It has been estimated by the Committee on Plan projects that the construction element in the Second Plan was of the order of Rs 2,000 crores. With the anticipated increase in the size of the Third Plan, the construction element is likely to be more than Rs 3,000 crores. It is necessary, therefore, to evolve techniques whereby the execution of the Plan projects is laid out in a simple but scientific manner so as to know at various stages during the progress of the Plan if the projects were progressing according to the schedule and at below or above the scheduled costs. Happily, a simple technique called the "line of balance technology" has been suggested by the Committee on Plan Projects; it is drawn from practices developed in the US Navy. This technique, though elementary in concept, has wide applications. It seems that if this technique is pursued at every project site where construction is in progress, considerable time, labour and money could be saved by keeping a close check on the progress of work.

The utility of this technique will be explained here with reference to a particular example of building 50 pre-fabricated schools in Delhi during an interval of 12

months. The broad methodology of "the line of balance" technique is summarized in the three graphs below. The first graph relates to the objective to be achieved. There are three variables in this graph. The first variable relates to the time within which the schools are to be constructed and it is indicated by the number of months at the foot of the graph. The targets of the construction programme are indicated next by showing that at the end of the 6th month, 15 schools would be ready and at the end of the 9th month, 30 schools would be completed. At the end of the year, the objective graph indicates that all the 50 schools would be ready. The supervising executive is supposed to watch the progress of the project at various time intervals indicated as A, B, C, D, E, F, G—denoting the dates of study.

The programme of execution of a single school is set out in terms of the "time-lead" which is defined here as the minimum period which must elapse between the pre-acquisition-of-land stage and the completion of a school. This is denoted here, in the programme plan, as a period of 5 months. The process of constructing a school consists of 19 different components. It means that the proceedings for the first element, namely, land

SCHOOLS



1. Land Acquisition.
2. High Tensile Steel.
3. Mild Steel.
4. Cement.
5. Casting Purlins.
6. Casting Panels Door and Window (Frames).
7. Casting Column and Foundation Blocks.
8. Clearing Site.
9. Layout Foundation.
10. Erection of Blocks and Columns.
11. Assembly Panels and Door Frames.
12. Fixing Purlins.
13. Roof Materials.
14. Flooring Materials.
15. Roofing.
16. Fixing Shutters.
17. Flooring.
18. Finish.
19. End.

† Based on an official publication of the Committee on Plan Projects.

acquisition, should start at least 5 months before the target date and the process of acquisition itself should not take more than 6 weeks. Similarly, high tensile steel and mild steel should be obtained normally 5 months ahead of the date of completion of the school, and they would take nearly a month to procure. All the 19 components are thus set out. Flooring, for example, is not needed till two weeks before the completion date; that is why it comes at the end of the programme. This "programme graph," based on previous knowledge about the process of putting up a school sets out broadly the time taken by each component.

The progress of the construction of 50 schools is presented in the "progress chart" which is set out alongside the "objective graph." The two are on the same scale. Here, at any particular time when the progress is studied, the position of the schools in terms of the 19 components is given by the vertical pillars. The dates of study are indicated as A, B, C, D, E, F, G and they also indicate the lines of balance. Each line of balance is drawn with reference to each component by giving the proper lead. Let us have a look at one point of study, namely, the end of 7th month which is denoted by the line of balance D. This line shows that whereas land should have been acquired at the end of the 7th month for all the 50 schools, it had been actually acquired for only 46 schools; thus there was a failure on acquiring land for the remaining four schools. In the case of item No. 2, namely, high tensile steel, there seems to have been complete success, as the needed quantity had been obtained. Again, this diagram shows that there was failure on mild steel which was sufficient hardly for 35 to 36 schools while at the end of the 7th month, mild steel for all the 50 schools should have been

obtained. In this way, the line of balance shows the points where unnecessary stocks have been accumulated when the objective needed their procurement at a later date and the points at which shortages have occurred which are likely to hinder the progress of the construction of the units.

This simple technique has very wide applications and can be applied to a number of similar situations such as, the shipping of our exports, the construction of godowns as well as dams and bridges. The technique in itself is extremely simple, and provides a clear picture to top executives for taking vital decisions at the proper time. If it is found during the progress of the project that there has been some failure in achieving the targets laid down earlier, a revised target could be set out. This is shown in the graph as R.T. or the Revised Target. It is seen, for example, that by the end of the 8th month, only 10 schools were ready while according to the original objective, no less than 25 schools were proposed to be completed. In view of this later development, the target is revised so as to raise the number of schools to be completed between the end of the 8th month and the 12th month at 40. Similar modifications will need to be introduced in the progress chart.

This technique provides a co-ordinated picture of all the important factors needed for a critical evaluation of schemes and for having a correct proportion of the achievements as well as the setbacks. It has applications both in the public and the private sectors and it is hoped that it will be pressed into service in the Third Plan on a wide scale for economizing both on time and money.

THE BUSINESS WORLD

Politics in Land Ceilings

By CROESUS

THE Maharashtra Government has begun the New Year with a highly controversial piece of legislation and how far it will be able to pilot it successfully through the legislature, especially with the interests in Vidarbha and Marathwada reported to be stoutly opposed to it, is more than one can say at this stage. The Legislative Assembly Bill No. 1, 1961 entitled "A Bill to impose a maximum limit (or ceiling) on the holding of agricultural land in the State of Maharashtra; to provide for the acquisition and distribution of land held in excess of such ceiling; and for matters connected with the purposes aforesaid" has confirmed the worst fears of the sugar interests in the State. Contrary to the pious hopes of many, the Bill has not cared to exclude land belonging to industrial or commercial undertakings, notwithstanding the considered opinion to the contrary of the Planning Commission and several eminent authorities on agriculture. Thus the Maharashtra Agricultural Lands (Ceiling on Holdings) Bill empowers the Collector to call for returns of particulars of land held by every one, including industrial and commercial undertakings (these include sugar factories), to apply the ceiling proposed under the Bill, to declare the land in excess of such ceiling as surplus land and to acquire it on payment of compensation in the form of 3 per cent transferable bonds, a part of which is repayable over a period of 20 years by equated annual instalments of principal and interest, and a part in bonds redeemable at par at the end of 20 years from the date of issue. The Bill also outlines how the surplus land is proposed to be distributed. While no exemption has been given to land held by industrial or commercial undertakings, including sugar factories, a sop has been thrown to them in the form of a provision, that "in order to ensure efficient cultivation of lands acquired under the Bill from industrial or commercial undertakings (including sugar factories) and continued supply of raw materials from such land to the undertakings the Government would either manage such lands as State farm or farms or grant them to joint farming societies for cultivation. Whilst doing so, the Government adds, anticipating possible objections, it has taken powers to impose "conditions which are calculated to ensure the full and continued supply of raw material to the undertakings at a fair price."

All these assurances make it patent that, although the declared object of the Bill is "to provide for the more equitable distribution of land amongst the peasantry of the State," the Maharashtra Government has not hesitated to take advantage of the proposed land reforms legislation to force on the public of the State its ideological schemes of State farms, joint farming societies and co-operatives. One cannot escape the feeling that it is more this political motivation rather than the economic needs of the people, or the economic realities of the prevailing situation, which has determined the issue. Perhaps, in view of the forthcoming general elections, this is only to be expected.

A few statistics about the land in Maharashtra will better illustrate this point. The total culturable land in the whole of Maharashtra is some 50 million acres, consisting of about 4,30,000 holdings. Of these, only about 32,000 holdings are likely to be affected by the proposed ceiling law, and these also include 900 holdings above 500 acres and 350 holdings above 1,000

acres. It is only in Vidarbha and Marathwada that there are a few holdings extending beyond 10,000 acres. The total land held by private or company owned sugar factories is about 1,00,000 acres and the land actually owned by them is around 30,000 acres. This represents .006 per cent of the total culturable land in the State; even if all the land (both owned and leased) held by the sugar factories is taken into consideration, it will constitute no more than .002 per cent of the total area! And it is this negligible percentage of land which the Maharashtra Government seems so determined not to exempt from the purview of the Land Ceiling Bill. It almost seems to be regarded as a prestige issue by the Government, considering that the Chief Minister (as already indicated in an earlier dispatch on this subject in these columns) sought, and doubtless succeeded in getting, the Prime Minister of India to intervene and prevail upon the Planning Commission reportedly to permit a deviation from the norm prescribed by it earlier after mature deliberation.

It is not that either the Chief Minister of Maharashtra or the Planning Commission is unaware of the serious repercussions to the sugar industry that would follow from the non-exclusion of farm lands held by sugar factories from the purview of the proposed Bill. It cannot certainly be any deficiency on the part of the company-owned sugar factories that has provoked the proposed measure. Nor is it the certainty that the land that would become surplus as a result of the enforcement of the ceiling would be adequate to give land to all the landless in the State. What then is the compelling factor that has influenced the Maharashtra State Government not only to deviate from an accepted and healthy norm but to hustle through the Bill? According to informed sources, the decision is probably forced upon the Government by the henchmen of the party in the State who are out to placate the discontented elements among certain agricultural classes in the Deccan sugar factory region. Those who sold away their lands and those who entered into lease agreements decades ago have seen their land, which was once arid and uncultivable, transformed into flourishing fields of sugar-cane. They have also been witnessing the prosperity of their neighbours who have become members of co-operative sugar factories and are now seized with the desire to secure a reversal of their past transactions under colour of legislative sanction. In other words, they would like to, if they can—or are enabled to by an obliging Government—to be installed in positions of prosperity created by the hard labour, initiative and enterprise of others. And in this unholy—however understandable or human, it may seem to some—desire, they have been egged on and encouraged by those political busybodies that are ever ready to fish in troubled waters. But it is one thing to sympathise with the lot of people who long ago parted with their property for a very small consideration and it is another to take a realistic view of the position to-day. We must see what was the ruling value at the time. If the value of the property has increased several fold since, it is because of the efforts that have been put in by the new owners. In fact, it is the efforts of these people which have also raised the value of the property of those who still own and do not want to part with their lands as did their neigh-

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IN THE JANUARY-MARCH 1961 ISSUE.

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By S. N. Jhaveri, Regional Manager, Asbestos Cement Pvt. Ltd.

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hours. If it is unfair, as some allege, that those whose lands were sold or leased in the past received a very low price decades ago, it is equally unfair to deprive the present owners on the plea that they have already reaped a rich harvest several times the price paid by them and also using it as an excuse to whittle down the amount of compensation for the lands proposed to be acquired from them.

As regards lease holders, again, maybe the rents they receive per acre as per the old agreements are low, compared to the total value of the yield per acre today. But the point to consider here is whether the lease land would have yielded what it is yielding today, had it been left as it was and continued to be neglected as it was when in the possession of the lessors. To ignore the circumstance and the sacrifices which have led to the capital appreciation of the lands in question since the take over is to be blind to facts.

Then, again, another argument in favour of the proposed land ceiling legislation goes that the lease agreements were heavily weighted in favour of factory owners, as though to suggest that the lessors and the Government had no hand whatsoever in concluding these agreements. It is necessary to recall that it was the same Congress Government which is in power today in the State that appointed District Collectors to arbitrate and revise all old lease agreements with sugar factories and it is these awards that are in operation today.

Nor are the lessors as helpless as they are made out to be by interested parties, in case they want a revision in the terms of their lease agreements. Under the relevant awards, it is believed, they can invoke a clause to get a revision effected in the lease terms.

It may not be known to many that this is not the first time that company-managed sugar factories are being asked to give up their farm lands. In a small way, it seems, the thin end of the wedge was driven as early as in the year 1955 when, while giving their awards, some District Collectors decreed that the companies concerned should give to the landless, if any, in the reserved areas of their factories three acres of sugar cane land from out of the lands held by them. The feeble protest of the factory owners at the time that this amounted to a forcible reduction of their farm holdings was, of course, ignored. Elsewhere in this issue, after Week's Notes section, will be found the statement of the chairman of the Deccan Sugar Factories Association on the question of ceilings on sugar factories. It gives a complete idea of the objective situation and the harm which is bound to follow from the inclusion of sugar factories in this bill.

It is against this background that a dispassionate student of land reforms in the country should examine the proposed land ceilings legislation of the Maharashtra Government.

Business Notes

Foreign Trade

CANADA'S NEW CREDIT SCHEME

MR GERALD A. NEWMAN, Commercial Counsellor for Canada in Delhi, has just returned from an Export Trade Promotion Conference in Ottawa, where 110 Trade Commissioners had gathered from 63 posts in 49 countries along with representatives of 1,288 Canadian firms. One of the important achievements of the Conference, as Mr Newman indicated, has been the evolution of an export promotion policy for providing financing facilities through the Export Credit Insurance Corporation in Ottawa. In respect of medium credit upto 5 years for capital equipment, arrangements will be made by a new financing company to be established by the Canadian banks. The longer term credit to cover the export of Canadian capital goods will be made under government-to-government arrangements. The Canadian Government proposes to guarantee and subsequently buy foreign obligations issued to cover Canadian capital goods exports. Though the precise procedure has not yet been laid down, it is gathered that there will be two types of long-term credits. In the first case, trade promotion credits will be given on the basis of industrial and regional needs with the primary consideration of increasing exports. Secondly, political credits, which involve the purchase by the borrower of specified categories, will also be given. In the former case, the exporter would approach the Corporation for credit in the case of capital exports against which the exporting firm cannot make the sale on less than five year credit basis. Such requests will be referred to the Departments of the Trade and Commerce, the External Affairs, and the Finance for their consideration. If the Departments are satisfied and the foreign government requests for a credit the new financing company would act as an agent for the Export Credit Insurance Corporation. The exporters would be paid in domestic currency by the Corporation.

In the case of political credits, the Ambassador of a foreign country would approach either the External Affairs or the Trade and Commerce Departments with a request for a credit for a particular project. As long as the major portion of the requirement would be for capital goods and in sectors in which additional production and employment would be desirable, the

Canadian Government would be prepared to guarantee the foreign country's obligations.

This bold policy will be hailed in India, as in other developing countries. To India it would prove of valuable timely help, in view of the large foreign assistance component in the proposed Third Plan.

WOOL EXPORTS

AT THE 9th Annual Conference of the All-India Wool Trade Federation, Mr Jayantilal K. Anjaria, in his presidential address dwelt at length on various problems facing the wool industry. He succinctly clarified the features central of wool exports stating that, with the rise in wool prices, most of the countries increased their exports in 1959-60, India's share being 42.11 million lbs. which it should be noted, is a record, showing an increase of 20 per cent.

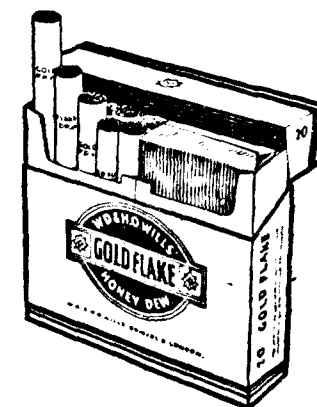
In 1958-59, India's exports of wool were 35.24 million lbs. Out of the 42.11 million lbs. exported in 1959-60, the United Kingdom took 13,618,000 lbs. Though it marks a decline of 4.52 million lbs. from the highest figure reached in 1952-53, it is satisfactory to note that it shows an increase of 64,000 lb. over the figure of 1958-59. It is, however, to be noted that exports of Indian wools during the first quarter of 1960 declined and amounted to 9,196,000 lbs. as against 9,440,000 lbs. during the same period last year. Perhaps, this is a result of the previous year's heavy off-take. So far as the raw wool export trade is concerned, the Common Market countries took 7,455,000 lb. of raw wool during 1959-60. If the country-wise figures are taken into consideration, it would be seen that Belgium, France and West Germany have exceeded their previous off-take. The relative short supply position possibly explains this performance.

Since raw wool is one of the items in the country's export trade which should be consolidated and expanded, the All India Wool Trade Federation has suggested that the following measures be adopted to encourage exports. The measures suggested by the Federation are appointment of a Raw Wool Export Board, in consultation with the Federation, with powers to recommend measures for export promotion; no restrictions on the export trade of raw wool; sending of a delegation of wool merchants to foreign countries both to study their requirements and explore possibilities of new markets; a publicity campaign and reduction in



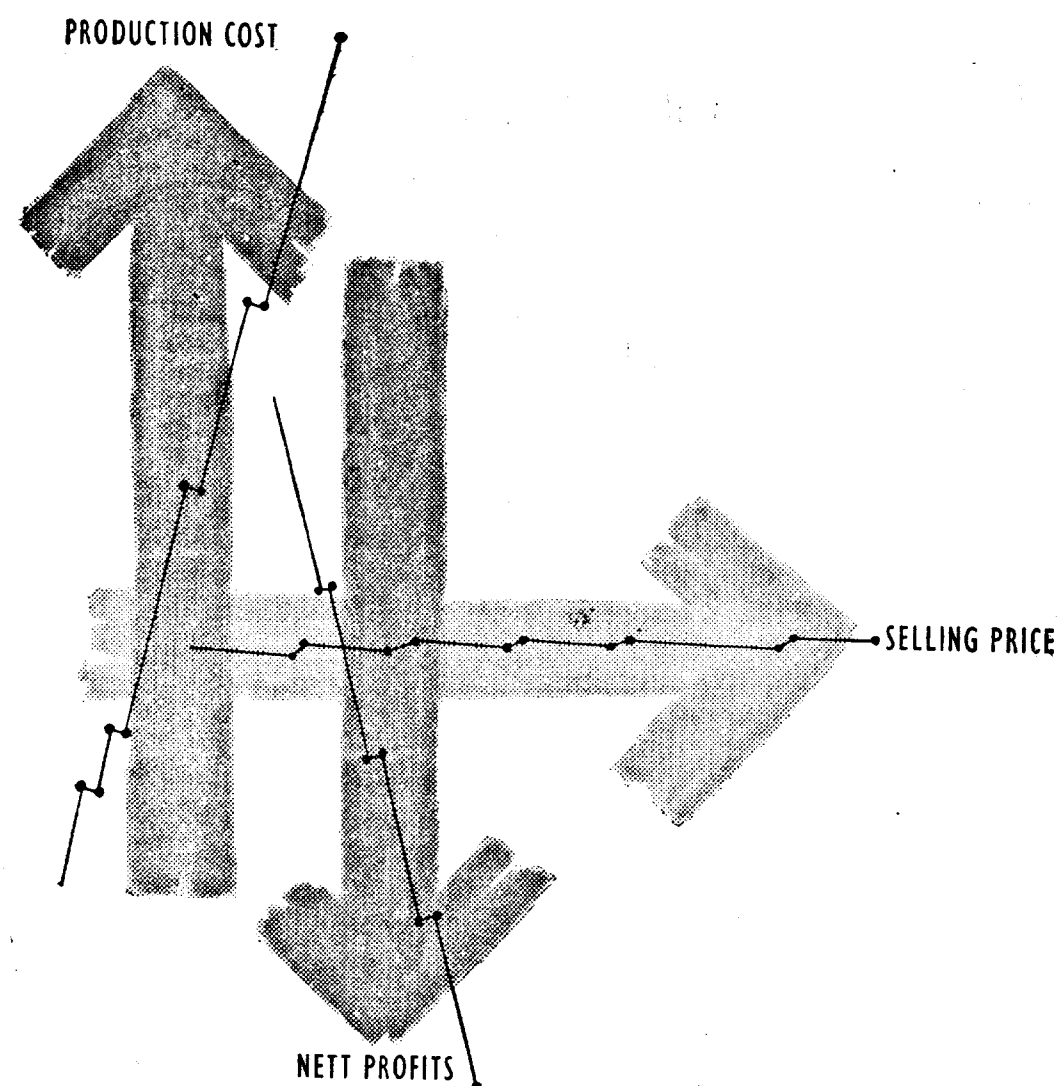
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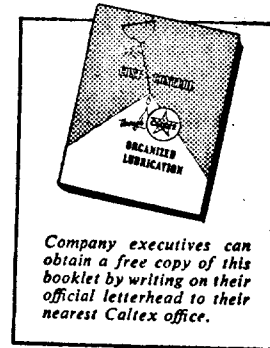
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ocean freight on wools. It would be in the interests of the wool trade if levies such as Central and State Sales Tax and local octroi duties be paid back as a rebate in respect of exported quantities. The main advantage of this would be that it would place Indian wools on a better competitive basis than now in the market abroad.

Equity Investment

INTERESTING TRENDS

THE GROWING public interest lately in the stock market is evident from the sharp increase in the number of shareholders and the broadening of investment in shares. The rise in the number of shareholders points to the fact that the habit of investing in shares—and, therefore, of saving also—is spreading. This is the conclusion of a study made by the Economic Development Department of the Reserve Bank of India, based on the assessment dividend income as gleaned from the All-India Income-Tax Revenue Statistics, during the year 1955-56 to 1958-59.

According to the Study, both the number of shareholders and the dividend income earned by them increased from 112,471 and Rs. 50.50 crores, respectively, in 1955-56, to 141,189 and Rs. 75.00 crores during 1958-59, representing an increase of 25.5 per cent in respect of the former and 48.5 per cent in the case of the latter. The data on dividend income are based on the shareholders' report in their income-tax returns as well as the refunds claimed by them. While the total number of shareholders (exclusive of companies and other concerns assessable at the Company rate) in 1958-59 was 139,077, as compared to 110,605 in 1955-56, individual shareholders alone accounted for about 89 per cent, their number having increased from 99,948 in 1955-56 to 125,099 in 1958-59 i.e. by 25 per cent. It is significant that the expansion was higher under salary earners (39 per cent) than under non-salary earner individuals (21 per cent).

The income-wise trends also show an increase in the number of individual shareholders. The increase in the number of individual shareholders in 1958-59, as compared to that in 1955-56, was higher (about 40 per cent) in the income range Rs. 25,000 to 1,00,000. In the income bracket Rs. 0 to 25,000 the number of salary-earner individuals deriving income from dividend increased by 41 per cent, as against an increase of 19 per cent in the case of non-salary-earner individuals during 1955-56 and 1958-59. But the reverse was true in the income range Rs. 25,000—1,00,000. The increase in the case of non-salary earners has been much higher (48 per cent) than in the case of salary earners (28 per cent). However, the increase in the number of shareholders is more significant in respect of salary-earner individuals than non-salary earners in the income bracket below Rs. 1 lakh, the former having risen from 22,848 in 1955-56 to 31,791 in 1958-59 and the latter from 75,809 to 91,866.

The Study, however, has proved that the expansion in the number of people earning dividend income, particularly under the salary-earner individuals in the income range below Rs. 1 lakh, is quite in tune with the growth in the number of assessee deriving income from sources other than dividend. It would have been interesting to know from the same source the extent of disinvestment, especially since the recent sharp rise in prices began to impinge on savings generally and investment in particular.

Meanwhile, the prospects for a further sharp increase in the number of shareholders are, if anything, brighter today than ever before, what with authorities having decided to release to the public shares in public sector undertakings also. Generally speaking, the number of shareholders can be increased considerably if studied attempts as the setting up of "investment

clubs" as in the United States are made in our country. During the past five years, the number of investment clubs in that country is estimated to have jumped up from about 2000 to 25,000 with the number of stock holders as high as 13 million, which number, incidentally, is greater than that of factory workers in the United States. The investment club movement seems to be growing rapidly in several other countries as well. Thus, there are reported to be 6,000 clubs in Japan, 500 in the UK, about 50 each in the Netherlands and Australia, and 500 in Canada. Even Israel seems to have started one such club recently. Efforts should be made to explore the feasibility of starting similar investment clubs in our country also to educate more and more people to take an active and intelligent interest in the stock market and, stemming therefrom, company affairs.

Ships

PRICING AT VISAKH

JUDGING FROM any standard, the year 1959-60 will go down in the annals of Hindustan Shipyard Ltd. as the best on record so far, and it must have been with not a little satisfaction that Mr. G. L. Mehta, could relinquish his office as Chairman, after noting this. It was appropriate that he should have selected, as the theme of his valedictory presidential address, the present position of, and the future outlook for, the Shipyard. A gratifying improvement in the production of the yard, and this without any increase virtually in the overheads, the best performance in regard to delivery, a satisfactory record as regards the number of man-hours spent in processing a ton of steel on hull construction and a like quantity of other materials on the outfit and, to crown all, the acceptance of the order for a vessel with a penalty for delay in delivery, for the first time, are, indeed, a good augury for the future working of the shipyard. If, in addition the cost of production, which is admittedly high today, also is brought down, the outlook for this presently semi-Government, but prospectively wholly Government, undertaking should certainly be encouraging.

But all this is not to say that the Shipyard has turned the corner. On the other hand the position still is that the Shipyard is confronted with a serious situation because of lack of orders. Mr. Mehta, in fact, drew pointed attention to this when he mentioned that "if the order for a construction of the vessel, which has since been received, had been received earlier, the Shipyard could have avoided a hiatus in planning which has now become unavoidable." This situation can only be overcome if a reconciliation can be made between the need of the shipyard for orders and the requirements of the shipowners about prices and delivery dates.

Now on the question of pricing of ships, the shipowners have taken the view that they will be prepared to pay for maintaining the volume of work in the Shipyard, only if the Yard can supply the ships at the cheapest world price, but the question of determining the cheapest world price at any given period seems to bristle with difficulties which are not capable of solution, at any rate immediately. In the circumstances, as Mr. Mehta said, "a formula based on the percentage of the cost for fixing the prices," whatever that may mean, seems to merit serious consideration. According to Mr. Mehta himself, "the proposal has not been found acceptable on the ground that it does not provide the necessary incentive to the Yard to reduce its cost". He also conceded that "this contention has undoubtedly force." In other words, what Mr. Mehta suggested cannot be considered as a lasting solution, but only a stop-gap arrangement, which means that the problem continues to plague the yard and the shipping interests.

FROM THE CAPITAL'S CORRIDORS

PETRO-CHEMICAL INDUSTRY

A BEGINNING has been made to develop petro-chemical industry in India. Three licences, two to Duncan Brothers and one to P.J.B. Industries, were issued last week to set up chemical manufacturing units based on utilisation of natural gas from Assam Oilfields. Duncan Brothers will manufacture poleathene and synthetic rubber, while P.J.B. industries will go in for the production of carbon black. Duncan Brothers have entered into collaboration arrangements with Phillips, while P.J.B. Industries will secure technical know-how from Continental Carbon Company, of the United States.

A rough estimate puts the output of natural gas from Assam Oilfields at 60 to 80 million cubic feet a day, of which 40 million cubic feet a day have already been earmarked for utilisation by a fertilizer plant to be set up in the public sector. The requirements of Oil India Limited are not yet known. The left-over natural gas will be used by projects in the private sector.

As regards the setting up of the fertilizer plant, a Japanese firm is reported to be a strong competitor to the British tenderers. It is, however, anticipated, that a part of the credit which the British interests have promised to provide for the Third Plan projects will be used for financing this plant.

ASSAM PIPELINE

Meanwhile, construction of the 720-mile pipeline which will connect the Upper Assam Oilfields of Oil India Private Limited with the two public sector refineries one at Nummati (Assam) and the other at Barauni (Bihar), has commenced.

Oil India Private Limited, which will produce crude oil from its wells at Nahorkatiya and Moran and transport it to the Nunmati and Barauni refineries, has appointed the Burmah Oil Company (Pipelines) Limited as the construction agents for the project. Oil India Private Limited is a partnership firm of the Burmah Oil Company Limited (of which Assam Oil Company is a subsidiary) and the Government of India. It was incorporated as a rupee company on February 18, 1959, with an authorised capital of Rs. 50 crores. Its issued capital will be Rs. 28.25 crores, of which 62-2/3 per cent will be subscribed by the Burmah Oil Company and 33-1/3 per cent by the Government of India.

The pipeline has two sections: (a) Nahorkatiya-Nunmati section of 260 miles which will use about 32,900 tons of 16" diameter pipes; (b) Nunmati-Barauni section of 460 miles which will use 51,000 tons of 14" pipe. The capacity of the two sections is: (a) Nahorkatiya-Nunmati Section 2.75 million tons per annum but capable of expansion to 4 million tons per annum; (b) Nunmati-Barauni Section 2 million tons per annum but capable of expansion to 3.25 million tons per annum. The pipeline will be laid over three States—Assam, West Bengal and Bihar.

Messrs. Mannesmann A.G., of Dusseldorf, and Saipemm, of the E.N.I. Group of Italy, have formed the Mannesmann-Saipemm Pipeline Contractors Company to lay the pipeline under direct supervision of the Burmah Oil Company (Pipelines) Limited.

The main line pipes of 16" diameter have been supplied by Messrs Stewarts and Lloyds and the 14" pipes by Messrs Hindustan Steel.

The terrain over which the pipeline will be laid is subject to numerous climatic hazards. It will cross about 78 rivers, including the mighty Brahmaputra. A right-of-way of 40-60 feet width will have to be cleared for laying the pipeline. The State Governments con-

cerned are arranging to acquire most of the land from owners under Land Acquisition Act, 1894.

There will be eight pumping stations located at an average distance of 90 miles apart in addition to an injection station at Moran. The pumping plant will consist of reciprocating plunger pumps driven by Allen diesel engines. Natural gas will be used as fuel to drive these engines at Nahorkatiya and Moran, and other units will use crude oil ex-pipeline. At each pumping station there will be three main generating units.

The pipeline will be laid on a four-foot deep ditch which will be covered. To guard the pipes against corrosion, cathodic protection will be given i.e. electrical charging of the ground in which the pipe lies. Moreover, the pipes will be coated with plasticised coal-tar bitumen which will be reinforced by an inner wrap glass tissue. There will also be an outer protective wrap of fibre glass impregnated with coal-tar.

The cost of the entire project is estimated to be around Rs. 44 crores, of which the foreign exchange component will be nearly 43 per cent. The following are some of the major heads of expenditure: pipes 28.8 per cent of the total cost; main line construction and demarcation 19.0 per cent; pumping and generating plants, conditioning plants, etc. 17 per cent; river crossing 8.2 per cent; tele-communication/telemetering and cathodic protection 4.3 per cent.

MERCEDES-BENZ TRUCKS & WILLYS JEEPS

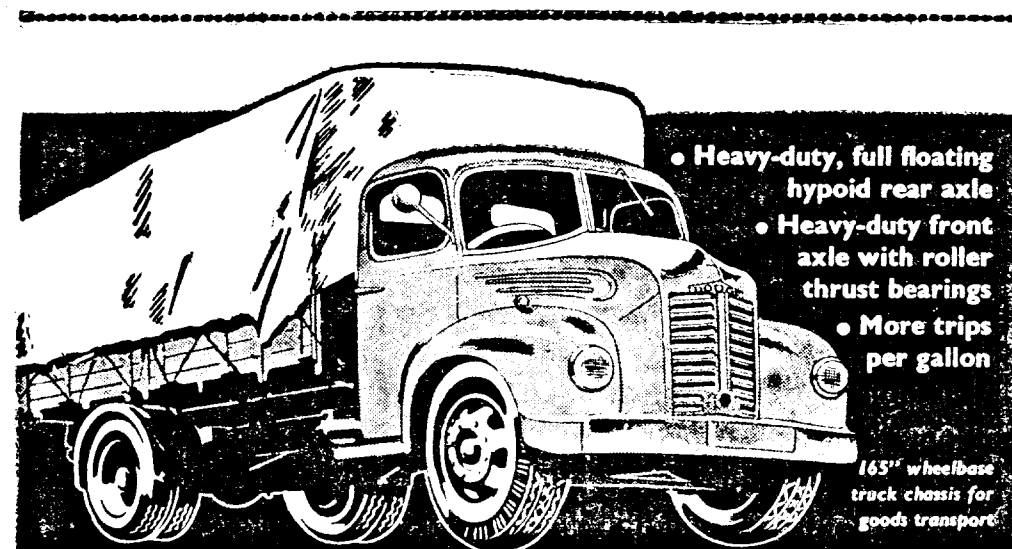
Tata Electric Locomotive and Engineering Company and Mahendra and Mahendra have plans to increase their production of Mercedes-Benz trucks and Willys jeeps from 12,000 to 24,000 and 458 to 833 units per annum respectively. Total outlay on TELCO's expansion programme is expected to be around Rs. 1,165 lakhs, out of which Rs. 700 lakhs will be in foreign exchange. The expansion programme of Mahendra and Mahendra is estimated to cost Rs. 65 lakhs, out of which Rs. 55 lakhs is the expenditure involving foreign exchange.

The Jha Committee, it may be recalled, has estimated that demand for commercial vehicles will rise to 60,000 units by 1966, while that for jeeps will increase to 10,000 units. These targets have been accepted by the Planning Commission. The present annual production of commercial vehicles and jeeps is around 27,000 and 6,288 units.

MOTOR-CYCLES, SCOOTERS AND MOPEDS

The demand for motor-cycles, scooters and mopeds during the Third Plan period is placed between 60,000 and 72,000 units per annum. The Government, it is understood, has decided that each State in the Indian Union should have at least one unit for the manufacture of motor-cycles, scooters and mopeds and that no new units should be set up in a State where one or more units are already in existence or have already been licensed to be established. The Government, it is learnt, does not favour creation of additional capacity for the manufacture of motor-cycles.

Twelve proposals, it is understood, have been received by the Government from the existing scooter manufacturing units for expansion of their capacity. The applicants are one firm from Delhi, four from Punjab, two each from Andhra Pradesh and Madras and one each from West Bengal, Bihar and Mysore. The foreign collaborators of these manufacturers are from West Germany, Japan, Great Britain, Austria, Poland and France.



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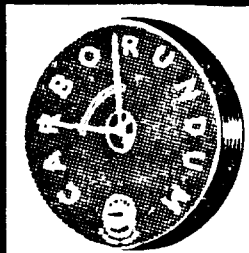
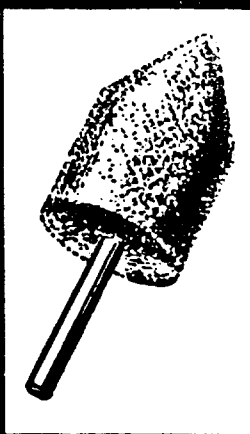
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Nine applications for setting up new scooter manufacturing units — three in Punjab, two in Calcutta and one each in Bihar, Bombay, Rajasthan and Madhya Pradesh — have also been received and are under consideration of the Government. The foreign collaborators of these firms are also a mixed bag composed of firms from the United Kingdom, Japan, Austria, Czechoslovakia, U.S.A., Italy and West Germany.

Another 21 proposals have been received from firms in Delhi, Punjab, Uttar Pradesh, West Bengal, Gujarat, Maharashtra, Hyderabad, Madras and Kerala for the manufacture of mopeds and scooters.

There appears to be every likelihood of the schemes of applicants from Mysore, Andhra Pradesh, Gujarat, West Bengal, Kerala, Rajasthan, Madhya Pradesh, Uttar Pradesh and Orissa getting preference as these States have not got any motor-cycles, scooters or mopeds manufacturing units.

TYRE-TUBE VALVES FOR AUTOMOBILES

Kamani Brothers, a Bombay firm, it is learnt, has entered into an agreement for technical collaboration with Messrs. Technoexport, Praha, Czechoslovakia, for the manufacture of six lakh pieces of tyre-tube valves for automobiles at a factory to be set up in Mysore State. The machinery for this factory will be supplied by the foreign collaborators on non-convertible rupee payment basis.

CAR RETARDER EQUIPMENT

Messrs. Saxby and Farmer (India) Ltd., have prepared plans to manufacture car retarder equipment in this country. The type of equipment proposed to be produced is the recognised one suitable for application on Indian railways.

The plans, to be executed in collaboration with their principals, Westdair, envisage a progressive increase in indigenous content from 55 per cent in the first stage to 98 per cent in the fourth stage. Each stage is proposed to be completed in a year. Thus, in the course of four years, India might be producing this highly specialised equipment almost fully from components manufactured indigenously.

PRODUCTION OF CAUSTIC SODA

The production capacity of the caustic soda industry is proposed to be raised to 4,00,000 tons per annum under the Third Plan. Licences for the creation of capacity to the extent of 2,97,000 tons has already been issued, leaving a gap of 1,03,000 tons. A number of applications have been received for installation of further capacity. These include proposals from the West Coast Paper Mills (to create 30 tons a day capacity for self-consumption at Dandeli, Mysore), the Titagarh Paper Mills (to expand their existing capacity by 5 tons a day to 15 tons a day), Orient Paper Mills (to increase their capacity from 10 tons to 20 tons a day), Travancore-Cochin Chemicals (to expand their capacity from 30 tons to 40 tons a day) and D.C.M. Chemicals Works (to raise their capacity by 9,900 tons per year).

X-RAY EQUIPMENT

Five schemes for the manufacture of X-ray equipment, with a total capacity of Rs. 150 lakhs worth of equipment per year, have so far been approved by the Government. The demand for X-ray equipment is expected to increase to about Rs. 200 lakhs worth of equipment per annum by 1965-66. Among the five schemes is a scheme of the West Bengal Government which envisages production of Rs. 30 lakhs worth of

equipment. The factory is proposed to be set up at Calcutta. The West Bengal Government will have 51 per cent share in this enterprise. Foreign collaboration has been secured from Pickers.

THIRD PLAN PRIVATE SECTOR TARGETS

Some details are now available of the Third Five-Year Plan targets for some of the important industries in the Private Sector. They are as under:

S.No.	Industry	Unit	1960-61 Estimated Capacity	Target for 1965-66 Capacity
(1)	(2)	(3)	(4)	(5)
1.	Aluminium	000 tons	17.5	82.5
2.	Copper (fire refined and electrolytic)	"	7.2	18.4
3.	Lead	"	6.0	8.5
4.	Zinc	"	Nil	15
5.	Industrial machines			
	(i) Cotton textile	Rs. crores	10.0	22.0
	(ii) Cement	"	1.1	4.5
	(iii) Sugar	"	10.5	11.0 to 12.0
	(iv) Paper	"	0.7	8.5
	(v) Dairy	"	0.25	2.5
	(vi) Industrial bolters	"	3.7	29.0
	(vii) Cranes	000 tons	2.5	60
6.	Automobile and Ancillary Industries			
	(i) Passenger cars	000 nos.	20	30
	(ii) Commercial vehicles	"	28	60
	(iii) Jeeps and station wagons	"	5.5	10
	(iv) Automobile ancillaries including trailers	"	0.7	2.5
	(v) Motor cycles and scooters	"	24	48 to 60
7.	Bicycles	mil. nos.	2.2	2.2
8.	Sewing machines	000 nos.	288	500
9.	Welding electrodes	mil. rft.	600	1,080
10.	Electric fans	mil. nos.	2.2	2.8
11.	House service meters	"	0.6	2.5
12.	Phosphatic fertilizers (in terms of P2O5)	000 tons	82	500
13.	Heavy chemicals			
	(i) Soda ash	"	304	530
	(ii) Caustic soda	"	150	400
	(iii) Sodium hydrosulphite	"	4	12
	(iv) Calcium carbide	"	28	67
	(v) Hydrogen peroxide	"	3	9.5
14.	Miscellaneous chemical products			
	(i) Carbon black	"	..	30
15.	Plastics (polythelene PVC polyesterene and others)	"	19.2	85.0
16.	(i) Soap	"	254	354
	(ii) Synthetic detergents	"	7.2	12.5
17.	Rubber manufactures			
	(i) Automobile tyres mil. nos.	"	1.76	3.7
	(ii) Bicycle tyres	"	16.9	38.6

S.No.	Industry	Unit	1960-61 Target for	
			Estimated 1965-66 Capacity	Capacity
(1)	(2)	(3)	(4)	(5)
18.	Synthetic rubber	000 tons	—	30
19.	Paper and paper-board	"	363	820
20.	Cement	mil. tons	10.0	15.0
21.	Refractories	"	0.87	2.0
22.	Electric porcelain (H.T. and L.T. insulators)	000 tons	—	30
23.	Glass and glassware (including ophthalmic glass in public sector)	"	457	615
24.	Industrial gases			
	(i) Oxygen	mil. cft.	1,000	2,300
	(ii) Acetylene	"	156	250
25.	Cotton			
	(i) Yarn	mil. lbs.	2,100	2,250
	(ii) Cloth (mill)	mil. yds.	5,300	5,800
26.	Jute	000 tons	1,200	1,200
27.	Rayon and staple fibre			
	(i) Rayon filament	mil. lbs.	52.3	140.0
	(ii) Staple fibre	"	48.0	75.0
	(iii) Chemical pulp	000 tons	—	100.0
28.	Woollen manufactures			
	(i) Woollen and worsted yarn	mil. lbs.	67	67
	(ii) Woollen cloth	mill. yds.	48	48
	(iii) Wool tops	mil. lbs.	10	31.5
29.	Sugar	mil. tons	2.28	3.0
30.	Vegetable oils			
	(i) Solvent extraction of oilcakes	000 tons	936	2,000
			(cake)	(cake)
			415	850
	(ii) Cottonseed oil	"	(seed)	(seed)
31.	Vanaspati	"	434	550
32.	Electric transformers below 33 KV)	mil. KVA	2.2	4.0
33.	Electric motors (22 h.p. and below)	mil. h.p.	1.25	3.0

The following are the targets fixed for industries which fall both in the public and the private sector.

S.No.	Industry	1960-61		1965-66	
		Capacity	Production	Capacity	Production
		Private	Public	Private	Public
1.	Nitrogenous fertilizers (in terms of nitrogen) (Th. tons)	112	122	100	110
2.	Sulphuric Acid (Th. tons)	521	—	400	—
3.	Newsprint (Th. tons)	—	30	—	28
4.	Petroleum Products (Mil. tons)	5.3	—	4.6	—
		(Crude oil)		(Crude oil)	
				5.3	2.7

WIRE DRAWING INDUSTRY

The Government of India, it is learnt, has decided to encourage the establishment of wire drawing capacity in the country to the extent of 500,000 tons a year. The existing capacity of the industry is of the order of 400,000 tons per year.

A recent study has indicated that demand for wire of all types is likely to grow to about 470,000 tons per year by the last year of the Third Five-Year Plan. The Government has already licensed a number of units and a very large number of manufacturers have set up wire drawing plants on small scale under the relaxations announced in April last year.

The raw material for wire making—wire rods—was till now made by the Indian Steel and Wire Products, Jamshedpur. Wire rods are also now being made at Burnpur. The Government has also decided to grant permission to existing re-rollers to manufacture wire rods in coils within the existing billet allocations by allowing them to instal coilers and other connected equipment.

IMPORT OF FERTILIZERS

Fertilizers worth about Rs. 20 crores are expected to be imported during the current year—Rs. 8 crores worth from the "free world" and the balance from rupee payment account countries or through deals involving their exchange for sugar, iron ore and oil-cakes exports. Availability of fertilizers even after these imports, however, will not be enough to meet the full requirements of the country; only 60 per cent of the total requirements are likely to be met by the indigenous production and these imports.

Fertilizer requirements of the selected districts where package programme of intensive cultivation is being put through will be met by separate imports for which finances are being provided by the Ford Foundation.

COAL COMMITTEE'S MEETING

A meeting of the Industrial Committee on Coal will be held here on February 18. Among other things, it will consider revision of wage structure of colliery workers. It is contended by the colliery workers that coal production has gone up and the industry has been given in the recent past price increases which have not been reflected in their wages.

ZIGZAG SEWING MACHINES

Messrs. Jay Engineering Works propose to float a sister concern to manufacture three lakh zigzag sewing machines per annum on single shift basis. The product will be wholly exported for the first few years. The authorised capital of the new venture will be Rs. 2 crores.

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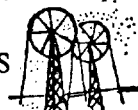


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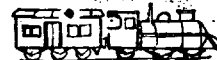
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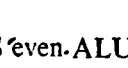
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COMPANY AFFAIRS

INDIAN AIRLINES CORPORATION

In sharp contrast to the results of some previous years, when the Corporation recorded losses, the year under review (ending March 31, 1960) has recorded a profit though fairly modest. This improvement has been the result of an increase in the available capacity to carry freight as well as passengers as compared to any previous year. While the fares remained unchanged the Corporation could bring down the cost to Rs 175 per available ton mile, the lowest since the Wage Awards of 1955. This reduction in cost was achieved largely by an increase in the capacity operation, brought about by improvements in the route pattern and higher utilisation of Viscounts and Skymaster aircraft. In part it was also the result of the economy measures introduced and better control of costs in general during the year. As the table below would indicate, the Corporation has registered a positive increase in the revenue per available ton-mile although the costs have fluctuated, and 1959-60 is the only year when the costs are lower than the revenue.

	Cost per available ton mile	Revenue per available ton-mile
1953-54	Rs. 1.69	Rs. 1.42
1954-55	Rs. 1.69	Rs. 1.49
1955-56	Rs. 1.80	Rs. 1.57
1956-57	Rs. 1.76	Rs. 1.56
1957-58	Rs. 1.81	Rs. 1.63
1958-59	Rs. 1.83	Rs. 1.69
1959-60	Rs. 1.75	Rs. 1.76

The Corporation is gradually reducing the number of dakota aircraft in use but even now the number of dakotas is quite large. At the commencement of the year, the operating fleet of aircraft consisted of 10 viscounts, 5 skymasters, three herons and 58 dakotas. During the course of the year one dakota was written off due to accident and one dakota and one hiper-dakota aircraft were sold.

There has been an increase in the utilization of skymaster along with further increase in field utilisation. The utilisation of dakotas too has been restricted. This trend seems to be quite healthy and it is hoped the Corporation will continue its policy of increasing the number of Viscounts which appear to give high efficiency in service as well as in costs.

The Corporation has placed orders for the purchase of 5 Fokker Friendship aircraft. These are scheduled for delivery towards the end of the financial year 1960-61 and should begin revenue-earning operations early in 1961-62. The Chairman is of the opinion that Wage Bill of the Corporation is likely to show a significant increase in the coming year but it seems that there is a reasonable chance of countering rising costs by creating more capacity. There has been witnessed a higher demand for air transport especially after the introduction of viscounts. This increased tempo will, it

appears, be intensified with increased tempo of economic activity in the Third Five-Year Plan.

INDIAN BANK LTD.

Subject to audit, the Net Profit of Indian Bank Ltd. for the year 1960, after providing for contingencies and meeting all expenses together with the sum carried from the previous year's account amounts to Rs. 41.03 lakhs as against Rs. 37.45 lakhs for the year 1959. An ad-interim dividend at the rate of 5% and a bonus of 2½% (subject to tax) has been paid. The Directors now propose to recommend to the annual General Meeting payment of a final dividend of 5% and a bonus of 2½% (subject to tax) for the year 1960 thereby making the dividend and bonus for the year amounting to 15%.

DENA BANK

The net profit of Devkaran Nanjee Banking Co. Ltd. for the year ended 31st December 1960 after providing Rs. 2.65 lakhs from for bonus to staff and including Rs. 5.60 brought forward from last year's account, amounts, subject to audit, to Rs. 29.24 lakhs.

An interim dividend was paid by the directors at the rate of Rs. 1.86 per share for the half year to June 30, 1960. A sum of Rs. 8 lakhs was transferred to reserve fund and Rs 9 lakhs for taxation. Now the directors have proposed the payment of a final dividend for half year to December 31, 1960 at the rate of Rs. 2.52 per share (making in all 8.76 per cent per annum subject to deduction of tax).

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W. H. JACKSON,
Manager

Company Meeting

THE CONSOLIDATED COFFEE ESTATES (1943) LTD.

CHAIRMAN'S SPEECH

At the Seventeenth Annual General Meeting of the Company held on the 30th December 1960.

Ladies & Gentlemen,

It is with great pleasure that I welcome you here today on the occasion of the Seventeenth Annual General Meeting of our Company. The Directors' Report and the Audited Accounts for the year ending 30th June, 1960 have been in your hands and with your permission I propose to take them as read.

There has been a sharp decline in the income of the Company and the revenue from Coffee at Rs. 71,99,953 is lower than that of last year by Rs. 18,49,420.

The coffee crop harvested amounted to 1,451 tonnes of Arabica and 998 tonnes of Robusta or a total of 2,449 tonnes against 1,793 tonnes of Arabica and 1,009 tonnes of Robusta or a total of 2,802 tonnes in the previous year. Though the crop for the year is the fourth highest in the history of the Company, the Arabica crop in comparison to the previous year was less by 342 tonnes the difference in Robusta being negligible. The points awarded in respect of Arabica for the year under review was consequently some 5,45,000 less than the previous year which with a valuation at Rs. 2.20 per point lead to a decline in coffee income by Rs. 18,49,420/- referred to earlier.

The crop of 1958/59 was valued in the accounts at Rs. 2.37 per point as against Rs. 2.20 per point for this season. At the same valuation this year's crop would have been worth Rs. 77,56,313/- or about Rs. 6,00,000/- higher than the valuation now made in the Profit and Loss Account.

Your Directors considered it wise to value this year's crop at only Rs. 2.20 per point in view of the sharp decline in export prices for Arabica and Robusta, those for the latter being considerably lower than the basic minimum return to the grower fixed by the Board. The valuation at Rs. 2.20 per point is the highest that could be made with safety and it is feared that surplus receipts over the present valuation of Rs. 2.20 may well prove negligible.

The income over valuation for 1958/59 received into this year's accounts is Rs. 3,67,344/- as against Rs. 9,45,863/- received in 1958/59 from the crop of 1957-58. An excess of only 8 nP. per point making up to a total of Rs. 2.45 per point was received.

It will be of interest to compare the valuation and final value per point for each of the last 5 years:—

	Valuation in accounts Rs.	Final value per point Rs.	Amount received from previous year Rs.
1954-55	2.12	2.37	6,88,290
1955-56	2.37	2.55	7,27,779
1956-57	2.50	2.81	13,43,214
1957-58	2.25	2.51	15,40,484
1958-59	2.37	2.45	9,45,863

It will be seen that the income of Rs. 3,67,344

from the previous year's coffee crop received during the year is the lowest since 1954.

The profit for the year under review after taxation was Rs. 13,08,089/- and is the lowest since 1949. The fall in profit is accounted for by the lower crop, lower valuation and lower realisations resulting in a very much lower income from previous year's coffee.

This makes somewhat dismal reading but a brief comment on the state of the crop itself is necessary. The Arabica crop averaged 6.16 cwts. per acre and Robusta 7.51 cwts. per acre. Apart from the year 1956-57 a phenomenal year when the production per acre of Arabica was 11.32 cwts. the present production of 6.16 cwts. per acre is the fourth highest on record. The production of Robusta at 7.51 cwts. per acre is the third highest since the formation of the company.

It is necessary to offer an explanation for the very marked divergence between our revised estimates of crop and actual crop harvested. The revised estimate in September 1959 of Arabica was 1,829 tonnes whereas the actual crop harvested was 1,451 tonnes, a reduction of 378 tonnes. Robusta was lower than estimate by 18 tonnes. The Company has had a fair record of estimating the crop and barring 1947, this is the only instance where there has been such a large fall in actual yield.

Mr. Paterson in his speech last year indicated that the unusual rains during November and December 1959 might lead to the estimates for Arabica not being realised.

This fall in actual realisation may not, I fear, be attributed solely to the untimely rains but may well have been due to the appearance of a malady particularly in Arabica coffee further reference to which will be made later on.

I will now refer briefly to our subsidiary crops.

Pepper: Pepper produced during the year was 59 tons as against 95 tons in the previous year.

About 20 tons have been sold at an average price of Rs. 310/- per cwt. whereas the highest price secured the previous year was Rs. 120/- per cwt. We still hold about 38 tons of pepper which we have not been able to dispose of due to a sudden decline in prices. Pepper is a highly speculative commodity but we hope it will be possible to obtain the conservative valuation made in the accounts.

Cardamom: The income from cardamoms at Rs. 82,468/- is the second highest since the inception of the company and is due to the higher prices obtained. The area under cardamoms is 158 acres and particular attention is paid to better cultivation and improved methods of preparing the cardamom for the market.

Oranges: The income of Rs. 1,23,469/- from oranges is also a record. The bulk of our oranges are mar-

keted through the Coorg Orange Growers' Co-operative Society and prices realised have been good. Oranges in Coorg have generally been on the decline but proper attention under the guidance and advice of the Research Station maintained by the Indian Council of Agricultural Research appears to be producing better results. This Station has also improved on techniques of grafting and improved Plant Material, and it is proposed to take advantage of these for extending our areas under Citrus crops.

Paddy and Straw: Ruling high prices coupled with the highest crop on record have enabled us to earn an income of Rs. 2,12,490/- as compared to Rs. 1,86,613/- in the previous year. Our income under this head would be higher but for the fact that the larger portion of our paddy is issued to our labour on a "no profit no loss" basis from September to December each year to counter prevailing high market rates during that period. Our acreage under this crop is 625 acres and it should be possible to increase our yield further.

It will be noticed from the accounts before you that our income from subsidiary crops such as pepper, paddy, cardamoms, oranges and minor produce amounted to Rs. 7,01,474/- or very nearly 7.2% of our total income. The income from these crops is not insubstantial and more attention will be paid to these subsidiary crops. They should prove a valuable stand by in the highly fluctuating coffee market.

Haarer in his "Modern Coffee Production" warned coffee producers that prices had reached their peak at the time of his writing (1955-56), and advised them strongly to prepare for falling prices and even for a slump. He recommended various measures to be taken in time to stave off disaster, for example International Agreements, improvement of quality, proper grading, increasing the demand by propaganda, producing instant coffee etc. He also suggested mixed planting. Most of the steps suggested by him have not been adopted and it seems that progress in that direction will be too slow if not late to be immediately effective as a remedy against what he foresaw.

Coffee production will, of course, remain our main occupation, but more attention will be paid to pepper, cardamom, oranges and arecanut and for their extension wherever possible. These are undoubtedly long term measures, but I fully believe that these will play a very substantial part in the coming years in the economy of your company. The possibility of growing other crops such as Nutmeg, Cloves, Cocoa, etc. is under study and will be taken up only on expert advice being favourable.

In the context of encouraging a mixed economy it will not be out of place to comment briefly on the contemplated extension of coffee planting in Andhra, Assam and Orissa States. The coffee Board is finding it difficult to market the existing production and it would appear to be wiser to encourage the cultivation of other crops in those areas.

There is considerable overproduction in the world and notwithstanding International Agreements the position is bound to deteriorate. We appear to be following countries like Costa Rica, Haiti, Ecuador and French Africa, which despite the threat of overproduction encouraged coffee growing by subsidies, loans and other forms of financial assistance, whereas it would be preferable and wiser to follow Brazil which is reported to be the only country with a scheme to assist farmers to move out of coffee growing.

Timber: The income from timber this year is Rs. 2,98,537/- as against Rs. 6,15,904/- last year. This is not

a regular source of income and sales will be made only as and when necessary.

The Kushalnagar Works has cured 3,709 tonnes which is the highest quantity cured since the start of the Works. The trading results have been better than in previous years.

It has not been possible to effect savings in the rate of expenditure except for the corresponding lower crop charges due to a smaller crop. These savings are limited to cost of gathering, pulping, transport to Works and curing. The question of effecting economies is under serious consideration, but it must be remembered that our expenditure has so far been geared to a high rate of production and a corresponding high return for our office.

Our Capital Expenditure during the year amounted to Rs. 7,74,902/- out of which Rs. 1,23,247/- was spent for extending drying ground space and Rs. 1,09,125/- for estate machinery. The balance accounts for New Clearings, buildings, etc. We have so far built 2,199 new quarters for labour and we still have to build about 200 houses. There will be built on a phased programme and will eventually cost at present rates some Rs. 3 lakhs.

It is necessary here to bring to your attention the fact that depreciation allowances under the Mysore Agricultural Income Tax Act are less than that allowed under the Central Act particularly in the case of Tractors, Motor vehicles, Machinery, spraying hose, etc. Under the old Coorg Act over and above the normal depreciation allowance a special allowance of 20% was allowed for a period of 5 years which allowed for the writing off of all buildings and machinery in a period of 4 to 5 years.

The fact that added to lower rates of depreciation no allowance is made for the capital value of an Estate results in the Agricultural Income Tax working out at a rate higher than that of Central Income Tax.

Expenses incurred in new planting and replanting up to the yielding stage are treated as Capital for which an allowance of only 10% is granted. In the case of replanting which is undertaken to replace a non-yielding or old and useless area no allowance is made for the loss of capital invested.

There is a very strong case of liberalisation in the matter of depreciation allowances and a memorandum on this subject first submitted when the Mysore Act came into force has not yet received consideration.

The dividend of 20% recommended by your Board is as liberal as possible in view of our lower earnings coupled with the necessity to allocate adequate funds to our Reserve. It was only possible to pay this dividend because of the refund of Agricultural Income Tax, amounting to Rs. 4,67,288/- received by the Company in respect of the tax paid for the year ending 30th June, 1956. Tax had been demanded and paid on the basis of the Mysore Agricultural Income Tax in respect of the year 1955-56 even though Coorg at that time was a separate State. A further appeal is pending in respect of the Agricultural Income Tax paid for the 4 months ending 31st October 1956—merger of Coorg into Mysore having taken place as from 1-11-1956. In the event of the appeal being successful a refund of about Rs. 2 lakhs may be expected.

The Preference Share Regulation of Dividend Bill has been passed by Parliament and the question of how it affects an Agricultural Company as yours is to be considered. It is only fair to say that the portion of

our profit subject to Indian Income Tax is negligible and only that portion will require to be grossed up. The resulting extra payment will be very small indeed but even without this, the Preference shareholders will not be losing as they will still have the benefit of Section 49 B of the Indian Income Tax Act.

The coffee crop that is now being harvested may be higher than our estimate of 3,099 tonnes specially in Robusta. Some of our Arabica estates have been particularly affected by the new disease and it is apprehended that this may effect the outturns and quality of the coffee. In the year under review it was found in some Arabica estates that the percentage of "A" sized beans was substantially lower than the average and that there was a similar remarkable increase in Peaberry and the "B" size. This naturally has an adverse effect on the quality of the coffee and results in a lower number of points being awarded. I hope that I am not being unnecessarily alarmist and will only be too glad if proved to be unduly pessimistic.

I am afraid it is rather early in the season to venture any opinion on the prospects of the 1961-62 crop and this should as usual wait until we have had our blossom showers.

I referred earlier to the prevalence of a new disease on coffee. This condition was first reported in 1957 but did not receive any attention as the condition reported appeared to be not unlike "Die Back" normally occurring in coffee. The disease appears to have spread since then and the condition of the coffee especially from January, 1960, onwards has given cause for alarm.

A Scientific Committee which was appointed by the Coffee Board to investigate the malady has submitted its report and has indicated that while there is no cause for alarm there is equally no room for any complacency. They go on to state that the problem is urgent and important and that the subject should be treated as a special project and studied in greater detail on a long term basis. They have made suggestions for setting up a special project to undertake certain studies and it is hoped that these will be given effect to as early as possible.

As the earliest diagnosis of this condition appears to be of the greatest importance, one wonders whether it would not be our best interest to invite a Scientific Officer from Kenya or other coffee growing areas to undertake a short tour. It may be that if such a condition has been noticed before that he would be in a position to identify it and much valuable time to be spent in diagnosis would be saved.

Due to this condition on coffee it is considered that it would be better not to open any new clearings in 1961. We have 727 acres of immature coffee and it would be wiser for our estate managers to be allowed to look after and bring up the immature areas instead of diverting their attention to opening new areas.

Our relations with labour have been generally cordial.

A Wage Agreement with the Unions was entered into effective from the 1st August 1960 under which the existing rates of wages were increased from Rs. 1.50 and Rs. 1.12 to Rs. 1.62 and Rs. 1.23 respectively for men and women labourers and correspondingly for adolescents and children. This represents an increase of 8 to 9% on the existing wage bill. This increase inclusive of Provident Fund and leave wages will cost the Company about 2½ lakhs extra for 1960-61.

The last increase in labour wages was in 1957. The present agreement lasts for two years, or until the

Wage Board which is to be appointed by the Central Government makes its award whether earlier or later. The increase in wages on plantations is inevitable and in an expanding economy essential.

One serious effect of the increase in wages is that absenteeism appears to increase in proportion. The absenteeism in your Company varies between 16 to 20% and added to the poor output of work, really imposes on us the burden of having to maintain a large number of unproductive labourers and to incur the corresponding increase in Capital outlay for providing labour quarters.

In the present state of falling prices and a return which is beginning to prove to be uneconomic labour must play its part in improving their output of work. Coffee plantations cannot be expected to face a situation where labour wages may be eventually doubled or trebled and still be expected to maintain the present rate of employment.

The production of coffee is a purely agricultural occupation, and there are generally very few agricultural activities which can be paid for on the basis of a fixed task. Unless there are incentives to work and earn more, it will be impossible to obtain a full day's work from a labourer. Incentives at present are possible only in the picking and estate curing of coffee. It is essential that a special study of this subject as applied to coffee plantations is undertaken, and we propose to take up this matter with our Planting Association. It is surely the duty of labour unions to advise their members to do a full day's useful work.

I must now refer to a thought uppermost in the minds of all those interested in coffee. For the first time since 1948 that which we feared for many years has happened. The world price of coffee has come down below the Minimum Release Price fixed for release in the internal market. In 1948 the Government of India withdrew the price control imposed on coffee. For almost 12 years thereafter world prices were very high and the Indian producer was not allowed to get the full benefit of these high prices. Exports were restricted and even where allowed a very heavy export tax of as large as Rs. 70/- per cwt. was imposed. In fact at one stage some 5,000 tonnes of coffee fit for export was not permitted to be exported though this could have been done easily without affecting the stock position in India. The selling price of coffee in India itself was kept low on the ground that the profits made on exports were to subsidise the internal market prices.

Recently, there has been a greater pressure to increase the exports of coffee and it is curious that this should come at a time when growers are faced with an adverse export market. We are now faced with the position of suffering a loss as coffee is to be exported on the basis of any price which it could fetch. There is no doubt that until now the grower has subsidised the consumer. It is extremely doubtful if it could be expected that the consumer is now to subsidise the grower.

The world production of coffee in 1959/60 amounted to 4.5 million metric tonnes, representing an increase of over 1 million metric tonnes. The increase in world imports from 2.2 million metric tonnes to 2.5 million metric tonnes was not commensurate with the rise in output. The stocks with producing countries enlarged from 1.6 million metric tonnes to nearly 3 million metric tonnes, which is equal to one year's world consumption.

In India itself the estimate for 1960-61 when realised will be a record. The estimate amounts to 52,290

metric tonnes made up of 30,885 metric tonnes of Arabica and 21,405 metric tonnes of Robusta, and it is possible that the Robusta crop may be substantially higher.

The trend of internal offtake of coffee is not in consonance with that of production. On the contrary the internal consumption during the 11 months of 1960 is slightly lower at 27,321 metric tonnes than in the corresponding period of 1959. As on the 1st January, 1961, the stock of old crop still to be marketed inclusive of carry forward will be about 7,200 tonnes.

The Food and Agricultural Organisation states as follows:

"Although world imports and domestic consumption of coffee will rise in coming years, it is unlikely that the annual increase will exceed 5 per cent, even at present reduced prices. The proposal has been advanced to extend the International Coffee Agreement for another year and consider, in the meantime, the conclusion of an export agreement for five years, to provide time for producing countries to enact and carry out measures of production control, at present still at the planning stage. Unless such measures are taken, stocks will continue to accumulate in producing countries and could reach twice their present size three to four years from now."

We have to consider our marketing policies against the background of what is stated above, viz., increasing production and the very large stocks of coffee held by producing countries.

The system of marketing of coffee in India for internal consumption is multi-channelled. Coffee is sold by Pool auctions for whatever price it may fetch above the Basic Minimum release prices; coffee is sold at local auctions thereby reducing the demand on pool auction buyers; and coffee is allotted to Co-operative Societies at the Basic Minimum release price. In addition in the name of propaganda, coffee is being issued to consumers again at Basic Minimum release prices. The return to the grower is thereby kept very nearly at the minimum. This system no doubt was a good system when stocks were short. The system was introduced in 1948 immediately after the removal of price control and when the production of coffee during that year was as low as under 14,000 tonnes. Prices were indeed very high and all these methods were devised by the Indian Coffee Board to keep prices down. With the doubling or even trebling of production as considered in relation to 1948 there seems little justification to continue, what were after all, expedients suited to a particular situation. Added to this is the fact that export prices have fallen to uneconomic levels. I make a strong plea that the entire marketing policy is overhauled and a more realistic one adopted.

The first requirement is that the Board adopts a more practical propaganda policy. There are I know mixed opinions as to the utility of what were known as India Coffee Houses, but there is no doubt that India Coffee Houses were largely instrumental in increasing the coffee drinking habit and that the internal consumption of coffee rose from some 8,000 tons to over 20,000 tons. For various reasons the Coffee Houses were closed down and the few that are running now are more in the nature of prestige houses and cater to a limited and favoured clientele. Propaganda is very necessary particularly for Robusta coffee if we are to sell our increasing production. The prices for Robusta on the world market are very much lower than our cost of production, and I am convinced that the best market for our Robusta is in India, as at its price it provides a cheaper drink to many of our people.

In particular I refer now to export marketing. We are in no position of course to hold back the huge stocks being received into the pool. With the increased production in 1961 we may well find ourselves at the end of that year with a stock of 10-12,000 tonnes if not a little more waiting to be marketed. We are now obliged to sell coffee at whatever the price that is offered. In these circumstances it is more than ever necessary to examine the export marketing activities of the Coffee Board in some detail. I would like to say at the very beginning that this is not an attempt to find fault with the Coffee Board's marketing policies. If the Coffee Industry is to exist there seems to be little doubt that the system of marketing should be completely overhauled and some bold decisions taken.

The method of marketing is briefly that of offering coffees for export and inviting bids by means of sealed tender. Inevitably this system has led to the concentration of the export business in the hands of only two or three large exporters, a position in which Jamaica found herself for the same reason. It is also significant that India at present is the only country which sells its coffee by this system.

In making up lots for sale, coffees of the same type and grade of equivalent quality are bulked together and offered as separate district growths. There is, however, no guarantee that each year any lot of a particular district offered is comprised of the coffee from the same two or three estates of the district. In any case, the importer in foreign countries knows only that he is being offered the bulk of a particular district growth, and is, therefore, not in a position to enter the market or interest himself on grounds of selective buying.

Before the advent of the Coffee Board, all coffees were sold on the basis of estate marks. The quality of coffee of each estate was well known in London, and these estates always obtained premium prices for their coffees. With the method of marketing adopted by the Coffee Board, and in fairness it must be said that at that time there was no alternative, estate marks disappeared from the London market. Recently the Coffee Board sent some coffees of about half a dozen well-known estates without disclosing the names of these estates, and it was a pleasant surprise to see that these coffees did fetch very good prices, evidently on grounds of quality.

It is relevant to consider the manner in which Kenya sells its coffee. Here they are sold strictly according to liquor tests, and the buyer knows that the coffee he purchases is the type that he requires for his own particular purposes. He also knows, and this is most important, that in the following year the same quality of coffee identifiable by him as similar to that bought by him previously will again be offered. This method ensures that an importer takes sustained interest in each type and grade of coffee and this should be our object also.

There has been a decline in world prices, but it is interesting to note the comparative prices fetched by Kenya coffee and our coffee. Tabulated below are comparative prices for Kenya and Indian coffee per cwt:

	Kenya		Indian
	Rs.	Rs.	Rs.
January	266	393	260
February	246	380	250
March	213	364	245
August	210	333	201
September	200	372	192
October	202	400	184
November	200	353	174

If we are to stay in the export market, there is no doubt that we can do so only on grounds of quality. There is no question of our driving Kenya coffee out of the market, for I fully believe that there is room for both our coffees considering the volume of production of these extremely popular coffees. At best India can export only 15,000 tons of first class plantation and in a quality conscious market, there is plenty of room for our coffees sharing in some of the rewards paid to high class coffees.

In respect of the effect that the European Economic Community market will have on our coffees I quote from "The Commonwealth and Europe" a study prepared by the Economist Intelligence Unit:

"Coffee has an infinite variety of flavours and established blends have a following faithful despite price changes. Kenya coffee, for example, is exceptionally popular in West Germany where importers willingly pay a premium to secure it; Jamaica's Blue Mountain coffee holds an enviable and almost unique position in many markets as do, though to a lesser extent, the high grade coffees of Southern India."

Consumption is also rising in the United Kingdom, and the same book goes on to state as follows:—

"So long as the small tariff preference is maintained in the U.K., or indeed even without it, Commonwealth producers can expect to take their full share of the growing British market, Kenya, India and Jamaica catering to the better end of the trade, other producers to the soluble coffee market."

The above quotations offer an authoritative reply to those who may doubt that Indian Coffees cannot compare in quality or compete on that basis.

I would, therefore, propose for the most earnest consideration of the authorities concerned the following measures:

- The appointment of a well-known Coffee Taster with his headquarters at Bangalore, say for a period of 3 years during which he will also train a number of assistants.
- All Arabica coffees produced in India to be liquor tested and the best coffees earmarked for export.
- The coffees offered for export should be from estates which have earned premium points.
- Such coffees should not be bulked with other coffees.
- Samples will be true to the particular outturn.
- The coffee offered should be in the name of the estate or by a distinguishing mark.
- Coffees offered in subsequent years will continue to bear the same distinguishing marks.
- The coffees should be sold in public auction and not by sealed tender.
- Auctions should be held at weekly intervals to enable importers to cover their requirements quickly if they fail to do so in a previous auction.
- The interval between sale and shipping of the coffee should be reduced.

Without going into detail, I am convinced that the methods I have advocated will be the only way of earning a little more in what is quite obviously a buyer's market. All this requires a bold decision and courage to sell coffee in a way different to ours, but which is common throughout all other exporting countries. If an early decision is taken it should be possible for us to start selling our coffee this year itself on basis of quality. Even if we sold 1,000 tons this year on this basis, we would be entering the export market on proper lines and we could expand this activity in coming years.

One further suggestion I would make is that the Coffee Board should open a prestige Coffee House in London and one in Hamburg. All our coffees should be displayed and sufficient publicity undertaken to revive an interest in Indian coffee. This will be expensive, but it should be money well spent.

Eventually the sale of coffee on the basis of cup tasting should also apply to internal sales and will ensure discriminative buying.

I have touched on a few controversial matters but I trust these will receive earnest and sympathetic consideration. Bold and urgent decisions are necessary. Coffee producers have an unhappy feeling that their fate is decided by a body not truly representative and not close to them or to their problems and it is only by the adoption of realistic attitudes that satisfaction can be given. It is regretted that no decisions have yet been taken on the Expert Committee's report though this was submitted some 18 months ago. Coffee producers and Associations feel that their problems are not dealt with, with any sense of urgency or realism and the failure on the part of the authorities to release the report to Associations confirms the feeling that the fate of producers is being decided without taking them into confidence.

I must refer here to the excellent services rendered to your company by my predecessor in office, Mr. R. C. Paterson. Your Company showed much progress during his term of office and I trust that his policies will continue to bear fruit in the coming years.

I must express my thanks to all our managers and members of our staff both at Head Office and on the estates and at the Kushalnagar Works for another year of hard and efficient work. They have a challenge to face in the coming years, occasioned by falling prices and overproduction and every effort will have to be made by them to run the estates as economically as possible.

I would refer in particular to Mr. E. R. W. Walker, your Field Manager and a fellow-Director for the devoted service of some 30 years he has given to your Company and its predecessors. He will be going into well-earned retirement from the end of June 1961 and I would on your behalf like to thank him for all he has done for the company.

His devotion to duty and capacity for unsparing hard work is worthy of emulation by all of us and he will be seriously missed.

Finally I must thank my fellow Directors for their wise guidance and help.

C. I. MACHIA,
Chairman.

Pollibetta,
30th December, 1960.

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Food articles & Tobacco	Liquor & Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures			All Comme- dities
						Inter- mediate Products	Finished Products	Total	
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55	..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105.5	105.3	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.6	117.1
September	1959 ..	120.6	99.7	116.3	122.6	111.3	109.8	110.0	117.2
October	" ..	123.8	101.4	117.0	122.6	114.4	110.4	111.1	119.3
November	" ..	121.4	104.6	117.4	122.5	116.1	111.0	111.7	118.3
September	1960 ..	123.9	104.5	119.8	138.7	129.5	121.5	122.7	125.3
October	" ..	121.8	113.5	119.9	146.6	130.2	123.8	124.7	126.3
November	" ..	120.2	116.8	120.1	148.0	131.6	124.7	125.7	126.0
3-12-1960	..	119.0	112.5	120.3	147.7	131.9	125.1	126.0	125.4
10-12-1960	..	117.5	112.3	120.3	148.6	132.0	124.9	125.9	124.7
17-12-1960	..	117.0	112.3	120.3	148.1	131.9	124.5	125.5	124.3
24-12-1960	..	116.9	111.7	120.3	150.6	132.5	124.8	125.8	124.7

*Revised.

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

Period	Bombay			Delhi†	Ben- gal	U.P.	Central Provinces		Madras June 1936=100	E.P. Ludhiana†	Bihar Jamshedpur†	All India†
	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100				Nagpur	Jubbulpur†				
1939 (Aug.-Dec.)	103	—	—	—	—	105	104	—	106	—	—	—
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	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	157	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	384	469	498	163	429	166	173*	168*
1960 January	403	422	304	159	385	460	509	168	441	164	173	169
February	399	418	294	161	389	468	511	165	448	167	167	168
March	395	414	287	157	392	464	510	165	446	166	168	167
April	402	421	288	155	392	463	511	165*	446	162	163*	168
May	402	421	295*	153	396	461	510	165*	452	166	163*	170
June	403	422	297*	154	399	460	510	165*	462	167	164*	171
July	404	423	299*	160	406	484*	515	165*	467	169	164*	174
August	402	421	302*	160	410	484*	515	—	470	169	168*	174
September	399	418	—	161	403	489	520	—	472	167	168*	173*
October	402	421	—	162	396	488	517	—	477	—	164	174*
November	—	—	—	159	—	489	—	—	—	—	—	—

†Base 1944=100. *Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT) WEEK END

	6-1-1961			30-12-60			23-12-1960			16-12-1960		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	115.45	114.00	114.98	114.60	113	114.08	115.10	114.25	114.73	114.90	113.50	114.03
Silver (per kilogram)	197.60	194.75	196.01	194.90	193	194.17	195.50	192.30	194.34	194.90	194.15	194.40

SCHEDULED BANKS

(Rs. in Lakhs)

Period (1)	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)
1952-53 ..	546.23	309.26	855.49	3333	51.82	9.95	461.64	38.47	60.48	306.34
1953-54 ..	520.75	328.26	855.00	3197	44.48	8.98	442.79	51.40	59.56	321.29
1954-55 ..	669.62	351.86	911.55	3266	53.91	9.60	468.39	84.66	60.68	339.74
1955-56 ..	608.64	407.95	1,016.59	3464	52.52	8.69	514.37	118.08	63.02	370.71
1956-57 ..	653.34	463.92	1,107.26	3694	50.23	7.96	626.08	155.56†	71.39	359.35
1957-58 ..	729.89	619.19	1,343.08	3934	77.55	8.72	723.79	167.32†	66.77	385.54
1958-59 ..	735.93	880.33	1,526.26	4030	83.99	7.74	766.66	133.27†	56.37	565.14
1959-60 ..	745.81	1086.79	1,832.62	4434	75.81	6.58	842.75	144.49†	53.87	725.20
Average of Fridays										
July 1960 ..	792.72	1215.71	2,008.43	4819	112.01	7.98	979.13	147.95†	56.12	735.74
August ..	792.95	1212.04	2,004.98	4615	110.46	7.82	966.68	149.15†	55.65	739.09
September ..	779.24	1188.44	1,967.68	4616	102.63	7.57	980.18	146.45†	57.26	734.02
October ..	791.28	1155.68	1,946.95	4825	101.04	7.67	965.97	150.43†	57.34	703.55
November ..	790.80	1141.27	1,932.07	4635	97.56	7.46	954.21	153.78†	57.32	688.21
December ..	794.20	1128.10	1,922.30	4551	91.21	7.12	991.46	155.21†	59.65	662.44
Week Ending										
2-12-1960 ..	795.81	1136.36	1,932.19	4486	85.89	6.76	967.37	153.61†	58.02	686.10
9-12-1960 ..	795.16	1135.52	1,930.68	4460	89.90	6.98	976.87	153.41†	58.54	674.38
16-12-1960 ..	790.99	1122.56	1,913.55	4464	80.80	6.51	992.90	152.20†	59.84	659.40
23-12-1960 ..	794.35	1121.53	1,915.89	4393	88.09	6.89	1002.24	154.00†	60.35	658.55
30-12-1960 ..	794.65	1124.56	1,919.21	4600	112.15	8.44	1017.92	162.81†	61.52	633.76

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Lakhs of rupees.)

Last Friday (1)	Money supply with the public (2) = (3) + (4)	Total current with the public (3)	Deposit money with the public			Total variations in money supply (7)
			Total (4)	Demand liabi- lities of banks (5)	Other deposits with Reserve Bank† (6)	
1953-54 ..	1,793.97	1,229.41	564.54	549.83	14.71	+ 29.26
1954-55 ..	1,920.63	1,311.71	608.66	599.16	9.71	+ 126.65
1955-56 ..	2,184.32	1,505.01	679.23	667.22	12.01	+ 263.69
1956-57 ..	2,312.89	1,556.51	756.39	744.74	11.65	+ 128.57
1957-58 ..	2,384.83	1,606.61	782.22	762.36	19.87	+ 75.94
1958-59 ..	2,494.76	1,724.51	774.23	754.98	19.25	+ 109.92
1959-60 ..	2,702.19*	1,861.71	840.41*	818.62*	21.79	+ 203.44*
June 1960 ..	2,702.31	1,869.01	833.28	810.37	22.92	- 22.66
July ..	2,670.79	1,827.1	843.60	813.42	30.18	- 31.72
August ..	2,654.92	1,807.0	851.90	819.26	32.63	- 11.86
September ..	2,630.56	1,719.6	810.91	791.63	19.28	- 28.35
October ..	2,610.82*	1,823.94	836.87*	812.16*	24.71	- 30.26*
May ..	2,669.48*	1,844.01	825.48*	804.39*	21.09	+ 8.66*

* Provisional.

* Excluding balances held on I.M.F. Amount No.

Source: Monthly Bulletin of Reserve Bank.

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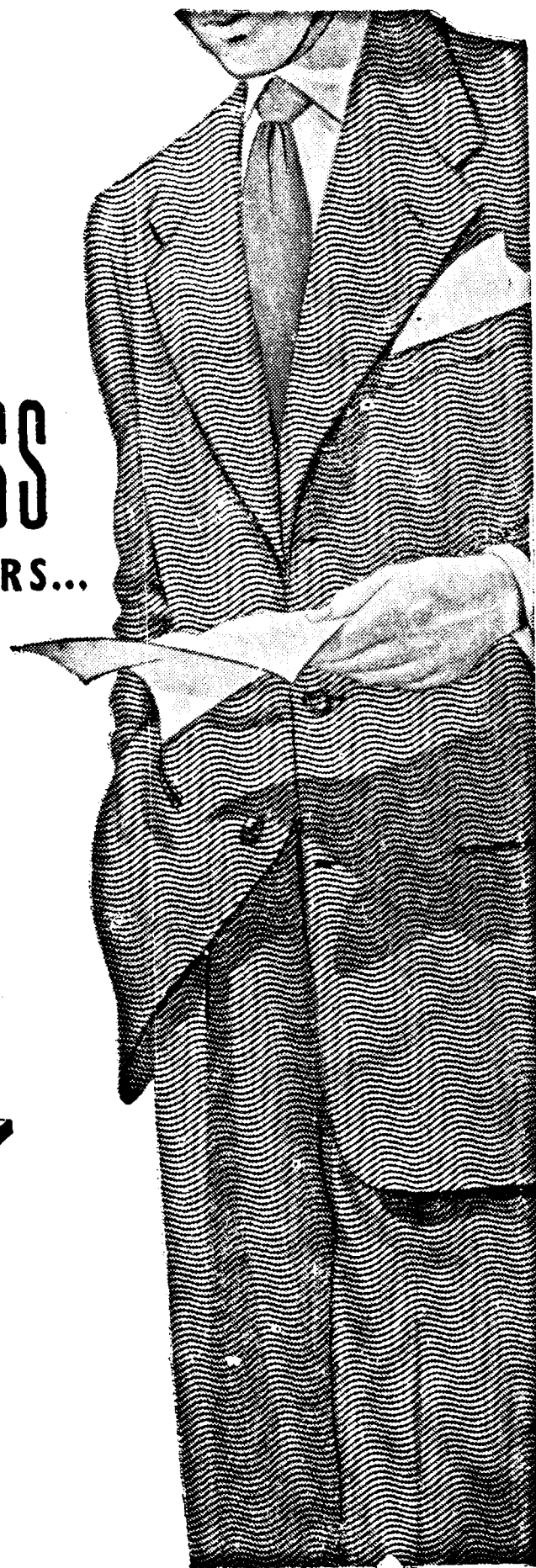
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The Eastern Economist

JANUARY 20, 1961

The Economic Weather: January 1961

THE month of January is as good as any other for reading the economic signs; possibly better, because it opens a new calendar year. Not, indeed, that industrial fluctuations are any more related to the diurnal movements of the earth or to the far-fetched sun-spot theory of the ancient economic text-books. In India this particular January has been sanctified as a convenient date-line, because it has seen the finalisation of India's Draft Third Plan in a controversial National Development Council meeting and also a preview of the Aid-India Club meeting to be held in March. Mr. Joseph Rucinsky's helpful Press Conference on Tuesday and the indications that the Aid-India Club might give loans to cover some "maintenance" imports is at least in principle a departure large enough to cause optimism on the maintenance of organised production. The Press Conference was held at a time when the markets, for reasons not entirely clear, were displaying new signs of good cheer. Perhaps this is no more than what is called a technical correction, but the fact remains that, in spite of the fact that taxation was vigorously displayed in the meeting of the National Development Council, markets suddenly revived after the meeting and have stayed strong for five days.

Two major factors may explain current optimism. The first of these is the record of the economy in the last year, the best ever in India's economic history. It is now claimed that food-grains output will be in the region of 76 million tons, a million more than the first estimate, and optimism has carried over to the belief that performance being so good in the last year of the Second Five-Year Plan, the 100 million ton target at the end of the Third Plan is a clear probability. Secondly, the industrial sector under the stimulus of new steel, has displayed its highest rate of rise since Independence. Whether that rise is as high as 15 per cent or substantially less depends on which index one uses for this purpose. However, one need not deny that there have been spectacular rises in steel, paper, sugar and cement, all leading elements in strengthening the industrial picture. Not so happily there have been substantial bottlenecks in power, transport and coal, which hinder further advance. Nevertheless, any one who has looked at the record of the last year as a whole, as distinguished from the failure to work particular development programmes on schedule, must feel that the record has been remarkably good. It is as well that this is so, since the last year of the Plan has a strong psychological effect in regard to the measurement of performance of the Plan as a whole. Statistically, 1960-61 is just a year subject to variations of climate and accidental factors like any other, but observers abroad are optimistic in the view that the year 1960-61 has been a reflection of

India's planning effort. Judged by this standard, one might say that the Plan in its revised schedule has been fulfilled. Congratulations go to all those to whom this success is due.

What can be said on the outlook of the Third Five-Year Plan is very little, and is not assisted by the refined debate which took place in the National Development Council meetings on the 13th and 14th January on 'physical' and 'financial' targets of the Plan. The Government of India really seems to have two personalities, one of which is in strong sympathy with the States which insist that the 'physical' targets should not be cut down because of financial imperatives. The argument seems to be that, firstly the financial elements are unproved, and, to exclude a physical target on the ground that the finance is not currently available, may be in fact to prejudice what is intrinsically good and necessary. And nothing included in the Plan, including Calcutta (for which happily there is to be a project report prepared for inclusion in the first instance), has been cut down. The Finance Ministry has salved its conscience by the pretence (to rank it no more than that) that it has not lost ground because the resources figure of Rs. 7,500 crores for the public sector is not to be exceeded. In point of fact, once a project is under way, the financial element has to be underwritten whether it happens to be greater or less than the estimated figure. Therefore, the States have won and the financial pundits have lost in the first round of the debate. But the second round which is finding of resources will be a different matter, since neither the foreign exchange nor the rupee resources are currently available. A hard relentless master presides over both the Chief Ministers and the Finance Ministry. Again, in an election year neither is free to compel the production of resources from the sovereign master, the voter, who still is unable to recognise the inevitability of high taxation as a means of speedier development when prices are high.

All in all, one might argue that we still live in the best of all possible worlds. 1960-61 has been a year of remarkable success both in agriculture and in industry, notwithstanding the dramatic failures in transport and coal. Secondly, if one looks upon this year as the last year of the Second Plan, and a measure of its achievement in the revised form, one can proclaim success, notwithstanding the shortfall on steel. Thirdly, a fairly unanimous picture now emerges in regard to the obligations of the Third Five-Year Plan and the extent to which its priorities will decree progress. When resources are available, those priorities are for transport and fertilizers in the first instance, with steel, coal, and other "basic" industries following suit. Exactly where the social services come in the picture has

still to be determined. In this holiday mood, with the stock market registering optimism and the capital city displaying gaiety in anticipation of the visit of Queen Elizabeth, one might be dis-

posed to agree with the public and rest quietly content. It may be unsophisticated but who, knowing the tendencies of the dismal science to overweigh difficulties, will proclaim them wrong?

Eisenhower: The End of a Chapter

HOW does the Eisenhower Age, which came to a close yesterday, look in the eyes of the American people? The fact that Mr. Eisenhower was elected by large majorities to the presidency for two successive terms, the maximum permissible under the constitution, is in itself a reflection of the place the American people have given to his qualities of head and heart. It has been said, somewhat acidly, that he held the spotlight of popularity essentially by the qualities of heart. But the display of both always came in an ample measure when situations called for them. Mr. Eisenhower's eight years of presidency were, of course, not a phase of even popularity. It had its rising and declining curves, but the most outstanding fact about it was that, on the average, it always stood higher than the popularity of his two predecessors in office, President Truman and President Roosevelt. This is the outstanding conclusion which emerges from the three recent Gallup Polls on Mr. Eisenhower's eight years' record. President Roosevelt's average in the popularity poll ruled at 63 per cent, President Truman's at 46 per cent, but President Eisenhower's average rose above both these to reach 66 per cent.

It was undoubtedly the attraction of Mr. Eisenhower's personality, rather than the American public's switch-over in preference to the Republican Party, that a landslide victory in the presidential election of November 1952 swept him into power. During the eight years of his two terms, President Eisenhower maintained his popularity at a remarkable level never letting it dip below 49 per cent. The all-time low of 49 per cent was touched only once in April 1958. That was in the wake of America's first crisis of unemployment in twenty years. Barring this one occasion, Mr. Eisenhower's popularity index invariably showed that, even in weaker times, a minimum of more than half of his people acclaimed him as their popular President.

It would be well, first, to recount the low in President Eisenhower's popularity. As the first flush of enthusiasm over the elevation of the war hero to the highest executive office in the nation abated, reaction in the popular estimation showed itself by the downward curve in Mr. Eisenhower's popularity in the first year of his first term of

office. To add to this reaction came the first major post-war recession of 1954, which was reflected in a further loss of popularity. It touched the low point of 57 per cent. Something very much the same happened again soon after Mr. Eisenhower's election for a second term in November 1956. The first year of his second tenure — 1957 — saw the "battle of the budget" and the sharp differences in the Republican Party between Mr. Eisenhower and Mr. Taft. This cost the President a diminution in his popularity which again touched the low point of 57 per cent in that year. The lowest ever point of 49 per cent recorded in April 1958 on the score of unemployment has already been referred to. The major loss of popularity at the time is to be seen in the presidential election of November 1960, when it came down to 58 per cent.

The real index to Mr. Eisenhower's popularity is perhaps better seen in the peaks reached from time to time. In December 1953 his historic proposal to the United Nations for peaceful use of atomic energy suddenly carried the popularity curve to 68 per cent. In 1955, again at the Geneva Conference, Mr. Eisenhower's imaginative but dramatic proposal of 'open skies', to reduce international tensions, had a wonderful response in American opinion. His popularity, which, before Geneva, hovered around 69 per cent, shot up, after Geneva, to 79 per cent. That in itself was a very solid vote of confidence. This was paralleled by another record of 79 per cent immediately after the commencement of his second term of office in January 1957. The despatch of marines to Lebanon in the summer of 1958 raised the popularity index from 52 per cent to 58 per cent. There was yet another upswing in the President's popularity which came in the wake of his goodwill tour of 11 nations. It carried the curve to 70 per cent in January 1960.

It is characteristic of the frank nature of the American people that they do not allow judgment to be blurred by sentiment. While 20 per cent voted that he would go down in his ory as a "Great President", 25 per cent voted for his place as a "Fair President," but the majority of 45 per cent assessed him as a "Good President." As a "Good President" he leaves office with sincere good wishes for all the world.

Stringency and Interest Rates

THE Reserve Bank of India on January 12 decided to revoke its earlier directives regarding impounding of additional deposits. Not only were the deposits impounded with the Reserve Bank of India to be released but all further impounding of deposits was also abolished. This dramatic decision was virtually forced on the Reserve Bank because of the acute demand for funds in the current busy season which has been described as "busier" than the last year.

That the pressure of demand for credit was steadily growing was evident even in the month of December. In the second week of December, 1960, the volume of borrowings of the scheduled banks from the Reserve Bank of India at Rs. 20 crores was nearly three times the borrowings in the corresponding week a year ago. The latest

return, for the first week of January 1961, shows that the total borrowings of the scheduled banks from the Reserve Bank at Rs. 53.45 crores were more than double of the corresponding borrowings a year earlier. Another measure of stringency, namely, the ratio of bank credit to total deposits has also shown almost 10 per cent rise as compared to last year. In the first week of January, 1960, the ratio of bank credit to total aggregate deposits was 54.5 per cent as against the present level of 63.7 per cent. During the last twelve months, the total volume of credit has expanded by nearly 200 crores of rupees while deposits have risen by not more than 50 crores of rupees. Thus, all the main indicators of the banking system reveal that by the end of the last year, the pressure of demand on funds was such that the banks

were forced to borrow from the Reserve Bank even at the penal rate of interest of 6 per cent. There is also proof that this has happened in the case of about 10 crores of rupees borrowed by the scheduled banks from the Reserve Bank in recent weeks. If the banks are forced to borrow at 6 per cent, it is but natural that they should demand 6½ to 7 per cent from industry and trade which fact again is instrumental in encouraging the interest rates to rise—a situation which is hardly in the interest of the economy.

The Central Budget which is to be presented within the next six weeks, and the State Budgets which will all be presented within the next quarter, will have to rely upon market borrowings to a large extent in order to finance the capital expenditure. Will it be possible for the Centre as well as for States to borrow money at 4 or 4½ per cent when the scheduled banks are being forced to pay 6 per cent to the Reserve Bank? This dear money policy is likely to undermine the fiscal operations planned both for the revenue and the capital budgets. The latest move of revoking the

monetary restrictions will at best make available 15 crores of rupees to the banking system and will not be sufficient to meet the present pressure. What are the concrete steps which the Reserve Bank proposes to take in order to meet this stringency? If the inflated Third Five-Year Plan is to go through successfully and the first year of the Third Plan is to meet both its financial and physical targets, the Reserve Bank must take certain vital decisions quickly so as not to lose any time. At this moment the industry and trade cannot be starved of funds. If the new equipment and plants which have been installed are to operate to their full capacity and also, if the new floatations are not to be throttled before birth, the Reserve Bank must relax all its controls and restrictions and institute an easier money policy for encouraging expansion of the economy unhindered. Already there is evidence that the failure of a few banks in the past few months has shaken the confidence of the people in the banking system and the pace of rise in deposits has considerably slowed down in relation to the increases recorded in the three year period 1957-59.

Self-sufficiency in Oil?

TALKING about the economic progress that India is making, the Prime Minister sometimes works more on national, and nationalistic, psychology than on the facts. A case in point is his last week's address to the National Development Council in which he said that we would achieve near-self-sufficiency in oil by the beginning of the Fourth Five-Year Plan. He did not clarify whether he was referring to crude oil output or the production of petroleum products. But from whichever angle one views this problem, one can scarcely share his optimism, notwithstanding the fact that this country has made commendable progress in this field during the past few years.

Expert estimates put our demand for crude oil around 14 million tons by 1965-66. Of this, we produce at present only about 400,000 tons. The rich oilfields of Nahorkatiya-Hugrijan and Moran, in Assam—which, according to the latest estimates, have reserves to the tune of about 40 million tons of crude—are not expected to yield more than 2.75 million tons per annum during the Third Plan period. Even if exploitation of the oil reserves of this area is intensified, annual output is not expected to exceed 4 million tons which is the maximum capacity, after expansion, of the pipeline that is being laid to connect these oilfields with the proposed refineries at Nunmati and Barauni.

From where are the rest of the supplies — nearly 10 million tons of crude — to come? The Cambay and Ankleshwar oilfields, where prospecting so far has yielded very encouraging results, hold promise to supply good quantities of crude oil. But it is extremely unlikely that these two oilfields would be able to make good the entire balance of 10 million tons of crude per annum; the total reserves of these oilfields have yet to be estimated. Oil prospecting being a very uncertain business, it would be hazardous to base our calculations on mere possibilities of striking oil in areas like Sibsagar, Punjab, Kutch, Rajasthan, Bengal Basin, East and West Coasts, Andaman Islands and Ganga Valley which are supposed to contain "black gold" in their bowels. Even if oil is struck at any of these places in the near future — the possibility of this, however, cannot be rated high in view of the deficiency which we have in oil prospecting machinery — it is very unlikely that exploitation of the possible oil reserves in

these areas would be undertaken in the next five or six years. India, thus, can hardly be expected to become self-sufficient in crude oil by the end of the next Plan period. More so, if account is taken of the fact that growing realisation of further development of road transport will entail greater demand for oil.

If the physical and natural limitations will thwart our dreams of becoming self-sufficient in crude oil by the end of the next Plan, foreign exchange difficulties may stand in the way of our achieving self-sufficiency in petroleum products, even if manufactured from imported crude. The setting up of the two refineries at Nunmati and Barauni will increase our refining capacity to about 8 million tons. Another two million tons capacity might be available if the contemplated refineries at Cambay and in the South mature. This will leave a gap of nearly 3.5 million tons in capacity, presuming that about 5 per cent wastage is involved in refining of crude oil. One wonders why, in the circumstances, the existing refineries are not being allowed to expand their capacity?

Another aspect of the oil business which need be stressed is the manufacture of oil drilling and refinery machinery. We have yet to make a start in this respect, and unless we begin producing this equipment ourselves, in view of our foreign exchange limitations, we can hardly intensify our efforts in oil prospecting and refining. The need for intensification of efforts in this direction, of course, can be scarcely over-emphasized. Import of crude oil and petroleum products is a heavy drain on our foreign exchange resources and it will only grow with the increasing tempo of industrialisation. Mr. K. D. Malaviya has made a good beginning in exploration, but one wonders whether he is wise to underestimate the difficulties ahead and to lead the Prime Minister to do likewise. This is the time for imaginative partnership with all units which can assist us to promote the national interest. The national interest is not to be identified with a monopoly of the Oil and Natural Gas Commission or a Ministry of Fuel determined on aggrandisement of its particular role in India's oil development. When will there be a recognition that India's thinking here must be pragmatic, not ideological and wishful?

A DELHI DIARY

INDIA'S SPLIT PERSONALITY

I HAVE constantly heard in Delhi whispers that India has a split personality. "The Eastern Economist" would, perhaps, say that this is largely connected with the old and the new — the conflict between the hard crust of custom and the unknown frontier in technological development and economic progress which we are still exploring. But whether or not the "split" comes from these historical forces, its expression, at least in Delhi, appears currently to be unusual. I saw it in operation at the meetings of the National Development Council on the 13th and 14th January; I have kept asking myself the question whether or not there is not hidden in the womb of time a major source of difference between the States and the Centre at the moment plans are on the anvil. This is really a reflection of India's split personality. The States seem to have different interests at the present time from the Centre. I think one of the most interesting projects for both political and economic research is an analysis of the character of these differences. Since, however, it is the function of a journalist to anticipate research (and even the facts!) I might declare myself at once on the points at issue.

PHYSICAL OR FINANCIAL TARGETS?

In the first place, let me state the central difference. This is that the States' Chief Ministers were not in agreement with the Centre (Mr. Morarji Desai, this time) in regard to the cutting down of the Plan in order to meet the "limit" of financial resources. Everyone knows that a Plan is a Procrustean bed; one has either to extend the financial targets (always underestimated) in relation to jobs proposed, or one has to cut physical targets in order to meet a financial ceiling. During the Second Five-Year Plan we saw, by turn, both operations. At the beginning of the Plan the financial targets were raised to accommodate the physical targets; in the middle when the foreign exchange crisis arrived—it has stayed ever since—it was the opposite operation, cutting off what were believed to be frills, leaving what is known (not very respectfully) as "the hard core". Since in the Third Plan, we have started with a desperate foreign exchange crisis and the hard core is no longer fashionable, the debate has been resumed on the level of an agreement to disagree with no unpleasant references to hard cores. At least I have heard of no hard core—yet.

The substance of the agreement is to the effect that the Centre is not committed to accept more than Rs. 7,500 crores in the public sector, but the States are free to make physical targets which at present add up to Rs. 8,000 crores, and, if estimation is as bad as in the Second Plan, probably Rs. 9,000 crores. Instead of trying to argue the nice point as to how little capital can be used by using what is called work study — on which I shall say more in due course in these pages one day — the fact remains that nobody has any evidence as to how this particular difference will end. I am, therefore, cagily reserving opinion as to whether or not the States or the Centre is likely to prove right in its assumptions. As in the law of perjury all I need to say is one or other must be proved wrong. But the fact of the difference is significant. At no previous meeting of the National Development Council was there a tussle for seven hours to find a magic formula for an agreement between the States and the Centre. In no previous National Development Council meeting was a committee of four Chief Ministers — the emerging shadow Cabinet of the States? — set up to discuss how to obtain their point of view instead of dutifully signing on the Centre's dotted line. The beginning of the conflict between the Centre and the States (referred

to in "The Eastern Economist" Annual Number?) might possibly be seen in embryo in these proceedings.

I am at a loss to understand as to how this has suddenly come about. A sophisticated friend tells me, winking slyly that it is all the 1962 General Election in which the States are much more involved. Some of them — dare I say Dr. B. C. Roy, in particular, — are deeply concerned about winning the election on a bold and big plan for employment. The Centre is pretty secure because the Congress Party in the Lok Sabha, which is certain to arrive with a majority, has no major fear in the elections, although it pretends to operate under the compulsion of popular opinion. The Centre, on the other hand, has very important responsibilities in regard to financial matters such as the control of prices and the raising of both Central taxation and loans, which make it necessary for it to be "moderate" in regard to the financial resources which are to be extracted from the "system." There is, therefore, a nice debate between the forces of political expediency and economic moderation. In the result it would seem to me that political expediency has won the day because nobody — as I believe, was hinted after the National Development Council meeting was over — believes that, once projects are included, they will grind to a halt, half-finished. May I, therefore, draw a corollary to the effect that the Indian system is much more a political than an economic one, and that, if the science is still political economy, the emphasis is very much on its Christian name!

GENTLEMEN: THE QUEEN

I would not have believed it possible that Republican India could have worked itself up into so much excitement in preparation for the visit of the Queen tomorrow. The front pages of the newspapers are already telling a widely interested public about the grand memories it raises. For example, Shri Ibrahim Khan — if he will so permit me to address him — is very much in the news because fifty years ago, he served the Queen's grandfather, King George V, as a bearer during the Coronation. 'Bade Miyan' they say, is 76 years old, but has been strongly recommended for service tomorrow. Apparently he has to be given a personal interview, and all Delhi is waiting to see if he is to obtain his heart's desire.

Meanwhile, the traffic arrangements continue with a lavishness of personnel which is truly embarrassing to those who were told that simplicity is to be the keynote of the visit. I have seen rehearsals go on each morning and have noticed the distance between policeman and policeman becoming shorter each day; or am I mistaken? Have we not learnt the lesson that one of the ways of creating confusion is to have too many men on a job? Of course, one can have too few, as we found on Thursday when there was a traffic jam in Connaught Circus; we discovered that it was due not to the Delhi Police or even the military police — as it was on the famous occasion at Tilpat, five years ago—but to a failure of the traffic lights. An irreverent observation heard at the time was that Delhi's traffic lights have been able to do what was expected only from the Queen.

One thing is certain that the traffic jam tomorrow is going to be the greatest ever. So indeed, will be what is now described as the 'vast ocean' of humanity which is coming in for Republic Day. We have now graduated from crowds to 'seas' and from 'seas' to 'oceans'. An ocean, I might say, is currently represented by a figure of five million people!

ARGUS.

THE WEEK'S NOTES

Congo

CLAMOUR FOR MR. DAYAL'S RECALL

THE DEMAND, contained in a letter sent on 14th January, 1961, by President Kasavubu to Mr. Hammerskjöld, for the recall of Mr. Rajeshwar Dayal, the U.N. Secretary-General's Special Representative in the Congo, should be reviewed against the fact that Mr. Dayal was not accredited to the Congo Government, but was acting as a local executive to Mr. Hammerskjöld, who had been charged with the mandate by the Security Council and the U.N. General Assembly in accordance with Article 101 of the Charter. Further, Article 100 states that the Secretary-General should not seek or receive instructions from any Government, and members should not seek to influence him in the discharge of his responsibilities. And Mr. Hammerskjöld has rightly replied that Mr. Kasavubu had no locus standi to demand his recall. He rejected out of hand Mr. Kasavubu's allegation charging Mr. Dayal with partiality and partial responsibility for the U.N. failure to maintain law and order in Congo. Mr. Hammerskjöld made it clear that Mr. Dayal was not a diplomatic representative accredited to the Republic of the Congo and could not be subject to a declaration that he was persona non grata with the effect generally given to that term in diplomatic practice. In upholding Mr. Dayal's fearless role in Congo, Mr. Hammerskjöld also upheld the rights and dignity of the United Nations.

Mr. Dayal, who succeeded Dr. Bunche in the admittedly thankless job of supervising U.N. operations in the Congo, is certainly not, as some observers have suggested, a sinister figure plotting simply to bring Mr. Lumumba back to power. He is an able, conscientious civil servant and is doing his best to steer a neutral course between contending political factions and to preserve constitutional and legal proprieties in the quicksands of political instability, which are largely the creation of the leaders of Congo. He is firm and consistent in his advocacy of recalling the Congolese parliament so that a form of representative government is restored in Leopoldville. It was outside his mandate to take sides or intervene by disarming the "rebellious bands of Gizenga and Lundula," as suggested by Mr. Kasavubu, without fresh instructions from the Security Council. The only sane course for all concerned is to further strengthen the U.N. Supervisory Commission and to make the Congolese people see clearly what the U.N. is striving to achieve and how Mr. Dayal is pursuing his job to that end. The other nations should also try to see what the U.N. is trying to do in Congo and in what a delicate and difficult position Mr. Dayal has to function. Mr. Hammerskjöld had no course left open to himself but to take a serious view of Mr. Kasavubu's tactics in pressing for the recall of Mr. Dayal. The correspondence between the Congolese President and the Secretary-General has been the subject of considerable comment among political observers. The final effect of this unhappy episode cannot but be derogatory to the status of Mr. Kasavubu as President, but it will at least have served the purpose of vindicating the impartial role of the United Nations.

Sino-Indian Border

CHINA'S INTRANSIGENCE

THE CONCERN expressed in New Delhi over the reported agreements between the People's Republic of China and Pakistan on demarcation of Sino-Pakistan border would be widely shared by the Indian people. China has no common border with Pakistan except in occupied Kashmir. It is, therefore, intriguing indeed that having never before supported the claim of Pakistan over Kashmir, China should have come to an

understanding with her on demarcation of the border which actually belongs to us. The obvious intention of the Chinese Republic in coming to this understanding with Pakistan is to embarrass this country.

Pakistan on her part has come to an understanding with China apparently for the reason that she wants a de facto recognition of her claim over Kashmir. The Communist world as such, under the leadership of the Soviet Union, has not so far accorded to her the recognition she has been desiring to have in this matter. Pakistan's this overture to China incidentally reveals the true intentions why she joined the SEATO which professedly was formed to check the growth of Communist influence in the Far East. Pakistan's refusal to participate in the recent Manila Conference, sponsored by the Philippines to draw up a policy to meet the Chinese menace in South-East Asia, read in this context is quite meaningful. Have China and Pakistan come to some understanding to alienate India with which both have differences?

Prime Minister Nehru in his Press Conference on Wednesday asserted that the detailed examination of the Sino-Indian border issue at the recent Rangoon talks has upheld the correctness of our stand and that the more the Government of India thought of the dispute, the more it became firm in its conviction that the disputed territory belongs to this country. If China has refused to be convinced of this fact and has dragged on negotiations, is it not time that we should think of other measures to get the aggression vacated? The Congress Party at its Bhavnagar session has resolved that all steps will be taken to get back the Indian territory forcibly occupied by China. It is hoped this solemn promise of the party in power will be redeemed through solid action.

Political Tenures

TEN-YEAR LIMIT

MR. SANJIVA REDDY'S suggestion in his Presidential address to the 66th session of the Indian National Congress that those Congressmen who have held Governmental office for ten or more consecutive years should now retire has come as a red rag to the bull. The suggestion will be discussed by the new Congress Working Committee early in February this year. Since Mr. Reddy made this suggestion, Congressmen have tended not to discuss it publicly; but privately, they have been discussing little else. Though the rank and file has welcomed it, it has not proved popular among Congress leaders. They fear that the implementation of the suggestion would weaken the organisation, for its implementation would involve entry of "new and inexperienced people" in the entire Central Cabinet, except Mr. V. K. Krishna Menon, Mr. S. K. Patil and Mr. Asoke Sen. Mr. Reddy's suggestion has already emptied the Prime Minister. What view the Congress Working Committee will eventually take of his suggestion would only be known in due course of time, but all indications point to the possibility that the suggestion would not be implemented.

Whatever the fate of the Congress President's suggestion that the people in power for ten years or more should step down in favour of "fresh blood", the implications and the thoughts that went behind this suggestion are worthy of taking note. The power, prestige and patronage that go with office have assumed such proportions in the past ten years that it is only but natural for those kept out of the seats of power to seek removal of their occupants or acquire a share in the exercise of power their only occupation. By the same token, those who have got in are reluctant to give up office and power — and, it is only human. Mr. Reddy's suggestion amounts to giving up power and

office voluntarily so that Congressmen devote themselves to nation-building work while giving opportunities to younger men to run the Government. The idea is good and noble; but as with so many noble ideas, it is difficult, if not impossible, to implement without the master mind of a great leader like Mahatma Gandhi.

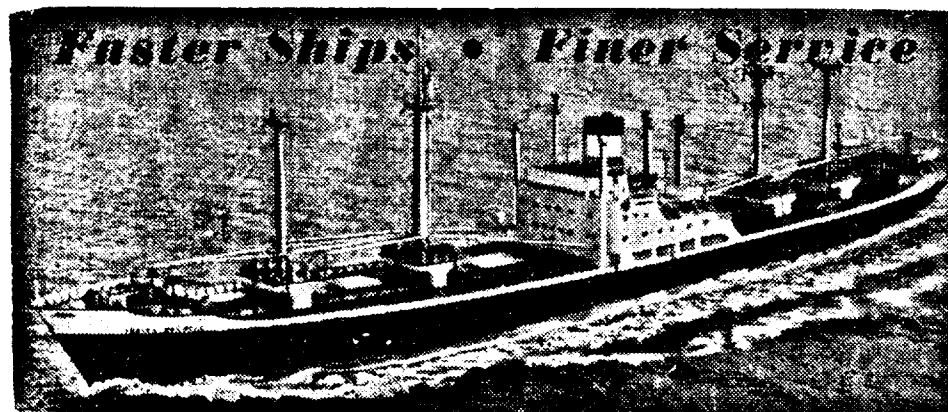
Textile Target

RESPONSIBILITY ABDICATED

IT IS A pity that the Cotton Textiles Consultative Board, which met in Bombay last week to consider the question of reallocation of targets for the different sectors of the textile industry in the Third Plan, did not arrive at any decision, especially as the National Development Council was stated to finalise the plan a few days later. The Board has, in a way, abdicated its responsibility. The excuse that a proper assessment of the need for early decision in regard to the one vital sector of the economy which must needs be relied upon most to counter the inflationary consequences of an ambitious Plan by producing more cloth. Surely, if the Board wanted to decide, there were a number of other factors, such as the probable increase in population during the Third Plan period, the non-availability of a wholly dependable trend in cloth consumption, and the likely extent of the general rise in prices following a large outlay, which could have been considered to enable it to take a workable decision. As it is, the total output in the country is only 7,500 million yards, made up of 5,000 million yards of mill cloth, about 2,000 million yards of handloom cloth and 500 million yards of Khadi and cloth produced by power-looms. According to the draft outline of the Third Plan, however, the target has been provisionally fixed at 9,300 million yards, while the Indian Cotton Mills' Federation has suggested a higher figure still of 9,600 million yards, after making due allowances for an export of the order of 800 million yards. Incidentally, this quantity falls woefully short of the minimum limit of production for export recently prescribed by the Union Minister for Commerce and Industry, who wants all industries to earmark atleast 25 per cent of their respective outputs for export.

Be that as it may, the problem bothering powers-that-be today does not seem to be one of augmenting production on a realistic basis as the situation demands, but of how to allocate the additional production of 1800 million yards, already assumed, among the various sectors of the industry on a preconceived pattern. Now, each sector has put forward its claim for additional quota on the basis of its performances in the past, actual in some cases, imaginary in some, and anticipated in yet others. But, taking only facts into consideration, there should be no difficulty in taking a dispassionate decision. In this connection, it will be remembered, the mill industry has all along been urging that its share should be at least 6,300 million yards, as against 5,800 million yards. The industry has the capacity successfully to undertake this expansion. The handloom interests, on the other hand, have been pointing out that not only should the output of mill cloth be pegged at 5,000 million yards but the powerloom sector also should not be allowed to expand any further, without, at the same time, giving any definite assurance, and certainly no indications so far, that it will be able to produce all that it claims for its share. It is, to say the least, the attitude of a dog in the manger.

Judging from the past performances of the mill sector as well as the decentralised sector, one is left with no choice other than that of allotting a much larger share to the mill sector and insisting on a definite increase in the efficiency of the handlooms. An unduly large quota out of the additional cloth output required to the handloom sector would result in a costlier cloth budget to the average consumer, whether he goes in for handloom cloth, by reason of its relative inefficiency, or mill-made cloth because the mill industry is likely to be asked to bear more duty in the years to come to find finances for the Plan and so its cost of production will rise in the process. If the State wants to afford protection to the handloom industry let it do so by all means, but not by handicapping the other sectors of the industry and holding the whole country to ransom. The State should assist these sectors in every possible way so as to ensure the fullest possible use of the installed capacity of each of them. Only the latter consideration could be the basis of any sensible and sound cloth policy for the Third Plan period.



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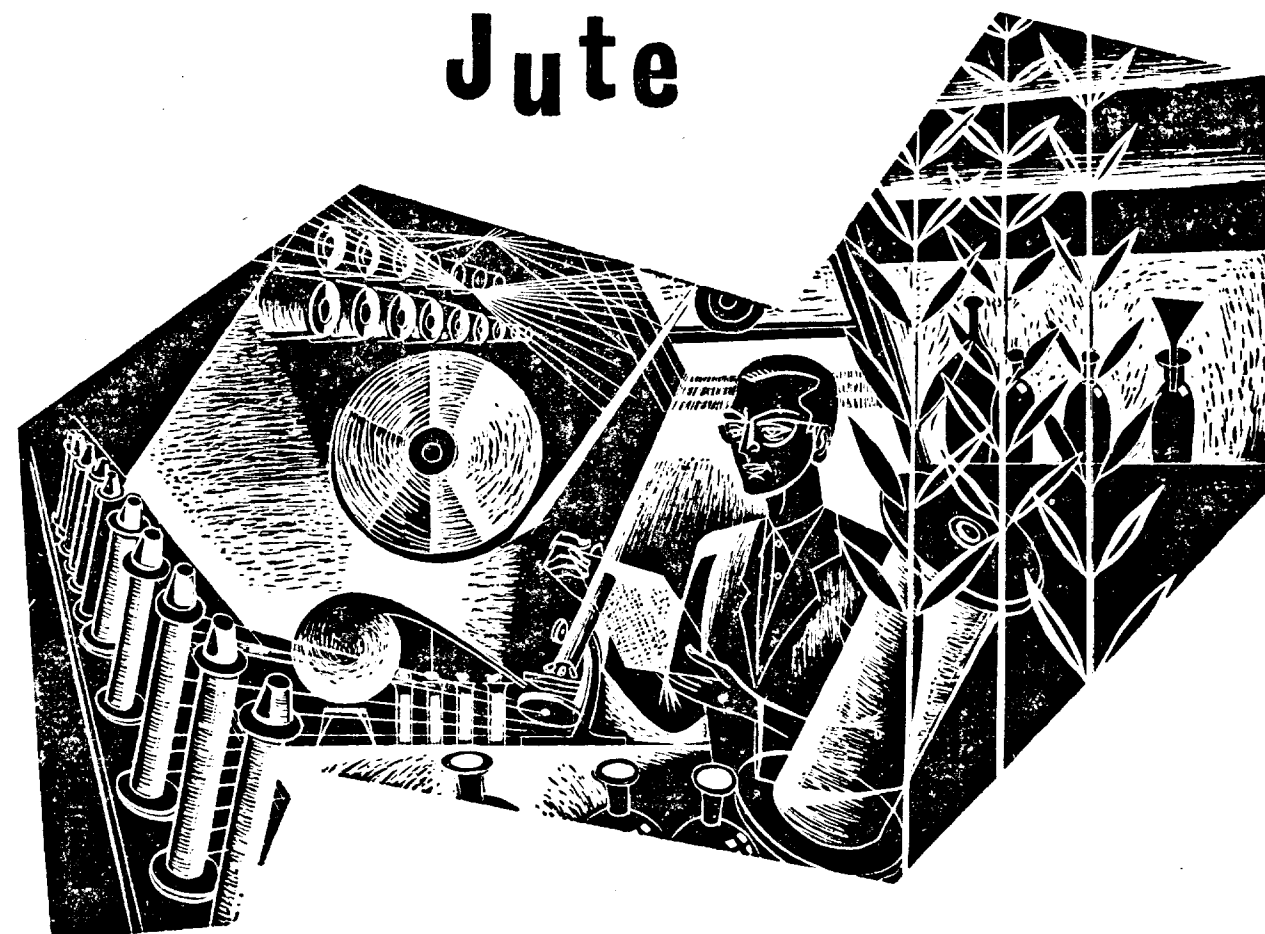
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RELIGION AND INDUSTRY

By

ODYSSEUS

THE INDIFFERENCE of ordinary men and women to religion in industrialized countries, and their increasing indifference in industrializing countries, is often deplored.

In my recent tour of Germany, I came across a group of religious leaders who, instead of deploring, were actively doing something about this indifference.

I was invited to take part in an Anglo-German conference on the problems of the relationships that ought to be established between the European Economic Community, the European Free Trade Association, and the rest of the world. It was organized by the Evangelical Academy at the village of Loccum, not far from Hanover. To understand how a conference of economists, businessmen, publicists, and financial journalists was held under the auspices of a church, one needs to recall that one of the reproaches made against the German churches, not only by the outside world, but by many Germans themselves, was that Hitler was able to establish his bloodstained dictatorship only because men of conscience weakly acquiesced. After Hitler's downfall, therefore, many German Christian leaders felt that their churches ought to play a full part in public and political life. They thought that while the Churches had fulfilled their mission in colouring the thoughts and actions of all men in the centuries of mediaeval Christianity, they had thereafter gradually retired into ivory towers, ever more out of touch with contemporary life. They felt that Christianity had shrunk to narrow circles in local parishes, and no longer influenced the consciences of men absorbed in industry, commerce, and politics.

GERMANY'S EVANGELICAL ACADEMIES

The leaders of the Evangelical Church therefore conceived the idea of Academies, or study centres, in each German province, at which different groups could discuss their vocational problems, and which would provide centres of contact for the churches with those people who had become indifferent to religion. They did not want clergymen to attempt the impossible task of briefing themselves on contemporary problems and then preaching sermons to professional groups. They wanted every kind of worker and professional man and woman to meet in groups to discuss their particular vocational problems freely between Christian and non-Christian speakers.

The first two conferences were wholly successful. Although a few trade union leaders turned up out of politeness, the conference participants were mostly active Christians who monopolized the discussions among themselves. This was because invitations to the conferences had been sent through the local parish churches. Those who accepted represented only a minority, traditional in outlook. They did not represent the average man or woman, who scarcely ever went to church, except to be baptized, married, or buried. Little beyond polite platitudes emerged from these conferences. The Evangelical leaders digested the lesson. Ever

since, they have organized their conferences with the help of non-religious bodies—associations of employers, teachers, doctors, industrialists, businessmen, trade unionists, and others, which have themselves chosen and invited the participants.

Postwar Germany has one of the world's lowest records in industrial disputes. Various factors have brought this about, including the moderate attitude of the trade unions and their strict control over strikes. But the eighteen Evangelical Academies can claim to have made their contribution, because they have made special efforts to bring employers and workers together in innumerable conferences to study human relationships in industry. Participants in these conferences are chosen by joint consultations of the unions and the managements of the industrial firms concerned. The invitations are sent by the unions. The managements meet the cost of the conference and pay full compensation to workers for wages lost while attending. In the course of the years the industrial conferences have become more and more diversified, covering workers from many industries and firms, apprentices, engineers, secretaries, and industrial leaders.

These conferences last three or four days. There is a morning, an afternoon, and sometimes an evening session. One or two authorities on the subject begin each session with a 15 or 20 minute lecture. Thereafter, the discussion is open to everyone. The Academies urge all to speak with complete frankness and discussions have, on occasion, become heated. If so, the Academies rejoice! Because what, above all, they seek to avoid is the exchange of compliments and innocuous views. Only by honest controversy can opposing attitudes be brought out into the open, constructive thinking be induced, social tensions relieved, and the truth emerge.

Out of these conferences, many new friendships have been formed. Participants go back to their factories, offices, schools, or other places of work, and many form permanent local groups to keep abreast of new developments.

WHERE DO SPIRITUAL VALUES COME IN?

But, you may object, admirable though all this may be, do these conferences not end as they began—mere assemblies of industrial or professional workers anxious to study material problems? Where do spiritual values come in?

Each conference day begins and ends with an hour's prayer and a short address by the Academy's pastor, in which he picks out the spiritual issues at stake in the material problems discussed. The Academies seek to link the practical problems of contemporary life to eternal verities. Their pastors have quitted the cloistered seclusion of their parish pulpits to listen to what contemporary men and women have to tell them. In these conferences, pastors and the minority of active

Christians, learn at first hand the frustrations, anxieties, doubts, and difficulties of ordinary men and women who are indifferent to religion. You can't answer back the preacher in his pulpit. Without interruption, he can sermonize along the lines that satisfy him. But in the Academy conferences, his faith and his values are challenged, and he is forced to apply them to the practical needs of the participants.

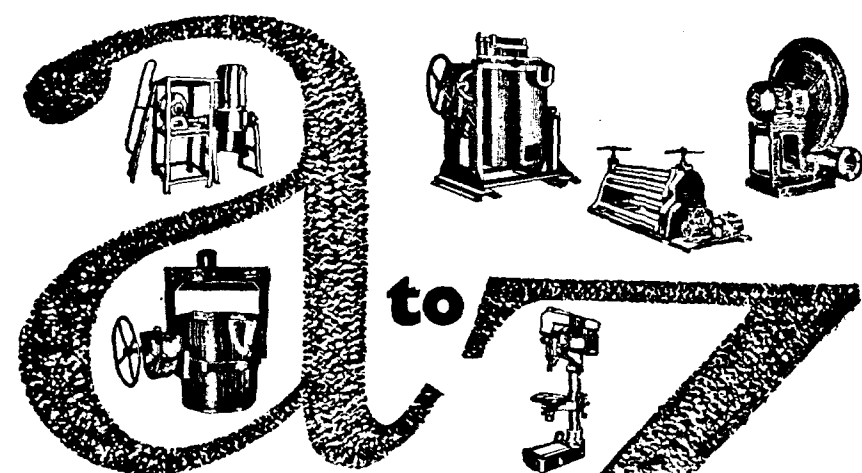
The extent to which the Christian leaders in the Academy conferences succeed in their aim is difficult to evaluate in objective terms. I can only report that I was impressed by the atmosphere—serious, sincere, frank, friendly—of the conference which I attended. The eighteen Academies hold 700 conferences a year, to which there come between 40,000 and 50,000 men and women. The difficulty of the organizers is not to fill up empty places but to squeeze in all who want to come. Attendance at the daily prayer meeting is voluntary but the overwhelming majority of participants turn up.

What happens to the participants when they leave? Do they become regular church goers? In the fifteen years since the Academies have been started, they have established new contacts with some 700,000 people previously indifferent to religion. In general, the Evangelical Church does not seek to persuade these people to attend their local church. The Church's existing congregations consist of faithful church members who have very different spiritual interests, and a much higher degree of religious education, than the average conference participant who is only beginning to have contact with the Church. The Academies believe that

it would be basically wrong to try to draw the newcomers into old established church circles immediately after the first contact has been made. Human beings only feel at home in groups whose spiritual climate resembles their own.

The Academies therefore try to create new groups which can slowly be led towards the already established church institutions. They do so, first, by following up a conference with study groups organized through the professional bodies, trade unions, or firms, which have attended it. The Protestant Action Committee for Workers' Questions tries to find suitable pastors to co-operate in these professionally organized groups. Secondly, an Academy may arrange for conferences with various professional groups inside a particular area or community. These conferences are initiated by full-time Academy workers, but as time goes on, the work is increasingly taken over by the pastors in the area. In this way, the Academies seek to develop a new form of parish work which is in constant touch with the professional and industrial worlds. The Church's long-term aim is to persuade as many parish pastors as possible to assume charge of local professional study groups in addition to their normal parish work. This, it is hoped, will promote increasingly close contacts between professional groups and parish churches.

Does Gokhale's Servants of India Society still exist? Has it ever thought of studying the problems of the jute mills of Bengal, the steel workers of Jamshedpur, the civil servants of New Delhi, or the minority linguistic communities? And doing something about them?



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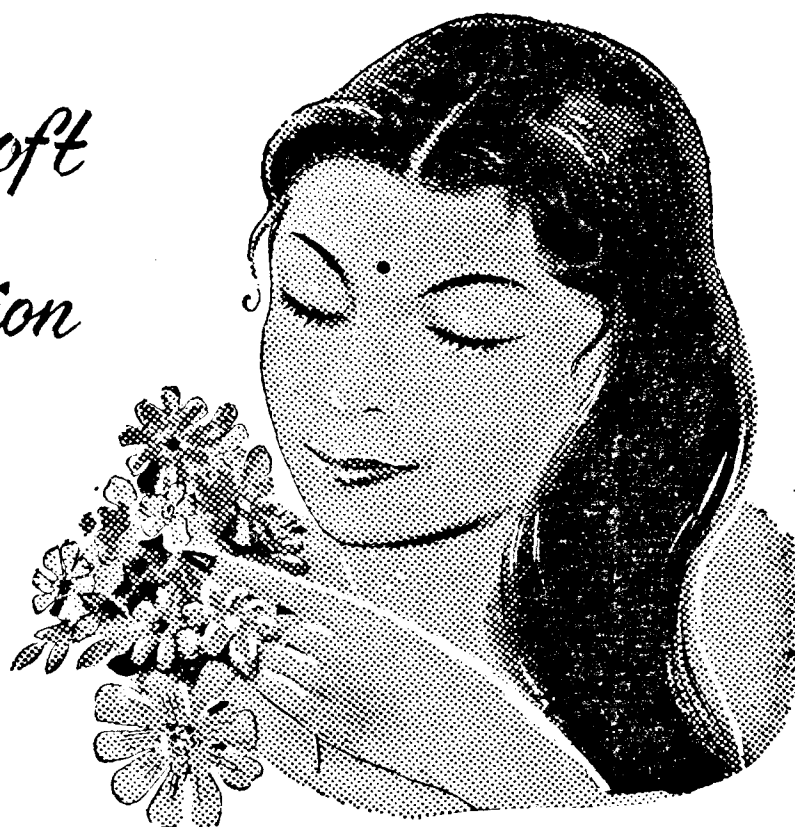


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The European Scene

BELGIUM AND THE COLONIAL FALLACY

From Our Special West European Correspondent

PARIS, January 14.

THE month-long general strike in the French-speaking part of Belgium (in the Flemish-speaking part, only the port of Antwerp was affected) coincided with the climax of the debate in France about the future of Algeria, connected with the January referendum. This coincidence was the occasion for resuscitation of a Big Lie, a really big lie which we shall call the colonial fallacy. In its simplest form, this fallacy asserts that colonialism benefits all classes in the imperialist nation, including the working class and others who claim to have clean hands when imperialism is impeached; and therefore the loss of profitable colonies must inevitably be translated into a lowering of living standards for the whole of the nation. This dogma would be unimportant if it were put about only by those who have, in the present case in France, revived it with the Belgian "lesson" in view: namely, certain colonial interests who will resort to any argument to secure the help of other classes in the defence of their privileged position in colonial economies. In fact, it is also put about, in different terms, by very different interests such as the Communists, and it is accepted by many people in present or former European colonies.

The owners of colonial capital use the colonial fallacy to argue that if their working class wishes to preserve its current high living standards then it must co-operate in the preservation of the colonies. Thus (and this is the topical version of the case here) the French workers must help keep Algeria French and, above all, safeguard French hegemony over the Sahara which has been discovered to contain immense oil deposits. If it declines to "shoulder its national responsibilities" when imperialist interests are in jeopardy, then it must bow before "inevitable economic laws" such as are, it is alleged, now being verified in Belgium where the loss of the Congo was followed, as night follows day, by an austerity programme that drove the trade unions to revolt before the prospect of lower living standards.

The Communist presentation of the fallacy differs only in detail, invoking the highly dubious authority of Lenin. Colonialism consists, on this view, in the exploitation of one economy by another, and if it is a case of profitable colonialism then all the factors in the first economy benefit. That is, for example, British domination of the Indian economy not only produced the Nabob fortunes but was an important element in the growth of the whole British economy and, consequently, in the progress of the living standards of the British workers. Go a little further along this line and you reach the caricature of Marxism where one talks of "proletarian nations" and of imperialism as a "necessary stage" in the evolution of capitalism. Believers are, of course, immune to argument, such as the thoroughly documented work of British economists in recent years showing that imperialism caused an uneconomic diversion of capital which, invested at home, would have benefited all classes much more, and saved Britain from the obsolescence of her industry in relation to non-imperialist economies like Germany and the USA. At all events, the Communists agree with the colonialist interests that the liberation of colonies inevitably causes great damage to the whole imperialist economy, so much so that it might produce situations favourable to revolution. At the very least, the working class has to resort to violence, as lately in Belgium, to ensure that the inevitable losses are not passed off entirely on to its shoulders.

In general, I think that this argument, in any of its many variations, is worthless. Imperialism remains a subterfuge whereby certain interests (which are not only capitalist, but military and administrative) extort money and prestige from other interests in the same nation, in the name of imperial glory—and those other interests are not only proletarian, but other capitalists and specifically the most progressive and technologically-minded of them. Incidentally, colonial enterprise gravely disorganises the colonised economy, not so much by exploitation (which is rife in backward economies anyhow) as by completely destroying its balance and wiping out its traditional crafts. However, the general case is not in point here so much as the demonstration that the colonial fallacy can provide no explanation for the recent serious troubles in Belgium; specifically, the loss of the Congo has precious little to do with the Belgian crisis.

The demonstration can be quite succinct because the figures speak for themselves. The Congo represented about 5 per cent of the Belgian national income, 3 per cent of exports, 5 per cent of imports, directly employed about 1 per cent of the population and brought in certain hard currency earnings that were useful in the days of the dollar shortage. These figures are all quite small, considering that an annual increase of 5 per cent in national income would be perfectly normal in West Europe today where all national economies have done much better in one year or the other and sometimes year in and year out. Moreover, since the Common Market got under way increases of 5 per cent in foreign trade would be well below the average. In other words, if the Belgian economy were in phase with the tempo of expansion of her neighbours and partners, the consequences of total loss of the Congo could be wiped out in a year or two. And, in fact, the "austerity" law introduced by the Government and which touched off the strike was actually a plan to promote investments and plausibly forecast an expansion of 4 per cent in national revenue in the first year.

So the Congo fiasco would have had no other impact on a normally dynamic economy than to cause a temporarily awkward redeployment of resources even if (a) the economic bonds with the Congo had been severed totally and (b) the shock of this had been concentrated in one year. Neither of these was the case. The Congo today is in a fine mess, for which the Belgians themselves are in part responsible, but it has by no means cut adrift from the Belgian economy. Katanga, the insecure preserve of M. Tshombe, has always accounted for 70 per cent of the ex-colony's production and it is still closely connected with Belgian interests, thanks to the Angola railway. This situation might not endure, but it is clear that the full impact of the loss of the Congo (which would have the percentage results referred to above) has not yet been felt and may never be; so it could not explain developments in Belgium. Such loss as is suffered has been, and will be, spread out over a few years, thus becoming all the easier to bear. For example, the foreign exchange earnings of Congolese minerals ceased to go into Belgian trade accounts years ago when the territory got its own central bank with its own exchange reserves. The capital losses were being gradually written off by the Brussels Bourse for more than a year before independence. And so on. The story that Belgium suffered a cataclysmic loss that was concentrated into the last six months of 1960, and that this led to workers' revolt before the prospect of lower living standards, will not stand an instant's examination.



Belgium is indeed going through a critical stage of economic reorganization, in which, however, the role of colonial enterprise is entirely unimportant. The most that can be said is that the Congo imbroglio and the subsequent national humiliation have helped destroy the credit of the Government just when it most needed popular support to put through a reform that included (precisely as similar reforms in France, Spain and West Germany in recent years) some diversion of resources from consumption and welfare to investment.

The important figures about the Belgian economy have nothing to do with the Congo but are these: the country has the slowest growth rate in the Common Market (up to 30 per cent in 10 years compared with 100 per cent in France and 200 per cent in West Germany); the population is aging and its economically active proportion is only 60 per cent against 71 per cent in France; its traditional industries are coal and textiles, both threatened by world-wide excesses; investments are the lowest in West Europe whereas the national debt, per head, is the highest—i.e., fresh capital has been going into securities rather than into industrial ventures. In these unfavourable circumstances, highly centralised Belgian labour unions have worked hand in glove with even more highly centralised Belgian capital to build a cosily feathered welfare State that was not financed by taxes but by budget deficits covered by public borrowing.

This suicidal policy has been practised in the name of "social harmony," which means collusion between conservative socialists and indolent capitalists. A typical example has been mentioned on this page several times before: the Borinage coalfields which have no

business to be in production in an age of surplus energy but which were kept open with lavish subsidies because the employers could not offer alternative jobs. When the coal glut made this fools' paradise unworkable two years ago, the workers rioted savagely and the employers asked for bigger and bigger subsidies—they are now getting them from the European Coal and Steel Pool. To imagine the condition into which Belgium had complacently subsided, you must picture British capitalism as it was 100 years ago, based on coal and textiles, trying to support the British welfare State as it is today—and without anyone paying taxes in proportion. Obviously this could not last and the thing that would knock the bottom out of it fastest was the keener competition of the Common Market.

The Eyskens Government has been toying gingerly with an economic reform since 1958, i.e., before the independence of the Congo had been mentioned. It has held off both because of resistance from unenterprising capitalists, whose Liberal Party is necessary to the Christian Democrat coalition, and because of reluctance to accept the cost of welfare on the part of the trade unions. This plan has at last been produced, and in the event it turns out to be insufficiently severe, and much less severe than the 1958 reform in France. The divorce between bourgeois socialists and subsidised capitalists when asked to face the facts is all the more noisy because they have been working hand in hand for years past, at the expense of the State. In this picture, the place of the Congo is quite accessory. The reckless exploitation of Congo minerals was just part of the paternalistic rentier mentality that dominated in Belgium. The shock of the loss of the Congo is just part of Belgium's re-awakening to the 20th century.

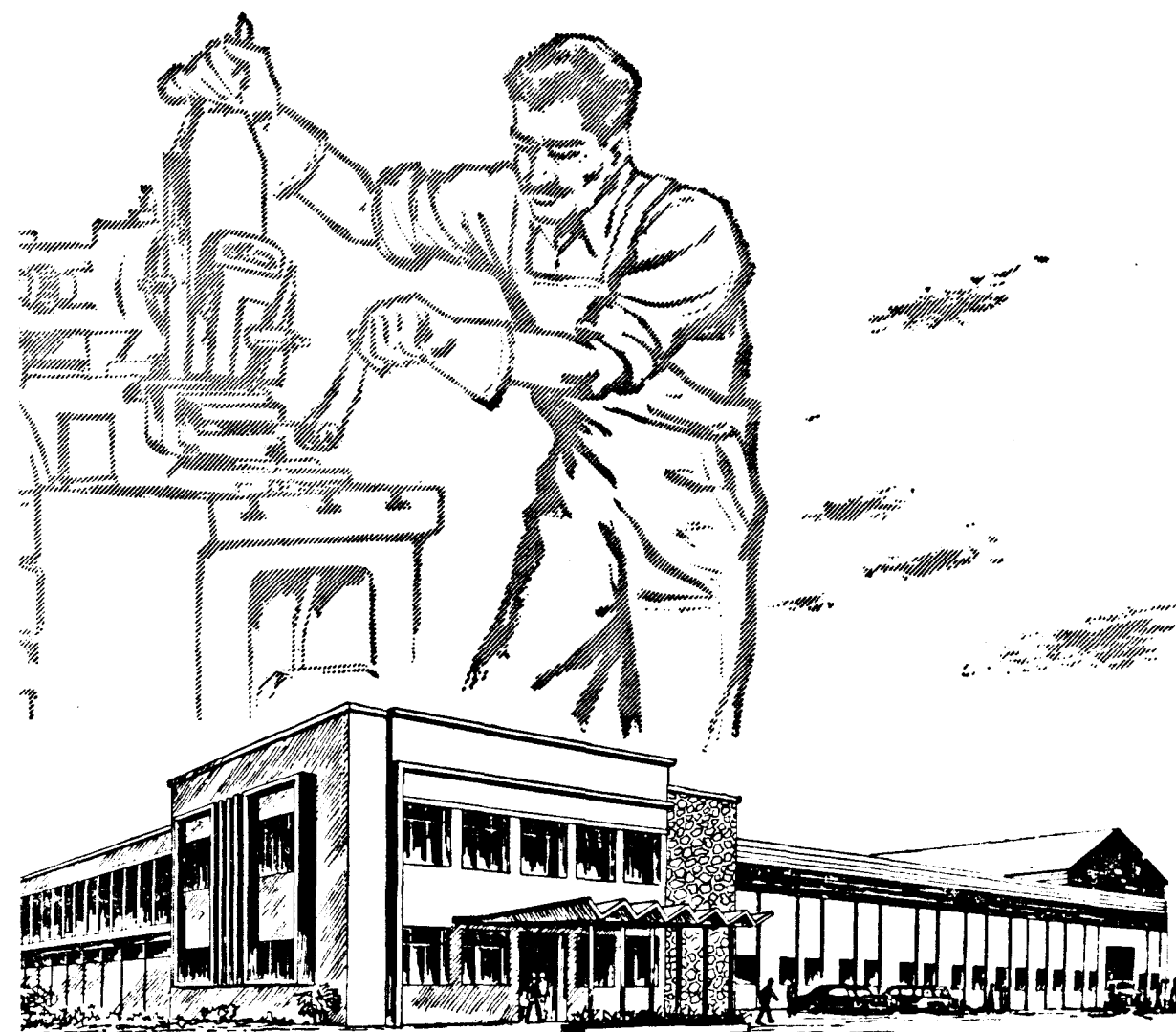
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Economic Report from the U.S.**BRIGHT EXPORT PICTURE**

By

GUY SIMS FITCH

WASHINGTON, January 11.

ENOUGH solid information is now available to substantiate the estimates of a spectacular export gain for the United States in 1960. What is more, most of the experts who have examined the current trends hold that the export surge is firmly based, and could well continue into 1961. On the basis of data for the first eleven months of 1960, it is clear that the year's final tabulation will show a commercial export total well in excess of \$19,500 million. Some experts are putting the total at \$19,750 million or more. This ends two successive years of export declines, and represents a gain of better than 20 per cent over the 1959 total of \$16,300 million. By way of comparison, the annual U.S. export expansion rate in recent years has averaged a little less than five per cent. The 1960 achievement also represents a new all-time U.S. commercial export high—a development which certainly exceeds even the fondest hopes. It beat out by a slim margin the nearly \$19,500 million total scored in 1957, a year when the demand for U.S. goods was boosted to an extraordinary degree by the dislocations engendered by the Suez crisis.

What is particularly encouraging about the 1960 record is that it was achieved without an abnormal stimulation comparable to the 1957 disruption of world trade patterns. Furthermore, the current export surge is more broadly based than was the 1957 rise, and therefore promises to be less vulnerable to any sudden shifts in foreign demand for U.S. goods. Pacing the glowing 1960 export picture were sales of semi-finished iron and steel. Also notable were increased shipments of such products as cotton, textiles, chemicals, machinery, automobiles and passenger aircraft. The only major product category to show an export dip in 1960 was that of coal and fuels. Contributing to the increased sales of U.S. merchandise abroad were the steps taken by many countries to relax their restrictions on dollar purchases, commensurate with the revitalization and expansion of their economies. The countries of Western Europe and Japan, for instance, imported more U.S. goods than ever—and they were by no means alone in this. For so did Pakistan, Malaya, Burma, the Philippines, Rhodesia, Australia, Iran and a number of other countries.

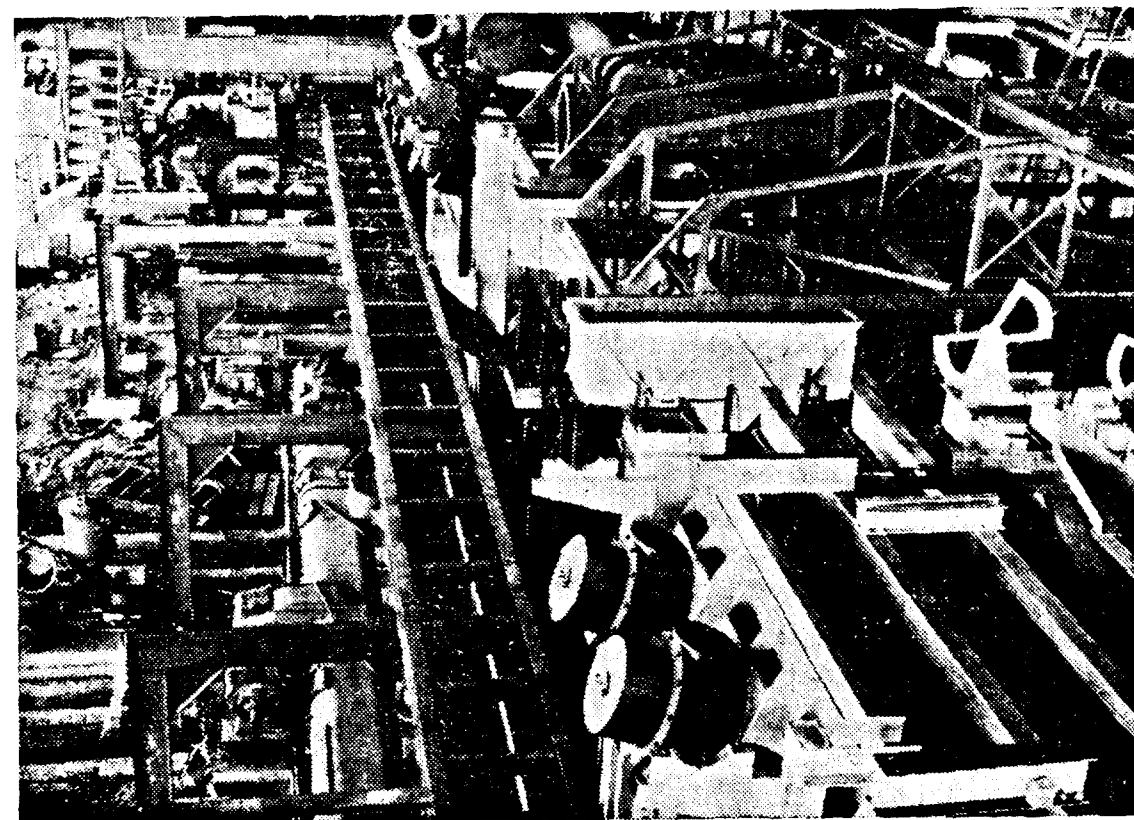
Looking ahead, the U.S. Department of Commerce foresees a continuation of the bright export picture into the first half of 1961, at least. The Department's experts base their view largely on the factors which made 1960 such an outstanding year. These would be the trend towards reducing trade barriers abroad, the generally sound base of the current U.S. export rise, and the likelihood that economic activity around the world will remain at a high level. It is possible, of course, that the rapid pace of economic expansion may slow down in some countries which enjoyed exceptionally buoyant growth rates last year, but few of the experts anticipate any serious let downs or general economic reversals that would substantially affect the demand for U.S. goods. Rather, the Commerce Department anticipates that the burgeoning consumer demand in many countries will

continue to outstrip production and thus help assure U.S. supplies of continued large markets. While conceding the possibility of 1961 declines in U.S. exports of steel, cotton, copper and perhaps airplanes, the Department's experts are reasonably confident in predicting U.S. export gains for such products as coal, rubber, aluminium, machinery and finished consumer goods.

At the world's greatest consuming nation, the United States also managed to maintain a high level of imports in 1960. While the slowdown in domestic U.S. economic activity could not help but affect the total U.S. demand for foreign goods, U.S. imports nevertheless approximated the \$15,000 million mark, a negligible dip from the record 1959 U.S. import total of \$15,200 million. During 1960, the United States increased its purchases of such items as paper, newsprint, iron and steel, nonferrous ores, and various types of metals and manufactures. On the other hand, purchases of such items as coffee, petroleum and related products tended to decline. On the import side, too, the 1961 prospects appear rather favourable. If U.S. imports held up as well as they did in 1960, when the economy was slowing down, it is reasonable to expect that they will be at least as well and perhaps better in 1961, in the light of the anticipated upturn in U.S. economic activity.

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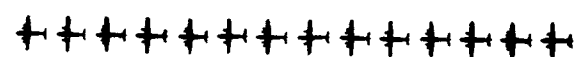
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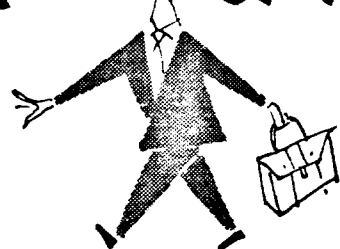
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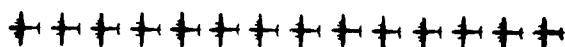
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Applications for transfers received in this Office before 12 O'Clock noon on Tuesday, the 31st January, 1961, will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above Dividend.

BY ORDER OF THE BOARD
D.H.P. HENDERSON
AGENT

VICTORIA HOUSE,
CALCUTTA, 12TH JANUARY, 1961.

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WORLDGRAM

India

Import Of Goods By Sailing Vessels: The position in respect of import of goods by sailing vessels has been revised, according to an Import Trade Control Public Notice. The import of fish and cuttle fish bones by sailing vessels will now be allowed from the countries formerly covered by the Open General Licence No. IXX. Cowries, shells (cheap and rough variety), coconuts in husk and mangrove poles will be allowed to be imported from the East African countries of Kenya, Tanganyika, Uganda, Nyasaland, Zanzibar and Pemba and Northern and Southern Rhodesia. The import of dates will be permitted from countries formerly covered by the Open General Licence No. IXX, Iran and Iranian Coastal areas of Persian Gulf. The concession will be available only for import by sailing vessels which satisfy certain conditions which have been laid down in the Public Notices. The goods which have arrived at the Indian ports between December 31, 1960 and January 12, 1961 will also be allowed to be cleared without an import licence. The policy in respect of import of dry fruits from Iran by sailing vessels will be announced later.

Machine Tools Output to be stepped up: The Minister of Industry, Mr Manubhai Shah, said recently that the country should aim at an annual production target of Rs. 45 crores worth machine tools in the Third Plan period. Mr Shah who was inaugurating a seminar on machine tool industry sponsored by the Development Wing in the Union Ministry of Commerce & Industry, said that of this target, Rs. 15 to 16 crores worth machine tools would be manufactured in the public sector and the rest in the private sector. The Minister pointed out that production of machine tools in 1960 had been estimated at about Rs. 10 crores, Rs. 6 to 7 crores in the large scale industry and about Rs. 3 to 4 crores in the small-scale sector. The production of Rs 10 crores in 1960 itself was a big rise compared with the production at the beginning of the First Plan period. Mr Shah referred to the record increase in industrial production last year and said that more than the quantitative rise the qualitative performance of the Indian industries had been highly remarkable. As compared with 1951, the industrial machinery sector had today registered the largest rise and in this sector, the output of machine tools had been the highest. With the 1951 production as the base, the manufacture of machine tools in the country had gone up by over 11 times.

Working of Employees Provident Fund Scheme: The number of subscribers to the Employees Provident Fund increased to 27 lakhs during 1959-60 from 25.44 lakhs in the previous year. The scheme framed under the Employees Provident Fund Act 1952, applied to 39 industries by the end of March 1960 as compared with 6 initially. According to the Annual Report on the working of the scheme during 1959-60, the total contributions to the Fund amounted to Rs. 16.36 crores as compared with Rs. 14.59 crores in 1958-59. The scope of the scheme was widened during the year to bring certain classes of workers within its ambit: employees working outside the precincts of a covered establishment in connection with its work and employees with emoluments exceeding Rs. 500 per month, if they apply for the membership of the Fund, with the consent of their employers. Also, the condition regarding the qualifying period for membership of the Fund was liberalised so that an employee, who actually

worked for not less than 240 days during the period of 12 months or less became eligible for the membership of the Fund. Previously, the qualifying period was one year's continuous service or actual work for not less than 240 days, during a period of 12 months. As a result of the amendment, a regular worker could become a member of the Fund without having to complete 12 months. The number of establishments covered under the Employees Provident Funds Act, on a voluntary basis, increased during the year from 53 to 95, which was an index of the growing popularity of the scheme among the employees also.

Central Revenue Collections For November 1960:

The revenue realised from items on which duties are levied and collected by the Central Government in the first eight months of the financial year 1960-61 amounted to Rs. 508.46 crores. Of this, Rs. 65.68 crores were collected during November, 1960. The corresponding figures for the first eight months of the financial year 1959-60 and for the month of November, 1959, were Rs. 442.28 crores and Rs. 55.65 crores, respectively.

Following are details of the revenue realised under various heads:

Revenue head	(In lakhs of Rupees)			
	November		April to Nov.	
	1960	1959	1960-61	1959-60
1. Customs	14,57	14,11	1,08,28	1,01,33
2. Union Excise				
Duties excluding Coal cess and Salt cess	36,85	28,85	2,63,38	2,27,56
3. Corporation Tax	4,19	3,26	53,36	31,60
4. Income Tax	8,96	6,65	68,12	66,22
5. Estate Duty	23	16	1,27	1,30
6. Taxes on Wealth	44 (P)	72	2,34 (P)	2,79
7. Expenditure Tax	14	10	35	29
8. Gift Tax	6	6	34	30
9. Railway Passengers fare Tax	N.A	1,01	8,05 (P)	8,29
10. Opium	24	73	2,79	2,60
Total	65,68	55,65	5,08,46	4,42,28
N.A.: Not Available			(P) Provisional	

United States

7m. Loan For Indian Automobile Company: The United States Government has announced approval of a 7.2 m. (Rs. 3.4 crores) loan to Premier Automobiles, of Bombay, a private Indian firm. The loan, which will be channeled through the U.S. Development Loan Fund, will finance foreign exchange costs of importing machinery needed to produce sheet metal components for Dodge trucks and Fiat autos, and equipment needed to modernise and expand capacity of other portions to the Premier plant. All equipment will be purchased in the United States. Details of the loan agreement remain to be negotiated. Like all loans made by the U.S. D.L.F., the credit may be repaid in rupees. Repayment in India's currency does not involve expenditure of India's foreign exchange earnings. This credit brings the total U.S. aid to India to \$3,747m. (Rs. 1,783 crores). Premier Automobiles expansion project, which will be financed by the new loan, is expected to enable India to save more than \$2 m. per year in foreign exchange now spent in importing sheet metal components. The loan will support the Indian Gov-

ernment's plans to increase the locally produced content of motor vehicles from the present figure of 60 per cent to about 85 per cent. Premier's output will be increased from 12,000 trucks and cars per year to 21,000 units.

Bank of America: All-time highs in total resources, deposits and loans as well as record earnings for the past year were reported by Bank of America on December 31, 1960 in its statement of condition. "Our loans outstanding at the year-end totalled \$6,699,494,437, as compared with the previous high of \$6,599,668,231 at the close of 1959," said President S. Clark Beise in commenting on the report. "This is evident that business activity in California has continued at a generally high level," Beise declared. Total deposits on December 31 stood at \$10,805,891,450 as against \$10,624,958,182 a year ago. Total resources of the bank amounted to \$11,941,981,259 at year end, compared with \$11,669,404,346 on December 31, 1959. Investments in securities totalled \$2,702,508,087 whereas a year earlier they aggregated \$2,725,392,943.

U.S.S.R.

Big Advance Planned in Tajikistan's Textile Industry: The construction of the third section of the Stalinabad textile combine has begun. The section consists of three mills: 120,000-loom spinning mill; a weaving mill with 2,240 automatic looms and a finishing mill for processing all coarse fabrics. With the commissioning of these mills in 1963 the annual output of cotton fabrics in Tajikistan will reach 100m. metres, that is equal to the amount now produced in Pakistan, Afghanistan and Iraq put together. A significant advance in Tajikistan's textile industry is planned for this year. One of the Soviet Union's largest carpet mills, the Khodzhen combine, will increase its output four-fold this year as compared with 1960. A garment factory and a weaving mill will be commissioned this year in Northern Tajikistan. Construction of the second section of the Leninabad silk weaving complex has begun.

New sowing machines on Uzbek cotton fields: The Council of Ministers of Uzbekistan approved a programme for cotton sowing in 1961. The level of mechanisation of spring field work in state and collective farms will be substantially raised. Approximately 6,000 new sowing machines will sow cotton by the progressive square pocket method on an area of 1,050,000 hectares, i.e. 75 per cent of the total planted to this crop in the Republic. The ploughing is now nearing completion in the Republic, fertilizers are being accumulated and winter watering of the fields is in progress.

United Kingdom

Computer Export Sustained: Expansion in Britain and Overseas made 1960 a particularly active year for Standard Telephones and Cables Ltd., and its associates. Standard Telephones opened a new factory in South Africa which will, in five years, be making 95 per cent of that country's trunk telecommunication equipment. The total number of Stantee Zebras delivered reached 36. New Zealand's first broadband microwave radio system, brought into service in October, was supplied by the company. The system handles 600 simultaneous telephone calls and links Auckland with Wellington. In Sardinia, the first installation of the company's 300-circuit carrier telephone system, using buried transistors or repeaters along with a small diameter coaxial cable, was completed in the autumn. These 'hole-in-the-ground' repeaters are cheap to ins-

tall and require no building or external power supply: power is fed along the cable. During 1960, the company took part in 40 exhibitions at home and overseas. At the British Exhibition in New York, new PVT-2 automatic triangulation equipment for radio direction-finding was shown for the first time.

Switzerland

Switzerland produces heavy water: Coming after Norway and France, Switzerland has now become the third country in Western Europe to produce heavy water. The Ems Works Ltd., of Ems in the Grisons (Switzerland) have thus become suppliers of heavy water to Swiss Institutions for scientific research, to the Universities, to the Federal Technological Institute and to the European Centre for Nuclear Research (ECNR), at Meyrin, near Geneva. The heavy water is produced with the aid of machinery built in collaboration with the firm of Sulzer Brother Ltd., in Winterthur.

U.A.R.

More Trade Between U.A.R. And Burma: Ways and means of promoting trade exchanges between the U.A.R. and Burma were discussed at a meeting which El Sayed Hassan Abbas Zaky, Executive Minister of Economy held with the Burmese Military Mission visiting U.A.R. At the end of the meeting it was declared that yarn, cotton textiles, cement, tyres and plastic products could be exported to Burma and timber could be imported by the U.A.R. It was disclosed by the Minister that a Burmese Economic Delegation led by the Minister of Commerce, was expected to arrive in Cairo towards the end of February 1961, to negotiate a trade agreement between the two countries.

France

Installing A Coking Plant in Brazil: The Brazilian company Siderurgica Paulista (COSIPA) have given an important order to the Compagnie Generale de Construction de Fours for a coking plant having a metallurgical complex to be built at Piacaguera near Santos. This contract follows quotations requested from international manufacturers specialising in the construction of coke furnaces: British, German, Belgian and French. It is a question of supplying a complete coking plant for immediate possession, the assembly and starting to be assured by engineers and technicians belonging to the Compagnie Generale de Construction de Fours with the help of local labour. The annual production will be 350,000 tons of coke during the first stage; eventually the production could reach 500,000 tons, without any changes in the gas treatment installations as they are foreseen to handle this quantity; measures have been taken to double up the installations eventually. In the first stage there will be 62 coke furnaces divided into two batteries of 31. As far as their general conception is concerned and also by means of numerous ingenious details, these furnaces will integrate the most modern technical solutions realised from plans and patents belonging to the Compagnie Generale de Construction de Fours. For instance, the heating system is the patented type C.G.C.F. with twin flues having integral regulators which offer the advantages of easy operation together with precise regulation of the burners. Amongst other points may be mentioned the doors which have a patented system which permits unbolting and raising simultaneously by the door-puller, reversing boxes assuring reduced loss, etc. The contract also includes complete installations for gas treatment and the recuperation of by-products (tar distillation, manufacture of sulphate of ammoniac, recuperation and distillation of benzol, recuperation of phenol and naphthalene).

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NEWS IN BRIEF

INDIAN

A new Indo-German company in the name of Stumpp Schuelek and Somappa Private Limited has been floated for manufacturing high quality products for the automobile industry in Bangalore from June next. The plant will have an initial capital of Rs 10 lakhs and will employ about 100 workers in the first stage.

India's foreign exchange earnings from scrap exports during 1960 is estimated to be about Rs 6 crores. The scrap exports of 3.25 lakh tons last year surpassed the performance of all the previous years, except that of 1953, when the exports were 3.92 lakh tons.

Applications for essentiality certificates for the import of permissible items of machinery and spares required by the manufactures of hosiery goods are at present received by Textile Commissioner's office at Bombay.

It is reported the Rajasthan Government will launch a one-month State-wide rural insurance drive on January 26 in collaboration with the Life Insurance Corporation.

The revenue realised from items on which duties are levied and collected by the Central Government in the first eight months of the financial year 1960-61 amounted to Rs 508.46 crores. Of this Rs 65.08 crores were collected during November, 1960.

There was higher production of pig iron and steel at the Bhilai Steel Works during the month of December, 1960. The steel works produced 62,016 tons of pig iron during December, 1960, compared to 61,206 tons produced during the preceding month.

Aligarh district has been selected for the implementation of the intensive agricultural programme sponsored by the Ford Foundation. About Rs 7 crores has been earmarked for the scheme. The programme envisages immediate rise in food production and demonstration of effective ways of increasing farm yield.

Jet planes on rupee payment have been offered by the Soviet Union to India. Negotiations between the two countries in this respect had just been concluded in Moscow and the Government of India's reply was now being awaited.

The recently formed International Development Association will advance loans to India to the extent of \$50m. (about Rs 23.75 crores) during the Third Plan period. The main feature of I.D.A. assistance is that the loans can be repaid in rupees.

The Malabar Iron and Steel Works Ltd. proposes to enter the market for raising new capital amounting to Rs 50 lakhs on or about January 20. The company has been registered in Kerala with an authorised capital of Rs 1 crore.

FOREIGN

Fact-finding missions of leading British businessmen and industrialists are to be sent next month into nine European countries by the newly formed Export Council for Europe.

Australia has sold 20,000 tons of flour to China. The sale is the first to the Chinese mainland since 1939, when war stopped Australian flour sales there.

British exports to China in the first eleven months of 1960, at £30.12 million were 50 per cent up in 1959, the biggest percentage rise in any one market, the China Trade and Economic Newsletter states in its January issue.

A new company has been formed to supply "factoring" services for international and domestic trade, known as International Factors. It has been launched by the First National Bank of Boston (through a subsidiary), M. Samuel and Co., merchant-bankers, and Tozer Kemsley and Millbourn (Holdings), a well-known U.K. confirming house.

The first outline of the promised five-year-plan for Belgian industrial expansion was issued recently as a Parliamentary paper. The aim of the plan is to produce annually a 4 per cent average growth in the gross national product.

The Oberg Manufacturing Company has formed a partnership with a British firm for the production of carbide dyes at Dudley, near Birmingham.

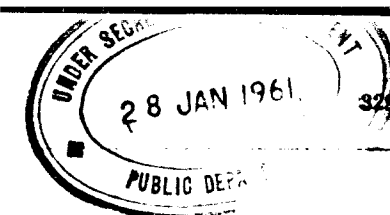
World production of natural rubber this year is expected to be only 25,000 long tons greater than in 1960, according to estimates for both years published by the U.S. Natural Rubber Bureau. Total output this year is expected to reach 2,050,000 tons.

It is reported China will grant Burma an unconditional £30m. interest-free loan with repayment in ten equal yearly instalments beginning in 1971. The loan comes into effect next October, and is to be utilized by the end of September, 1967, but may be extended by mutual agreement.

The Societe de la Raffinerie de Strasbourg will build a 3.3m. tons per annum refinery in the Strasbourg region. Capital will be supplied equally by three groups—Compagnie Francaise de Raffinage, the Antar-Pechelbronn group and the French subsidiary of the British Petroleum Company, Francaise des Petrolas B.P. The refinery is expected to require an investment of 250m. to 350m. new francs.

Under a protocol signed recently, Russia will double trade with Sudan this year. Sudan will export cotton, hides and oilseeds, and obtain machinery, equipment, timber, wheat, sugar, cement and other goods from Russia.

Czechoslovakia is to give Poland a 112.5m. rouble loan under an agreement signed recently—the biggest such agreement ever made between the two countries.



THE BUSINESS WORLD

Criteria for Bonus Formula

BY CROESUS

IF the Government of India has become proficient in anything, it is certainly in the art of putting the cart before the horse. I have not kept count of the number of times this has happened in the past 13 years, but it must be innumerable, for it has now become a hardy habit with the powers-that-be. It is only this force of habit that can explain away the latest performance of our labour Archangel, Mr Gulzarilal Nanda, the Union Minister for Labour (and Planning?). Perhaps on the eve of the A.I.C.C. session at Sardarnagar, and when once again in his old and familiar field of activities—Ahmedabad—Mr Nanda, or rather the politician in him, could not resist the temptation to hit the headlines in the Press. So he came out with his hasty announcement of the appointment of the Bonus Commission and even its personnel. Little did he dream that he was thereby raising a hornet's nest around his ears. Not only the premature (I had almost said indecently hasty) announcement of the Commission but the highly controversial appointment of a presiding judge of an Industrial Tribunal as Chairman of the Commission have upset even the most sober elements among employers and so, I am afraid, the forthcoming meeting of the Standing Labour Committee where Mr. Nanda will have to face the spokesmen of these enraged elements, does not promise to be smooth sailing business. Apparently, the Union Labour Minister's belated declaration that the Standing Labour Committee will have an opportunity of finalizing the terms of reference of the Commission, and, if necessary, to enlarge its personnel, has not served to assuage the feelings of these elements. In the result, it is doubtful whether the main question, namely, that of linking productivity with the real income of the worker, will receive the considered attention it merits.

A good deal of difference of opinion, if not confusion, is prevalent on the purpose and import of bonus, which is a question of vital importance to the industry in the private sector. The Labour Appellate Tribunal (L.A.T.) formula on bonus was no doubt intended to serve as a guide, but, unfortunately, in the context of the varied and conflicting interpretations placed on that formula, the whole question still needs to be straightened out. It was because of this that even the Supreme Court suggested, in the course of its judgment in the Associated Cement Company's case in May, 1959, that "it may also be possible to have the question comprehensively considered by a high-powered commission which may be asked to examine the pros and cons of the problem in all its aspects by taking evidence from all industries and all bodies of workmen." I wonder whether the care and concern that inspired this suggestion have at all been respected by the Government of India in naming the present personnel.

Be that as it may, the recurring disputes over bonus constitute a major obstacle to the promotion of good industrial relations, wherefore certain basic facts require to be taken into account in considering the question dispassionately. These may be briefly indicated here. In the first place, many industries, especially the old established industries, are in dire need of rehabilitating and modernizing their productive equipment. It is

needless to say that new machines are as necessary as men to tend or mind them, if higher production at lower cost is to be achieved. The first and foremost charge on the earnings of any company should, therefore, be a provision for this purpose.

Secondly, there is the question of capital formation. There is no use blaming individual entrepreneurs for frittering away the resources of their enterprises when, by sanctioning payment of bonuses, some Industrial Tribunals themselves conveniently overlook the need for consideration of resources for purposes of consolidation and expansion.

Next, as regards the concept of the term "Bonus" itself, there is considerable confusion. It is sometimes referred to as a deferred wage, sometimes as a share in the profits; sometimes, they talk of profit bonus or annual bonus to fill the supposed gap between wages actually paid to workmen and the still vaguely defined "living wage." Then, again, what is equally intriguing is that bonus is awarded not only when a company makes huge profits, but even when it makes a modest profit or actually suffers a loss, and this is clearly an unfair deviation from the principles embodied in the L.A.T. formula, viz., that bonus is payable only when an industrial or business undertaking has made huge profits.

Furthermore, when the declared policy of the Government is to broaden the public sector and more and more industrial and commercial undertakings are being started in that sector, the limitation of the application of the L.A.T. bonus formula to undertakings in the private sector only cannot but be considered as an invidious discrimination. Either a separate formula applicable to undertakings in the public sector, if such is considered necessary to meet the special circumstances of these undertakings or, more preferably, a formula that would apply uniformly to private as well as public sector undertakings, it seems, cannot be long postponed.

The informed objection to the present system of bonus is that it does not act as an incentive either to better attendance or to higher production; instead, bonus is apt to be treated as a deferred wage, which it is definitely not. Ways must, therefore, be found in any new formula that may be evolved to link the bonus payment with the contribution that the worker makes to the production of the undertaking or with the attendance that he keeps or, perhaps, better still, with both. Incidentally, if such a formula is evolved, it will probably eliminate all controversies about whether bonus payments must be based on production only or on attendance only. In any case, the mere insistence on payment of bonus as a hardy annual, irrespective of all other considerations, must stop, and the sooner it is done, the better.

Then, there are such important questions as the distinction that has to be made between manufacturing concerns and trading concerns and provisions for what

The Ahmedabad Textile Industry

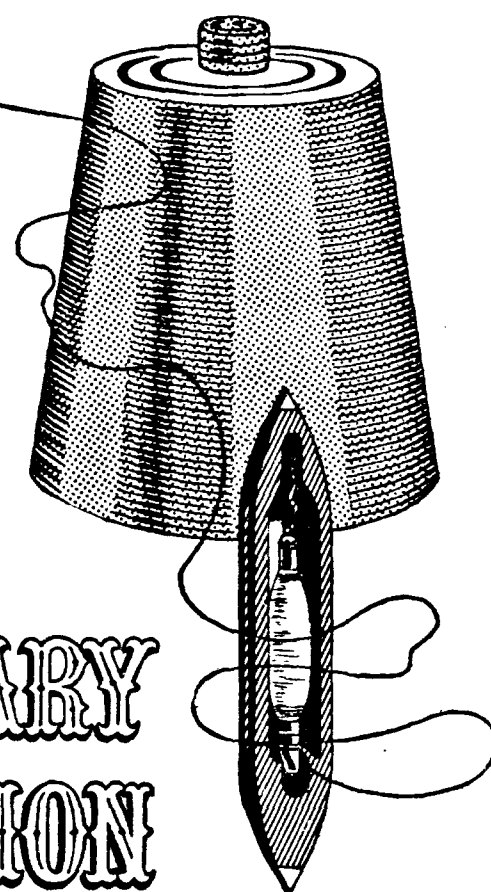
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are called "prior charges." As "prior charges" must be deducted from "gross profits" in order to determine the available surplus, it is perhaps necessary also to be clear about what "gross profits" precisely mean. Among "prior charges," both the relative importance and the exact size of the amounts to be set apart in each case—for items like depreciation, rehabilitation, reserves, return on capital, income-tax and other expenses—have to be clearly laid down. In certain industries, such as plantations, which, for obvious reasons, cannot claim rehabilitation allowances, some other provision, such as replantation allowances, a principle that has been accepted by the Tariff Commission, would have to be made. There may also be industries where, for special reasons, the capital may be quite modest, and no attempt must be made to force these also to toe the line with established enterprises with a large capital base in the matter of payment of bonuses. That would be both unfair and inequitable.

After providing for all these, there still remains the question of whether the balance left should work out to some reasonable amount so as to attract the obligation to pay bonus. And when once bonus is decided on these lines, the undertakings concerned should not be coerced into granting any other bonuses—customary, conventional or concessional.

Even as there is a need to decide a reasonable amount of balance, after meeting all charges, to attract the obligation to pay bonus, there is need to lay down a reasonable ceiling on the quantum of bonuses. This is necessary not only to avoid wide fluctuations from year to year but also as an anti-inflationary measure, especially in the era of austerity that we are asked to prepare ourselves for. For the same reason, there is need to limit bonuses up to a given amount, say, the monthly salary of any Minister in Congress Governments, or a given portion of the employees' own total emoluments in a year, whichever is lower, and, even here, the payment must be partly in cash and partly in Savings Certificates encashable only after a fixed number of years. There is no reason why this should not be done when the distribution of profits by way of dividends has been sought to be statutorily controlled in certain industries.

After having said all these, I must conclude with a note of caution, in order to avoid all complications in future, that, before any formula is enforced, it should be accepted by all the parties concerned and the latter must also establish a convention that all of them would resist any deviation from this mutually accepted formula at least for a given period.

E.N.I. In the Italian Economy

ENTE Nazionale Idrocarburi Group of Companies—dominated by the giant personality of Signor Enrico Mattei—engaged in oil exploration, extraction, processing and distribution is a unique example of a public sector institution shooting up the growth of an economy. Providing about 21 per cent of the total Italian energy consumption in 1959, the Group has made considerable contribution in accelerating Italy's industrial activity. As an instance of its leading position in the country may be cited an eloquent contrast. In 1959 E.N.I. group completed 153 oil wells whereas all the rest of the Italian and foreign companies operating in Italy completed only 62 oil wells. As a consequence between 1953 and 1959 total drilling operations in Italy increased by 51 per cent, natural gas output by 135 per cent and liquid and liquified hydro-carbons output by 176 per cent. Similarly, the length of natural gas pipelines increased by 74 per cent, fleet tonnage by 137 per cent and refining capacity by 20 per cent during the same period. A high proportion of this growth was contributed by E.N.I.

In fact the group has wider interests of Italian economy in view and has, therefore, concentrated its attention on the development of resources in the Southern districts which constitute a comparatively under-developed region. The capital invested by the E.N.I. in South Italy for mining has gradually been increased and today it represents over two-thirds of its total investment in Italy. The Corporation intends to increase this proportion in the coming years to three-fourths of the total in this sector, thus placing at the disposal of the region, which was at a comparative disadvantage, resources and raw materials which are an important prerequisite for industrial growth.

This State-owned Corporation is run on the basis of commercial success and continues to remain competitive in the face of other international groups engaged in similar activities. In fact, E.N.I. has extended its activities beyond the national boundaries of Italy. Signor Enrico Mattei was here last month, and his dynamism will probably soon be felt in India. Of the 68 companies which comprise the group, or are associated with it, 18 are registered abroad. E.N.I. has entered into agreements with "concessionary" coun-

tries like Iran, Libya, Morocco, Sudan, Egypt, etc., and has developed a wide range of contacts and interests over a vast area in Africa and the Middle East. The experience thus gained in drilling, pipeline transport, engineering and designing and erection of industrial plant has helped the group to attain the requisite amount of efficiency to become competitive contractors in foreign countries. It may be observed that the area covered by permits abroad for exploration doubled during 1959 alone. The table below shows that at the end of 1958, E.N.I. Group had an area of about 79,000 sq. kilometers which increased to about 153,000 sq. kilometers a year later. New areas have been acquired in Libya, Somalia and Sudan. Drilling operations in Iran and Morocco have shown quite interesting results and in Egypt a company of the Group has discovered a new area producing light oil.

E.N.I. Group Exploration Permits Abroad

	End 1958	End 1959
	(sq. kilometers)	
Iran	22,590	22,590
Libya	—	29,997
Morocco	35,150	35,150
Somalia	21,500	55,259
Sudan	—	8,545
Egypt	631	1,823
Total	79,871	153,364

Apart from major activities of the Corporation like exploration, drilling, refining and distribution of petroleum products, the Corporation has paid attention to minor products especially the petrochemicals. Fertilizers form one of the more important petrochemicals. Calcium nitrate produced by a subsidiary of the Corporation was put in the market in 1959 and received a fair response. Similarly synthetic rubber was also produced by the Corporation. Sulphuric acid, petroleum coke and other products like *supertrim*, *trimeca*, *lavatrix* and *trik* were also received well in the Italian market. The Corporation has also helped in nuclear power research and the exploration of radio-active materials.

The annual report indicates that the Group has been investing about 80 thousand million lire every

year during the last three years in exploration, transport, distribution, refining, manufacture of petrochemicals and nuclear industry. The group proposed to make capital investments of about 100 thousand million lire in 1960, mostly in mining and partly in petrochemicals and distribution. In fact, it has planned a schedule for

the years 1960-1963 which calls for an investment of about 500 thousand million lire in capital goods. The Corporation is, therefore, making significant contribution in making Italy, as far as possible, self-sufficient in energy resources and also in providing low-cost raw materials.

Business Notes

Sugar

THE PROBLEM OF SURPLUS

IT IS one of the few heartening features of our economy that there has lately been a distinct improvement in the supply position of sugar. While it has belied earlier apprehensions of sugar shortage it has also occasioned, in its wake, a new headache to the producers as well as to the consumers, let alone to the authorities. It was this point that Mr D. D. Puri, President of the Indian Sugar Mills' Association, found it necessary to underline in his address to the Federation of Andhra Pradesh Chambers of Commerce, in Hyderabad, last week. The country was in the throes of a crisis of sugar surplus as against a shortage last year, he said, and cited the convincing evidence of the concessional rate that the sugar industry is now in a position to offer to ancillary industries. The total sugar production in the country during 1959-60 was 24.22 lakh tons, as against only 19.9 lakh tons in 1958-59. If the present trend continues, the industry will be able to achieve a total production of 27 lakh tons or more during the 1960-61 season, it is estimated.

The President of the I.S.M.A. also drew attention to some of the new problems that the surfeit of sugar production in the country has given rise to. He said, for example, that the Association has had to urge the Reserve Bank to reduce margins in respect of advances against sugar stocks. How much the position could deteriorate if this was not done should be clear to any one from the fact that whereas the present season has begun with a stock of five lakh tons, next year, the carry-over could be at least a million tons!

The surplus sugar problem also highlights the urgency of augmenting our sugar exports. If no relief were afforded to the industry, by way of exports, as he said, at least the internal consumption should be increased to give some breathing time to the industry. Meanwhile, it is known that efforts are being made to export sugar to the USA. While the Government of India is keen on encouraging more sugar production and building up an export trade in sugar thus, it is unfortunate that some State Governments are indulging in ideological land laws which strike at the root of the most efficient sector of the sugar industry in the country.

While on this point, the ISMA Chairman pointed out that the industry could not, under the existing conditions, fully bear the loss sustained to our exports which may amount to about Rs. 150 per ton, even taking for granted that there would be a rebate of the entire excise duty and cane cess. Since both the Central and the State Governments derive considerable revenue through excise duties, cane cess and sales tax from this source, he argued, there was a case for asking them also to bear a part of the loss on exports. At the same time, he added, effective steps should be taken to reduce the cost of cultivation of cane, which constitutes 60 per cent of the cost of sugar, and thereby bring down sugar prices.

As one other possible measure of relief, Mr. Puri suggested to the Government that the excise duty should be levied only on individual consumption of sugar. He rightly made it clear that this concession should not extend to industries that use sugar as a

principal component in their industries. In other words, the benefit is sought to be extended to the people at large, who cannot pass on any increase in costs like the industries consuming sugar may, although even this is debatable in an era of steadily rising prices.

New Issue

MAHENDRA ELECTRICALS

THE MAHENDRA ELECTRICALS, LTD., will shortly be in the market with a public issue of Rs. 23 lakhs. The Authorised and Issued capital of the Company is Rs 2 crores and Rs. 60 lakhs (60,000 equity shares of Rs. 100 each), respectively. The Company was incorporated in November, 1960 for manufacturing VIR and PVC insulated wires and cables. Out of the issued capital of Rs. 60 lakhs, divided into 60,000 equity shares of Rs. 100/- each, the promoters, the directors and their friends have agreed to take up shares of the face value of Rs. 18.67 lakhs. The ICICI, which has also given a loan to the Company of an amount equivalent to the foreign exchange currency of Rs. 17.5 lakhs, has agreed to subscribe for shares of the face value of Rs. 5 lakhs. Further, shares of the face value of Rs. 13.33 lakhs have been reserved for allotment to Messrs. Johnson & Philips Limited, London, the technical collaborators for this new firm. The balance of 23,000 equity shares of the value of Rs. 23 lakhs are now being offered to the public. The extra issue has been underwritten by the United Commercial Bank, Ltd.

The Company proposes to manufacture two million core yards per month of rubber insulated cables and one million core yards per month of thermo plastic cables, based on two shifts per day. The Company's wire-drawing equipment is, in fact, large enough to meet four million core yards per month. The Government, it is understood, has also given a licence for the manufacture of 30,000 KVAR capacitors for power factor correction—the first of its kind in the private sector in Western India. Originally, it was the intention of the Government, it would appear, to restrict this line to the public sector only.

The subscription lists will open on 21st January and will close on 28th January, or earlier, but not earlier than 24th January. A sum of Rs. 25 per share is to be paid on application, Rs. 25 after three months of allotment, and the balance of Rs. 50 in instalments of Rs. 25 at intervals of three months after allotment, as and when called.

The factory will be situated at Kamlā, near Nadiad (Gujarat State), and is expected to go into production some time in the middle of 1962. Messrs. Jashbhai C. Patel & Company have been proposed as the Managing Agents of the Company, while the Indian organisation of Messrs. Johnson & Philips Ltd., London, are to be the sole selling Agents in India.

Mr Rasiklal J. Chirai is the Chairman, while Mr. Jashbhai C. Patel is the Promoter of the Company. It is noteworthy that the latter, an employee of Messrs. Johnson & Philips Ltd., has been permitted, nay actively encouraged, to start a new industry on his own thus. One hopes that this will be the precursor of many more such commendable gestures.



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FROM THE CAPITAL'S CORRIDORS

N.D.C. MEETING

THE National Development Council met here last week to give to the Planning Commission its final directive on the size of Third Five-Year Plan. The Prime Minister, who was in the chair, in his opening speech made two important announcements. He contradicted press reports that the setting up of the public sector steel plant at Bokaro had been postponed to a date falling beyond the Third Plan period. The Prime Minister categorically stated that the Government was keen on going ahead with the Bokaro plant. India, he said, could not afford to have shortage of steel at the end of the Third Plan. If, in the meantime, there was any surplus of steel it could be exported.

The second important observation which the Prime Minister made was about oil. He struck an optimistic note when he said that India would achieve near-self-sufficiency in oil by the beginning of the Fourth Plan. The Prime Minister also felt confident that foreign oil companies would be coming out to help this country in oil exploration on Government terms.

PLEA FOR AUSTERITY

The Prime Minister made a passionate appeal for austerity and observed: "I would not wish to put great burdens on people in the shape of austerity. But one thing should be definitely frowned upon, that is flouting wealth, flouting expenditure, extravagance whether in one's life or in weddings; also as a consequence of this increase in wants. Again, I am not against increasing wants if the country can afford them. But when we are saving, we should not adopt policies which give new habits, new wants, which we can do without today, so instead of savings, money goes into increasing consumption of unnecessary articles." The Prime Minister's this exhortation is obviously wise and timely. But whether it will be followed by the general public or even by his colleagues in the Cabinet only time will show.

PHYSICAL AND FINANCIAL TARGETS

The deliberations of the Council gave an inkling into the various pulls that are exercised on the Planning Commission by some States against scaling down of their Third Plan outlays. 1961-62 being an election year, it could be expected that Chief Ministers of various States would be chary of seeing the plans of their States being cut down. To meet the demand of the States for bigger plans for them, the N.D.C. chose, as it were, the line of least resistance and resolved the

issue by differentiating between the physical targets which the country should aim at and the financial targets which in the light of the present known resources the Planning Commission should fix. In terms of physical targets, the Council envisaged that the 3rd Plan outlay might be of the order of Rs. 8,000 crores in the public sector (the share of States in this would be Rs. 3,847 crores) and Rs. 4,000 crores in the private sector. The financial targets suggested are Rs. 7,500 crores for the public sector and Rs. 4,000 crores for the private sector. Out of Rs. 7,500 crores public sector financial outlay, Rs. 3,725 crores would be available for State plans. "The position, however, would be kept under constant review and every effort would be made to mobilise nation's resources to the greatest extent possible and to provide for implementation of various programmes of the Centre and the States through annual plans." The financial target of Rs. 3,725 crores outlay on State plans corresponds to the Draft Outline target of Rs. 3,650 crores outlay.

RESOURCES AVAILABLE

The total financial resources available for the public sector (both belonging to the Centre and the States) under the Third Five-Year Plan have been revised, by the Planning Commission experts, upwards from Rs. 7,250 crores to about Rs. 7,500 crores. This has been the result of an analysis of actual revenue receipts over the first six months of the current fiscal year so far as the Centre is concerned; these receipts have shown considerable improvement over those for the corresponding period last year, which were taken as the basis when the Draft Outline was prepared. The eagerness shown by the State Governments to raise additional resources for their plans accounts for some upward revision of resources available for State plans.

RESOURCES FOR STATE PLANS

In the Draft Outline resources available for State plans were estimated around Rs. 1,200 crores. They were upgraded to Rs. 1,416 crores on the basis of the discussions which States had with the Planning Commission during the past four to five months. Now, these estimates have been scaled down again to around Rs. 1,346 crores. The following table gives the comparison of the estimates of resources available for State plans (i) as worked out for the Draft Outline of the Plan, (ii) as on the basis of discussions State Governments had with the Planning Commission and (iii) as they are taken now.

ESTIMATES OF STATES' RESOURCES FOR THE THIRD PLAN
(Comparison between the estimates as worked out earlier and as worked out now) Rs. crores)

Heads of Resources	(i) As in the Draft Outline	(ii) As on the basis of discussions	(iii) As worked out now	Difference	
				between (iii) & (i)	between (iii) & (ii)
1. Balance from current revenues at 1960-61 rates of taxation	—35	34	—12	+23	—46
2. Surpluses of other public enterprises	140	149	149	+9	—
3. Loans from the public (net)	330	374	350	+20	—24
4. Small Savings (net)	360	377	377	+17	—
5. Provident Fund (net)	60	79	79	+19	—
6. Balance of miscellaneous capital receipts over non-plan disbursements	—205	—233	—233	—28	—
7. Withdrawals from cash or reserves	—	26	26	+26	—
8. Total of 1 to 7	650	806	736	+86	—70
9. Additional Taxation	550	610	610	+60	—
Total	1,200	1,416	1,346	+146	—70

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The downward revision of the estimates of resources available for State plans, it is understood, has been effected due to two factors: (i) interest liability of the States on fresh loans from the Centre in the Third Plan period (This is estimated to cost the States Rs. 46 crores) and (2) increased interest liability on account of borrowings from the public (This is expected to cost the States Rs. 24 crores). The revised estimates, however, do not take into consideration the following facts:

- 1) Some State Governments may have to find resources for increase in pay and emoluments of their employees — only seven States have so far made provision for this in the calculation of resources available for their programmes falling within the purview of the Third Five-Year Plan.
- 2) Both the loans and small savings targets are apparently high in relation to the collections effected during the Second Plan period.
- 3) The Third Plan target of Rs. 610 crores for additional taxation which is over 2½ times the Second Plan achievement of about Rs. 240 crores, may not be attained notwithstanding the fact that State Governments have promised to raise this sum from further taxation.

STEPPING UP OF OUTLAY ON STATE PLANS

How the total outlay (physical target) on the State plans has been increased consequent upon the discussions the States have had with the Planning Commission is shown in the alongside table.

In the Draft Outline, a provision of Rs. 3,700 crores was made for outlay in the States and Union Territories, the former accounting for Rs. 3,525 crores and the latter Rs. 175 crores. For financing State plans Rs. 1,200 crores were to be found by the States from

TOTAL OUTLAY — STATES, INCLUDING UNION TERRITORIES

(Rs. crores)

Heads of Expenditure	Before Discussion	After Discussion	Difference
Agriculture and community development	900	947	+ 47
Major and medium irrigation	645	651	+ 6
Power	800	938	+138
Village & small industries	130	136	+ 6
Industries & minerals	50	76	+ 26
Transport & communications	225	271	+ 46
Social services	950	918	- 32
Miscellaneous	—	81	+ 81
Total	3,700	4,018	+318

their own resources and Rs. 2,325 crores were to be provided by the Centre as assistance. In the course of their discussions with the Planning Commission, the States agreed to raise another Rs. 216 crores to match which the Central assistance was to be stepped up by Rs. 106 crores. For the development programmes of the Union Territories, the Planning Commission has allocated Rs. 171 crores as against Rs. 175 crores envisaged in the Draft Outline.

The latest appraisal of combined resources of the Centre and the States available for the public sector outlay under the Third Plan, year by year, is as follows:

RESOURCES FOR THE THIRD PLAN: CENTRE AND STATES

(Rs. crores)

Items	1961-62	1962-63	1963-64	1964-65	1965-66	Total for five years
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Balance from current revenues at 1960-61 rates of taxation	34	35	66	104	145	384
2. Railways' contribution	21	23	20	17	27	108
3. Surpluses of other public enterprises	34	52	77	121	165	449
4. Loans from the public (net)	152	138	239	170	151	850
5. Small savings (net)	103	110	117	123	132	585
6. Provident Funds (net)	46	47	50	52	54	249
7. Steel Equalisation Fund (net)	30	31	32	33	34	160
8. Balance of miscellaneous capital receipts over non-plan disbursements	25	38	44	51	50	208
9. Total of 1 to 8	445	474	645	671	758	2,993
10. Deficit financing	..	..	..	..	..	550
11. Additional Taxation	..	..	..	..	..	1,710
12. External assistance	..	..	..	..	..	2,200
Total	..	..	..	..	..	7,453

ACTUAL AVAILABILITY OF RESOURCES

Will these resources be actually available for financing the Third Plan? The above estimates, it is learnt, are based on certain reservations which are as follows:

(i) There is first of all a certain limitation in respect of all estimates which are based on the assumption that production increases steadily at a certain rate from year to year and that these increases reflect themselves more or less proportionately in the estimates of receipts.

(ii) The estimate of the surplus from revenues provides for total defence outlay of Rs. 1,700 crores. Recent indications suggest that this figure might have to be revised upwards.

(iii) The estimate of the surpluses of public enterprises and of the steel equalisation fund is almost certain to suffer a reduction. The Planning Commission is consulting the Ministries in this regard.

(iv) The estimate of loans of Rs. 850 crores may turn out to be on the high side. The net absorption of loans by the public in 1960 has been minus Rs. 4 crores. The estimate of Rs. 850 crores contains, in other words, a certain element of deficit financing through contribution to or support of these loans by the Reserve Bank.

(v) The additional taxation target of Rs. 1,710 crores is also on the high side. It will call for very special and sustained effort throughout the Plan period both at the Centre and in the States.

(vi) The Plan postulates external assistance of a substantial order, and there is no cushion available by way of foreign exchange reserves to draw upon.

(vii) Prices have risen by 25 per cent over the Second Plan period. Any further significant rise in prices of essential commodities would be undesirable and has to be guarded against. Deficit financing has, therefore, to be kept down to the minimum and care has to be taken not to exceed the limits set by the growth in the real national product.

REVISED EXPENDITURE ESTIMATES

If the estimates of resources available for the Third Plan public sector outlay have been revised upward and there has been a demand for increase in outlay envisaged under the State plans, the estimates of expenditure required to be incurred on the Central schemes have also gone up. The assessment of the financial requirements of the Central projects included in the Third Plan falls short of the provisions made in the Draft Outline in the manner indicated below:

(i) **Industries and Minerals:** When the Draft Outline was prepared, the cost estimates available showed that projects in categories A, B and C called for a total investment during the Third Plan of Rs. 1,535 crores. Recently, for some projects revised cost estimates have been furnished. For projects in categories A, B and C, the investment needed now comes to Rs. 1,657 crores — an addition to the original estimates of Rs. 122 crores, which represents an excess of Rs. 207 crores above the provision of Rs. 1,450 crores.

(ii) **Transport and Communications:** For transport and communications, certain additional alloca-

tion are required at the Centre. These include provisions for a diesel loco factory, a railway line for the Haldia port and extension of the Deva-Panvel line, inter-State roads of economic importance, additional provision for ports and harbours (including the barrage at Farraka) and for tele-communication facilities required for the railway electrification programme, etc., amounting in all, to about Rs. 100 crores.

(iii) **Power:** For power development, the main addition to outlay is in the States. At the Centre, additional provision might have to be made in case it is decided to instal a nuclear power plant with a capacity of 150 MW for the Delhi-Punjab region. To meet the shortage of power that is anticipated in this area there is need for additional capacity of this order. If undertaken, the nuclear power plant would be in substitution of an additional thermal plant for which so far provision has not been made in the Plan.

(iv) **Irrigation:** There is need for raising the allotment for research, investigations etc. from Rs. 5 crores to about Rs. 8 crores.

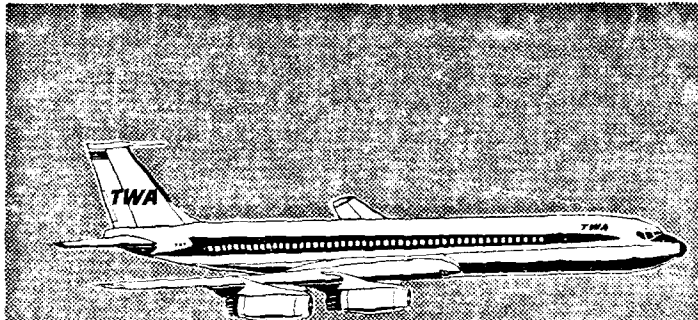
(v) **Agriculture and Community Development:** The outlays proposed by the Ministries of Food and Agriculture and Community Development and Co-operation come to about Rs. 194 crores. The provision earlier indicated was Rs. 125 crores.

WORLD BANK AND IDA ASSISTANCE FOR THIRD PLAN

Mr. Joseph Rucinsky, leader of the World Bank Mission which has been having discussions with the Government of India on the Third Plan with a view to prepare a report for the coming meeting of the Aid-India Club and to select projects for which the World Bank and the International Development Association can extend aid to this country, told a press conference here on Tuesday that India could expect assistance from the World Bank during the next Plan period for development of railways, power (in the D.V.C. and Bombay areas) and Calcutta port (including the construction of a satellite port — Haldia — near it) and for raising coal and steel production in the private sector. The Industrial Credit and Investment Corporation of India might also be assisted by the Bank, he added.

The International Development Association, Mr. Rucinsky said, would provide assistance to India for projects concerned with the development of national and local highways, small irrigation schemes, land reclamation, drainage and rural electrification. I.D.A. loans, he added, would be available for a period much longer than the World Bank loans. They would not carry any interest on them; only a small administrative charge, which is yet to be fixed, will be required to be paid. The repayment of I.D.A. loans, however, will have to be in convertible currencies. Mr. Rucinsky said that I.D.A. would provide a percentage of the total costs of the projects approved by it for assistance; thus it may provide finance not only for meeting the foreign exchange component of a project but also a part of the cost in local currency.

India, Mr. Rucinsky opined, required long-term loans from foreign countries. The minimum period for repayment of these loans, taking into consideration this country's foreign exchange difficulties, has to be 15 years or more.



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	1957/58	1958/59	1959/60	
	(Rs. in lacs)			
Capital	51	51	71	Mukand manufacture high-grade steel products—bars, rods and castings. Presently an expansion programme is under way. It will cope with the growing influx of big orders—like the one placed by the Railways with Mukand on 16th July 1960 for 4,035 sets of Centre Buffer Couplers valued at 84 lacs.
Depreciation provided to date	32	36	41	
Profits retained in business to date	25	35	45	
Profit for the year	19	30	32	
Dividend for the year	5	5	8	

Mukand provides India's new and growing industries with the quality steel components they must have.

MUKAND STEEL STRENGTHENS THE NATION

Mr. Rucinsky did not give any idea of the quantum of assistance that would be forthcoming from the World Bank and I.D.A. during the Third Plan period. That, he said, depended on the outcome of the consortium countries' meeting, which will be held in spring, and on the study of the individual projects proposed by the Government of India for securing assistance. Mr. Rucinsky disclosed that some more countries might soon be joining the Aid-India Club. He mentioned Italy, France and the Netherlands in this connection and added that Sweden and Switzerland had also been approached to join it.

Mr. Rucinsky said that at the Paris meeting of the friendly countries in September there was a general discussion on India's Third Plan. The meeting also discussed the question of giving assistance to India on a long-term basis. Besides, giving her loans repayable after 15 years, the meeting also considered giving of assistance by these countries for the import of raw materials and spare parts. Some countries felt that apart from loans for specific projects, untied loans should also be given to India.

He pointed out that the World Bank, which sponsored the Paris meeting, also took up with these friendly countries the question of their removing certain restrictions on the import of Indian goods so as to help her in step up her export earnings.

All these questions, he added, would be further discussed at the coming meeting of these countries, to be held at the end of March. The venue of the meeting would be either Washington or London.

TIN-PLATE INDUSTRY

The Government of India, it is understood, has under consideration instituting of an enquiry into the progress made by the tin-plate industry. The estimated requirements of tin-plates at the end of the Third Plan period are placed at 3,00,000 tons a year, against which capacity licenced so far is about 3,20,000 tons. Apparently, there is no room for creating further capacity in this industry. Further applications for augmenting the capacity would be considered only if the proposed enquiry discloses tardy progress made by the present licencees in their manufacturing programmes.

MANUFACTURE OF TAPE-RECORDERS

The Government, it is learnt, is favourably considering the application of Electronics Ltd., New Delhi, for the grant of a licence to manufacture 5,000 Gram Deck Tape-recorders. The scheme envisages the manufacture of 1,000 tape-recorders in the first year, 3,000 in the second year and 5,000 in the third year of going into production. One condition that may be attached if the licence is granted would be that the firm shall have to start manufacturing recording and playing magnetic heads during the second year of going into production.

SUPPLY OF RAW COAL AND MIDDINGS TO THERMAL POWER STATIONS

The Government has appointed a committee, under the chairmanship of Mr. M. R. Sachdev, Secretary, Union Ministry of Irrigation and Power, for detailed examination of the utilisation of raw coal and middlings from existing washeries and those proposed to be set up during the Third Plan period. The com-

mittee will assess the advocacy of protection envisaged against the requirements of raw coal and middlings for the power generation programme during the Third Plan period, and ensure that such middlings would be consumed in thermal power stations at or near the coal washeries. It will also draw up a time schedule for the establishment of new coal washeries.

The committee consists of eight members, including Mr. M. Hayath, Chairman, Central Water and Power Commission, Mr. Kirpal Singh, Member (Transport), Railway Board, Mr. N. S. Mani, Joint Secretary, Department of Mines and Fuel and representatives of the Planning Commission, the National Coal Development Corporation, Hindustan Steel, and Central Fuel Research Institute, Dhanbad, and Coal Controller, Calcutta.

The report of the Committee is expected to be submitted to the Government by the end of the current month.

It is estimated that about 20 million tons of inferior and low-grade coal will be required for power production by 1965. During the Third Plan period, 17 thermal power stations schemes will be continued from the Second Five-Year Plan. In addition, 26 new schemes are proposed for inclusion in the next Plan.

HOLDING ANNUAL MEETINGS OF COMPANIES

The Department of Company Law Administration has clarified that companies would be granted extension of time up to three months for holding their annual general meetings and presenting the accounts relating to a financial year ending prior to December 28, 1960, when the Companies (Amendment) Act came into force.

This step has been taken to avoid any undue hardship that may be caused to companies by a strict enforcement of the provision in the Amendment Act that the accounts to be laid in any annual general meeting held after December 28, 1960, should relate to a period, not earlier than six months. Companies, which find difficulty in complying with the amended provision in this respect have been advised to apply to the Registrar of Companies for extension of time.

The Department has also clarified that the balance sheets and the profit and loss accounts of companies for financial years ending on a date prior to December 28, 1960, may be drawn up in the old form. In respect of financial years ending on or after December 28, 1960, the accounts must, however, be in accordance with the amended schedule. Under the Amendment Act, private companies are required, in future, to file their profit and loss accounts, along with their balance sheets. The annual accounts filed by a private company after December 28, 1960, must accordingly include its audited profit and loss account. In order to ensure that only the balance sheet of a private company and, not the profit and loss accounts, is accessible to members of the public for inspection, private companies are required to file the profit and loss accounts separately from the balance sheets.

It has also been decided that companies which had failed to file their documents with the Registrar of Companies within the prescribed period, may now request the Registrar to accept these documents. The Registrars are being advised about the additional fee that would have to be paid for such late filing of documents.

COMPANY AFFAIRS

INDIAN OXYGEN

From the report for the year to September 30, 1960, it appears that Indian Oxygen Ltd., registered an increase in sales by over Rs. 91 lakhs over the previous year representing an increase of about 16 per cent. While practically all products contributed towards this rise, the rate of increase was particularly high in the cases of piped oxygen supplies to the steel works, liquid oxygen explosives used in open-cast mining operations and electrodes. The increase in electrode sales was primarily due to the higher level of production at the factory and the introduction of new ranges of special types during the year. The record of the sale of dissolved acetylene was slightly disappointing partly due to delays in orders received from consumers and partly because there was an increased competition and the use of alternative products. The Chairman, Sir John Douglas Keith Brown, has pointed out that calcium carbide, the principal raw material used in the production of dissolved acetylene is being produced in the country to an extent that we do not have to import it but he has observed that the high price of indigenously produced carbide and its lower gas yield are already having an adverse impact on the cost of production of dissolved acetylene.

During the year under review, the Company recorded a profit of Rs. 62.98 lakhs which compares well with a net profit for the previous year of Rs. 53.07 lakhs. These results are considered quite satisfactory by the Chairman. He has, however, added that this industry being a capital-intensive one, as the past experience has demonstrated, there always is the necessity of continuously ploughing back profits to provide for plant replacement at increased cost.

Indian Oxygen has plans for expansion during the Third Plan period and in this connection, the Planning Commission arranged a meeting of major producers and consumers to discuss the requirements of products produced by the company. In the case of industrial oxygen and dissolved acetylene the Company has made arrangements to estimate the possible requirements. In catering for additional oxygen requirements the Company has considered the alternatives of multiplication of plants of similar capacity and also of stepping up the size of each unit as a region progresses industrially. The Company is in a particularly favourable position to fulfil additional requirements of regional development and it can accomplish it by transferring oxygen producing plants from one region to another and installing plants of higher capacity and greater efficiency in regions which by reason of economic advancement require such plants. For instance, oxygen requirements in Calcutta and Jamshedpur regions have been growing apace and an additional oxygen plant was installed in each of the factories in the region.

EASTERN SHIPPING

The Chairman of the Eastern Shipping Corporation Limited has pointed out in his annual report that during the year to March 31, 1960, the Corporation registered an increase in the freight and passenger earnings. From Rs. 2.55 crores earned in 1957-58 the company earned Rs. 2.98 crores during 1958-59. During the year under review a further improvement has been recorded and this year's earnings come to Rs. 3.20

crores, thus, showing an improvement of 7.46 per cent over the previous year's earnings. The increase in freight earnings taken by itself are of the order of 10.17 per cent and has resulted from larger liftings of cargo. The passenger earnings have declined slightly during 1959-60. The Company also recorded a slight increase in the operating expenses; as against Rs. 2.50 crores in the previous year, the expenses registered an increase of about 10.43 per cent and came to about Rs. 2.77 crores. The increase is mainly due to higher wages, marine and light dues, stevedoring, victualling, insurance, commission, etc. There was an increase in depreciation too.

The working results of the Corporation, however, show a loss of Rs. 5.06 lakhs. This unfavourable result is to be attributed to the large number of voyages undertaken by the Corporation which increases the expenditure. Moreover, freight rates during the year under review remained the same and the Corporation was not able to get adequate high-freighted cargoes but had to depend mostly on ores and scrap which are comparatively low freighted.

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COMMODITY NEWS AND NOTES

IRON ORE PRODUCTION IN INDIA

The production of iron ore during November, 1960, was 791,000 tonnes, according to the Indian Bureau of Mines.

This brings the total output during January-November, 1960 to 9,726,000 tonnes which was higher by 36 per cent when compared to the output of 7,160,000 tonnes during the corresponding period of the preceding year. Orissa was the chief producing state with an output of 246,000 tonnes followed by Bihar with 229,000 tonnes. Mysore and Madhya Pradesh recorded an output of 148,000 tonnes and 121,000 tonnes respectively while the output from Maharashtra was 27,000 tonnes. During the month despatches of iron ore for consumption in the iron and steel plants totalled 623,000 tonnes while the despatches for export were 232,000 tonnes.

TWO LAKH TONS OF SUGAR RELEASED

The Government of India has decided to release 2 lakh tons of sugar. There will be no release for free sale from the factories in Uttar Pradesh, Bihar and Punjab, except a small quantity which will be released to each factory for sale to its employees. Allotments of sugar to Madhya Pradesh, Rajasthan, Uttar Pradesh, Bihar, West Bengal, Orissa, Madras, Kerala, Maharashtra, Gujarat, Himachal Pradesh, Assam, Manipur and Tripura from factories in the controlled region will be made only to the nominees of the State Governments. In case of Punjab and Jammu & Kashmir, allotments will be made direct to the State Governments or to their nominees. Allotments to Delhi will continue to be made on the existing basis. Allotments will be made at prices fixed under Notification No. GSR 1112/Ess. Com/Sugar dated September 15, 1960 and GSR 1/Ess. Com/Sugar dated January 2, 1961. The controlled ex-factory price for U.P. and North Bihar factories is Rs 37.85 per maund and for factories in Punjab and South Bihar Rs. 38.35 per maund for ISS D-29 grade with the prescribed price differentials for other grades. The fixed f.o.r. destination prices in respect of allotments made to Kanpur and Calcutta will be Rs. 38.60 and Rs. 39.85 per maund respectively for sugar of ISS D-29 grade.

WOOLLEN YARN (PRODUCTION AND DISTRIBUTION CONTROL) ORDER

The Minister of Industry, Mr Manubhai Shah, made the following statement in the Lok Sabha on 13th December in response to a 'Calling Attention Notice' by Messrs. Badakumar Pratap Ganga Deb Barma, S.M. Banerjee and S. Ahmed Mehdi, regarding the difficulties faced by the woollen mills in Northern India consequent on the Government order under the Woollen Yarn (Production and Distribution Control) Order, 1960: "The different sectors of the woollen industry had been facing some difficulty in obtaining their requirements of various types of worsted yarns. The hosiery industry, in particular, was having considerable difficulty in this regard. The question of taking steps to ensure a balanced supply of the different varieties of yarn was considered at length by the Government. In order to ensure this, it was decided that there should be some control on the production of different types of yarn, so that no sector of the industry would be put to undue hardship caused by want of yarn. Therefore, after examining the pattern of production of different types of yarn in the preceding

years, and having regard to the requirements of the various sectors of the industry, it was decided that every manufacturer of worsted yarns should produce weaving, hosiery and knitting yarn in the proportion of 47.5 per cent, 32.5 per cent and 20 per cent, respectively. The Textile Commissioner issued an order under the Woollen Yarn (Production and Distribution Control) Order 1960, directing manufacturers of worsted yarns to follow this pattern of production from October, 1960. It is expected that this pattern of production will ensure a reasonable supply of each type of yarn required by the industry. Representations have been received from a section of the industry, particularly the Composite Mills, that this pattern of production will adversely affect their working, as all the mills may not be equipped with the types of machinery required for producing the different types of yarn and also because this pattern of production will cause difficulties to composite mills, which depend on their own production of yarn for working their weaving units and will create some imbalance in the different sections of the mills. While it may be true, that in some cases, there may be a real difficulty, it is also probable that some mills are averse to following the prescribed pattern of production, as this would stand in the way of their producing greater quantity of particular types of yarn which yield a larger profit. The Textile Commissioner has been asked to examine the case of each individual mill, and on the basis of the capacity of the mill and its requirements of yarn for its own weaving section, if any, to allow the mill to vary the pattern of production to the extent necessary. It is significant that a large section of the industry has welcomed the prescribed pattern of production, and has stated that, as a result of this pattern, the prices of yarn are going down."

PRODUCTION OF PIG IRON

There was more production of pig iron and steel at the Bhilai Steel Works during the month of December, 1960. The Steel Works produced 62,016 tons of pig iron during December 1960, compared to 61,206 tons produced during the preceding month. Production of steel during December 1960 amounted to 41,580 tons compared to 35,871 tons in the month of November. Despatches from Bhilai during December 1960 totalled 32,660 tons of pig iron and 33,096 tons of steel billets. The Steel Works also produced 988 tons of ammonium sulphate fertilizer and 2,670 tons of crude tar. Nearly 2,257 tons of crude tar and 917 tons of ammonium sulphate fertilizer were despatched from Bhilai to consumers during the month.

REVISION OF SUGAR PRICE FORMULA

The Tariff Commission has issued a questionnaire on the revision of the sugar price linking formula for determining the amount to be paid by the industry to the cane growers. The Government of India had referred the matter to the Tariff Commission in October last. The basic principle of the formula which has been in operation from 1958-59 on an all-India basis is that the growers supplying cane to a sugar factory, share with the factory owners the net sugar price realized by the latter during the year in the same ratio as the cost of cane bears to the factory's cost of production of sugar during that year, excluding taxes.

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Fuel Power			Manufactures				All Commo- dities
	Food articles	Liquor & Tobacco	Light and Lubricants	Industrial Raw materials	Inter- mediate Products	Finished Products	Total	
1953-54	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	102.3	84.3	104.2	116.0	110.9	105.5	105.3	105.3
1957-58	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	119.0	99.5	116.5	123.7	113.8	111.3	111.6	117.1
October 1959	123.8	101.4	117.0	122.6	114.4	110.4	111.1	119.3
November	121.4	104.6	117.4	122.5	116.1	111.0	111.7	118.3
December	118.2	103.7	117.0	127.2	118.0	112.6	113.4	117.9
October 1960	121.8	113.5	119.9	146.6	130.2	123.8	124.7	126.3
November	120.2	116.8	120.1	148.0	131.6	124.7	125.7	126.0
December	117.2	112.1	120.3	149.6	132.3	125.0	126.0	124.3
10-12-1960	117.5	112.3	120.3	148.6	132.0	124.9	125.9	124.7
17-12-1960	117.0	112.3	120.3	148.1	131.9	124.5	125.5	124.3
24-12-1960	117.0	111.7	120.3	150.6	132.5	124.8	125.9	124.5
31-12-1960	115.3	111.7	120.4	152.0	133.0	125.7	126.8	124.4

*Revised.

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

Period	Bombay			Delhi	Ben- gal	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	—	—	—
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	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	157	152
1958	376	394	274	150	384	468	447	165	401	157	169	161
1959	393	412	309	158	384	469	498	163	429	166	173*	188*
1960 January	403	422	304	159	385	460	509	168	441	164	173	16*
February	399	418	294	161	389	468	511	165	448	167	167	168
March	395	414	287	157	392	464	510	165	446	166	168	167
April	402	421	288	155	392	463	511	165*	446	162	163*	168
May	402	421	295*	153	396	461	510	165*	452	166	163*	170
June	403	422	297*	154	399	460	510	165*	462	167	164*	171
July	404	423	299*	160	406	484*	515	165*	467	169	164*	174
August	402	421	302*	160	410	484*	515	163	470	169	168*	174
September	399	418	—	161	403	489	520	163	472	167	168*	173*
October	402	421	—	162	396	488	517	163	477	171	164*	174*
November	404	423	—	159	392	489	509	163	—	171	168*	173*

†Base 1944=100. *Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT) WEEK ENDED

	13-1-1961			6-1-1961			30-12-1960			23-12-1960		
	High	Low	Aver- age	High	Low	Aver- age	High	Low	Aver- age	High	Low	Aver- age
Gold (per 10 grams)	117.25	115.75	116.55	115.45	114.00	114.98	114.60	113.60	114.08	115.10	114.25	114.73
Silver (per kilogram)	202.05	197.95	200.13	197.60	194.75	196.01	194.90	193.50	194.17	195.50	192.30	194.34

RESERVE BANK OF INDIA ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES					ASSETS				
	Notes in Circula- tion	Notes Held in Bank- ing Dept.	Total Notes Issued (a)	Gold Coin & Bullion (b)	Foreign Securi- ties (c)	Total of (b+c)	(b+c) as Percent- age of (a)	Rupee Coin	Rupee Securities	Total Assets
1955-56**	1,339.39	17.08	1,356.47	40.02	656.52	696.53	51.35	106.87	553.06	1,356.47
1956-57*	1,475.77	18.75	1,494.52	40.02 (117.76)	454.61 (663.37)	585.63 (44.37)	39.95	115.93	755.22	1,494.52
1957-58*	1,529.36	23.18	1,552.53	117.76	329.65	447.41	28.79	1,30.06	975.06	1,552.53
1958-59*	1,593.88	19.34	1,613.21	117.76	182.04	299.80	18.58	133.99	1,179.42	1,613.21
1959-60*	1,730.90	19.86	1,750.77	117.76	167.62	285.38	16.30	131.50	1,333.83	1,750.77
Average of Fridays										
October 1959	1,674.25	19.70	1,693.95	117.76	163.01	280.77	16.57	135.67	1,277.51	1,693.95
Nov.	1,690.83	20.51	1,711.34	117.76	163.01	280.77	16.41	133.90	1,296.68	1,711.34
Dec.	1,725.18	11.46	1,736.64	117.76	163.01	280.77	16.17	132.74	1,323.13	1,736.64
October 1960	1,806.43	16.56	1,823.00	117.76	123.01	240.77	13.21	130.37	1,451.87	1,823.00
Nov.	1,816.70	18.32	1,835.02	117.76	123.01	240.77	13.12	129.70	1,464.55	1,835.02
Dec.	1,855.89	16.59	1,872.49	117.76	127.01	244.77	13.07	127.66	1,500.06	1,872.49
Week-Ending										
16-12-1960	1,861.11	13.82	1,874.94	117.76	128.01	245.77	13.11	127.11	1,502.06	1,874.94
23-12-1960	1,858.55	16.75	1,875.31	117.76	128.01	245.77	13.11	127.48	1,502.06	1,875.31
30-12-1960	1,868.98	16.21	1,885.19	117.76	128.01	245.77	13.04	127.36	1,512.06	1,885.19
6-1-1961	1,901.25	16.39	1,917.64	117.76	128.01	245.77	12.82	124.82	1,547.06	1,917.64

BANKING DEPARTMENT

(Rs. Lakhs)

Period	Deposits					Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad	Loans & Advances to Governments	Other Loans and Advances	Investments	Other assets
	Central Gov- ernment	Other Gov- ernments	Banks	Others	Total									
1953-54*	105.44	23.40	46.52	57.45	232.80	23.91	266.72	23.22	9.46	123.31	1.79	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
1955-56*	60.11	19.85	53.77	18.31	152.04	35.59	197.64	17.21	9.78	66.96	1.73	36.99	49.36	15.61
1956-57*	57.52	14.10	52.46	19.73	143.81	91.21	245.02	18.91	5.69	64.77	4.89	85.34	51.82	13.60
1957-58*	54.61	11.28	81.90	111.38	258.27	84.36	407.63	23.30	4.81	40.47	32.90	77.91	213.92	14.32
1958-59*	57.62	20.80	87.53	118.73	284.67	71.71	441.44	19.41	6.81	25.57	28.23	65.83	284.49	11.73
1959-60*	55.50	23.24	79.61	123.48	281.83	83.18	450.01	19.94	15.54	28.97	25.53	88.92	258.90	12.22
Avr. of Fridays														
Oct. 1959	58.32	18.90	76.83	118.73	272.78	69.69	427.47	19.82	27.98	22.48	20.23	84.61	242.36	9.99
Nov.	50.55	20.41	81.23	119.16	271.35	78.47	434.82	20.60	13.19	39.88	23.77	83.31	243.33	10.75
Dec.	55.33	18.65	73.41	117.59	264.98	76.86	433.84	11.52	15.82	44.82	23.80	90.67	235.92	11.29
Oct. 1960	56.65	28.05	104.94	89.43	279.07	85.39	449.45	16.64	14.98	18.33	29.93	125.78	231.40	12.40
Nov.	62.29	14.72	100.64	89.46	267.10	97.00	449.10	18.41	10.53	17.49	32.85	120.42	236.37	13.06
Dec.	60.25	15.71	95.20	91.78	262.95	104.08	452.03	16.69	19.52	26.35	37.78	136.04	198.94	16.70
Week-Ending														
16-12-1960	50.87	28.40	85.31	90.43	255.01	105.60	445.61	13.92	15.43	27.10	34.05	132.37	205.89	16.88
23-12-1960	68.83	15.34	92.02	93.05	269.23	107.89	462.12	16.85	15.12	27.58	37.61	142.14	205.57	17.24
30-12-1960	70.03	9.87	115.68	94.17	289.75	106.94	480.78	16.31	36.88	23.72	41.25	159.91	185.41	17.30
6-1-1961	59.71	7.00	84.67	92.66	244.03	105.28	434.31	16.47	45.98	19.61	43.00	151.46	140.36	17.42

* Average of Fridays. ** Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. † Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. ‡ Includes cash and short-term securities.

INDEX NUMBERS OF WHOLESALE PRICES — IMPORTANT COMMODITIES

(1952-53 = 100)

Average of months/ Average of weeks	Rice	Wheat	Jowar	Bajra	Gram	Ground- nut Oil	Mustard Oil	Sugar	Gur	Tea
1953-54	100	93	100	103	89	120	137	99	141	174
1954-55	82	75	77	78	54	77	127	104	122	255
1955-56	78	72	67	84	49	74	104	94	88	170
1956-57	97	88	123	122	71	104	176	95	100	165
1957-58	105	88	114	126	68	105	164	110	107	164
1958-59	105	105	105	126	96	107	148	121	131	169
1959-60	105	96	119	125	75	118	150	124	161	186
October 1959	112	100	128	125	75	117	147	121	181	192
November	108	98	121	126	73	112	148	127	180	194
December	101	96	120	121	70	113	149	127	164	210
January 1960	102	97	119	125	72	118	150	127	154	207
February	105	98	121	128	80	125	158	127	156	196
March	106	94	117	123	74	126	156	127	149	180
April	108	91	121	122	76	130	155	127	147	184
May	113	87	123	126	78	127	155	127	145	194
June	114	87	127	128	80	129	157	127	144	187
July	115	92	130	132	89	137	162	127	148	207
August	115	90	127	129	86	135	163	127	148	212
September	114	91	129	132	90	138	163	127	146	215
October	111	90	125	137	91	144	165	127	142	216
November	106	90	126	135	93	138	173	127	141	218
3-12-1960	106	89	123	130	92	135	176	127	127	209
10-12-1960	102	90	121	131	92	134	177	127	123	208
17-12-1960	102	90	121	131	92	134	174	127	123	208
24-12-1960	100	90	118	132	93	137	180	127	123	216
Average of months/ Average of weeks	Spices & Condi- ments	Tobacco Raw	Coal	Cotton Raw	Jute Raw	Ground- nut	Cotton Manu- factures	Jute Manu- factures	Silk & Rayon Manu- factures	Machi- nery
1953-54	118	100	100	104	98	127	104	91	92	99
1954-55	114	90	100	102	112	82	107	102	92	99
1955-56	110	77	101	97	117	79	105	96	91	102
1956-57	97	80	116	111	126	111	116	95	88	104
1957-58	96	92	128	106	133	108	116	95	86	107
1958-59	127	93	133	99	118	117	112	87	93	109
1959-60	152	98	135	106	125	131	117	91	96	111
October 1959	161	101	136	100*	119*	130	115	90	92	111
November	167	105	136	102	123	120	116	90	93	111*
December	172	104	136	111	140	122	118	94	98	111
January 1960	168	100	135	115	144	131	123	96	105	111
February	140	94	135	114	134	139	125	96	103	111
March	132	94	135	113	141	141	125	98	103	112
April	130	102	140	113	154	144	125	103	103	112
May	129	108	140	113	198	139	125	117	104	115
June	128	111	140	112	187	146	126	113	103	116
July	130	111	140	112	155	150	129	107	103	116
August	130	107	140	112	166	140	131	115	102	116
September	130	104	141	112	161	141	132	116	101	116
October	129	116	141	114	225	142	130	136	102	117
November	130	121	141	111	232	140	129	142	102	117
3-12-1960	128	115	141	108	228	133	129	144	101	117
10-12-1960	128	114	141	109	226	142	130	142	101	117
17-12-1960	127	114	141	111	216	144	129	139	102	117
24-12-1960	125	114	141	110	227	148	129	141	102	117

THIRD PLAN

DEVELOPMENT PROGRAMMES IN THE PUBLIC SECTOR

Industries and Minerals

TABLE I.

OUTLAY REQUIRED FOR INDUSTRIES

(Rs. crores)

Scheme	Provision in the Draft Outline	Outlay requir- ed as estimat- ed now	Difference excess(+) re- duction(-)
(1)	(2)	(3)	(4)
A. Projects carried over from the Second Plan			
Completion of the three steel plants	45.0	45.0	—
Rourkela fertilizer factory	12.0	12.0	—
Heavy Machinery plant	—	—	—
Foundry Forge Shop	80.0	80.0	—
Mining Machinery plant	—	—	—
Heavy electrical project, Bhopal	16.0	16.0	—
Drug projects	30.0	30.0	—
Organic Intermediate plant	11.0	11.0	—
Expansion of Hindustan Antibiotics	0.5	0.5	—
Trombay Fertiliser project	22.0	25.0	3.0
Naharkatiya Fertiliser Project	12.0	12.0	—
Andhra Fertilizer project	20.0	20.0	—
TOTAL 'A'	248.5	251.5	- 3.0

B. New Projects for which external credits are already assured, wholly or in part

Expansion of Heavy Machinery Plant	14.0	14.0	—
Expansion of Mining Machinery Plant	15.0	15.0	—
Expansion of Foundry Forge	10.0	10.0	—
Second and Third Heavy Electrical projects	69.0	69.0	—
Heavy Machine Tool Factory	8.0	11.0	- 3.0
Precision Instruments Factory	8.0	8.0	—
Ophthalmic Glass project	1.5	1.5	—
Raw film project	8.0	8.0	—
Watch factory	2.0	2.0	—
Expansion of Bhilai Steel project	130.0	138.0	+ 8.0
Expansion of Durgapur Steel Project	35.0	56.0	+ 21.0
Expansion of Rourkela Steel Project	80.0	90.0	+ 10.0
Expansion of Mysore Iron and Steel Works	—	5.0	+ 5.0
TOTAL 'B'	380.5	427.5	+ 47.0

C. New Projects included in the Plan for which foreign credits have not yet been arranged

Bokaro Steel Project	200.0	235.0	+ 35.0
Alloy and Tool Steel Plant (inclusion of manufacture of grain oriented electrical steel sheets)	35.0	50.0	+ 15.0
Heavy Structural Works	—	—	—
Heavy Plate and Vessel Shops	6.0	6.0	—
Expansion of Hindustan Machine Tools, Bangalore	3.0	3.0	—
Expansion of Heavy Electrical Project, Bhopal	19.0	19.0	—
New fertiliser factories	75.0	75.0	—
Expansion of Hindustan Shipyard at Vizag (Expansion and Subsidy)	10.0	10.0	—
Hindustan Shipyard (Dry Dock)	2.0	2.0	—
Expansion of NEPA, Praga Tools	—	5.0	+ 5.0
Second Shipyard, Cochin	10.0	10.0	—
Security Paper Mill	4.0	5.5	+ 1.5
Expansion of Hindustan Cables	0.5	3.5	+ 3.0
Salt Development	Nil	2.0	+ 2.0
Townships	30.0	50.0	+ 20.0
N.I.D.C.	10.0	20.0	+ 10.0
Loans to Institutional Financing Corporations	20.0	20.0	—
Loan assistance to plant-ation industries	—	—	—
National Productivity Council	10.0	10.0	—
Metric System and Indian Standards Institution	—	—	—
Expansion and modernisation of Alkaloid Factory	—	0.4	+ 0.4

TOTAL 'C' 434.5 526.4 91.9**GRAND TOTAL** 1063.5 1205.4 + 141.9

TABLE II.

PROJECTS ON WHICH PREPARATORY WORK SHOULD CONTINUE WITH A VIEW TO DECISIONS IN DUE COURSE

(Rs. crores)

Total cost**Industries other than Steel**

Heavy Compressor and pumps plant	15.0
Basic Refractories	3.0
Ball and Roller bearing factory	8.0
Machine tool expansion	—
Second heavy structural shops	15.0
Second plate and Vessel shops	—
Marine Diesel Engine factory	3.0

TOTAL 44.0

THIRD PLAN

DEVELOPMENT PROGRAMMES IN THE PUBLIC SECTOR

Industries and Minerals

TABLE III.

OUTLAY REQUIRED FOR MINERALS

(Rs. crores)

Scheme	Provision in the Draft Outline	Outlay required as estimated now	Difference excess (+) or reduction (-)
(1)	(2)	(3)	(4)
A. Projects under execution and carried over from the Second Plan.			
Coal			
Coal programmes of the National Coal Development Corporation	8.00	8.00	—
Washeries at Bhojudih and Pathardih	6.00	6.00	—
Neyveli Lignite Project			
Thermal Power Plant	6.00	6.00	—
Fertilizer Plant	13.00	13.00	—
Briquetting and Carbonisation Plant	12.00	20.00	+8.00
Oil			
Oil India (a) Crude pipe line	8.00	8.00	—
(b) Exploration	—	1.40	+1.40
Nunmati Refinery	8.50	8.50	—
Barauni Refinery	23.00	23.00	—
Kiriburu Iron Ore Project	6.00	6.00	—
TOTAL 'A'	90.50	99.90	+9.40

B. New Projects for which external credits are already assured.

Expansion of Thermal Power Plant at Neyveli	—	15.00	+15.00
Oil exploration	115.00	115.00	—
Bailadila Iron Ore Project	17.00	17.00	—
TOTAL 'B'	132.00	147.00	+15.00

C. New Projects included in the Plan for which foreign credits have not yet been arranged.

New programmes of the National Coal Development Corporation	53.00	57.00	+4.00
Maintenance of Production of N.C.D.C.	16.00	16.00	—
Central work-shops for repairs	8.00	8.00	—
Drills for prospecting	2.00	2.00	—
Advance action for the Fourth Plan	10.00	10.00	—
Central Ropeway Schemes	16.00	16.00	—
Expansion of Singareni Collieries	16.00	20.00	+4.00
Additional washing capacity for coking coal	17.00	17.00	—
TOTAL	138.00	146.00	8.00

Neyveli Lignite Project

Expansion of Neyveli Mine output	3.80	3.80	—
Housing	6.00	6.00	—
TOTAL	9.80	9.80	—

Oil

Distribution Programmes	5.00	5.00	—
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Other Minerals

Exploitation of Copper deposits at			
(a) Khetri	10.00	10.00	—
(b) Daribo	2.50	2.50	—
(c) Sikkim	2.50	2.50	—

Exploitation of Panna diamonds	1.00	1.50	+0.50
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Beneficiation Programme for Manganese Ore	5.00	5.00	—
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Expansion of Geological Survey of India	10.00	10.00	—
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Expansion of Indian Bureau of Mines	5.00	5.00	—
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Amjore Pyrites	5.00	5.00	—
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Kolar Gold Mining undertakings	—	2.10	+2.10
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Huthi Gold Mines	—	0.50	+0.50
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TOTAL	41.00	44.10	+3.10
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GRAND TOTAL	416.30	451.80	+35.50
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TABLE IV.

PROJECTS ON WHICH PREPARATORY WORK SHOULD CONTINUE WITH A VIEW TO DECISIONS IN DUE COURSE

(Rs. crores)

Project	Total cost
Products pipeline	37.0
Lubricating oil plant	12.0
Coal washeries for non-coking coal	12.0
Low temperature carbonisation plants	22.0
Neyveli Lignite high temperature Carbonisation plant and connected facilities for pig iron production	25.0
TOTAL	108.0

TABLE V.

(Rs. crores)

PROJECTS OF A CONTINGENT NATURE

Project	Total cost
New refinery for fresh oil findings	15.0
Crude pipelines	4.00
Indo-Stanvac project	Not available
Oil India	8.0
Piping of Naharkatiya natural gas	Not available
Expansion of Kiriburu iron ore project	6.0
TOTAL	33.0

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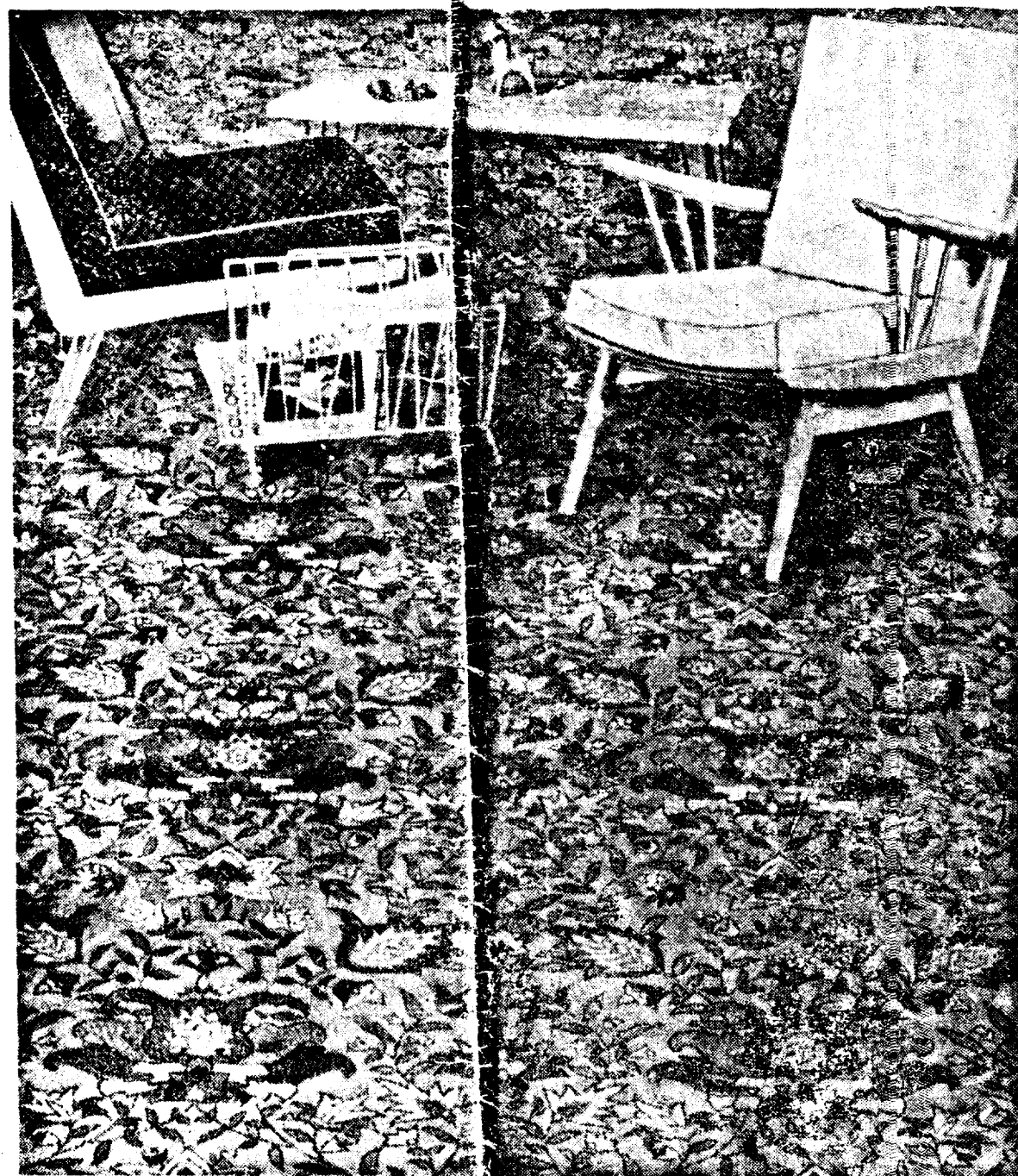
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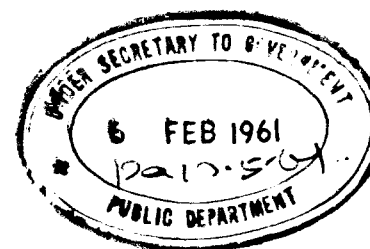
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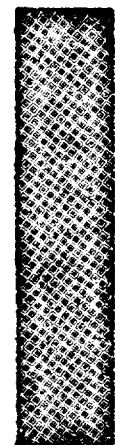
NEW DELHI: JANUARY 27, 1961

ONE RUPEE



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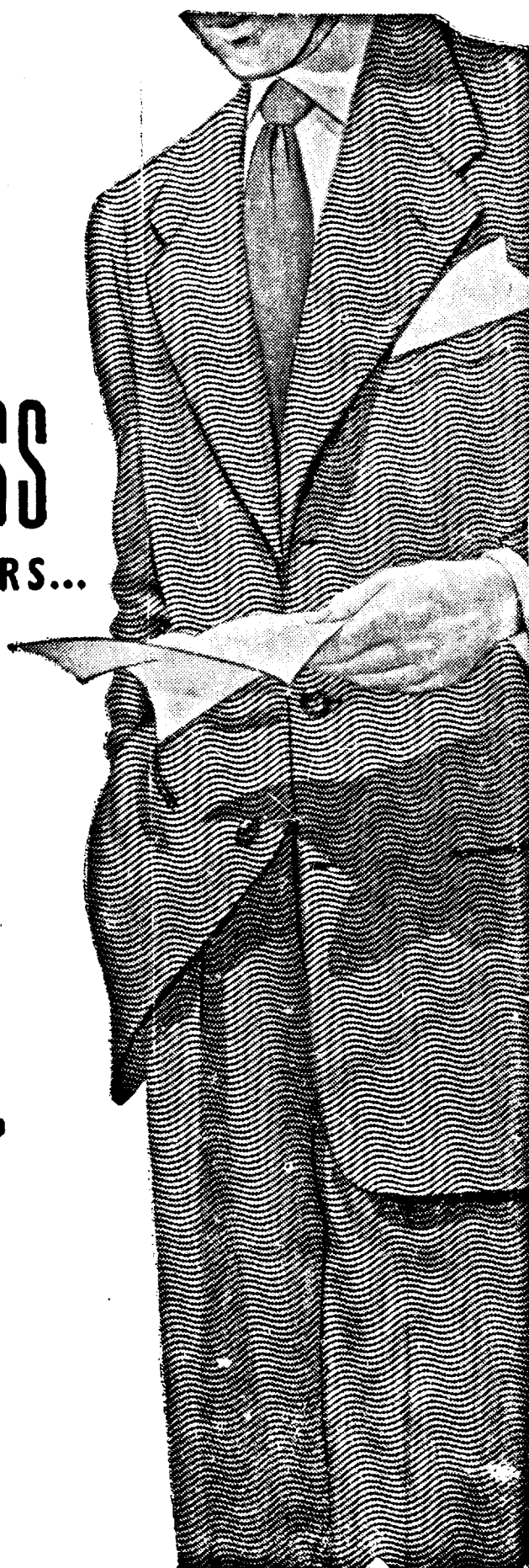
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The Prime Minister

THE news first appearing in a report of the London correspondent of the *Daily Herald*, following an interview with the Prime Minister Jawaharlal Nehru, about his contemplated retirement, has naturally struck the headlines. For two days speculation was widespread, and it was only on the evening of January 24 that the Prime Minister issued a statement to the Press indicating that he had no "immediate" intention to retire. Unfortunately, the original report was so worded, and the subsequent denial so brief, without any adequate explanation as to why the original statement was made, that speculation continues. It is obvious that the Prime Minister is not withdrawing immediately, but the view is being held in Delhi that he cannot continue in office for any very long period, and many believe, to use his own words, that his retirement would be good both for himself and for the country. The only question now is: When?

On the issue of timing, there is much to be said for the Prime Minister's staying in office for the whole of the current year. In the first place, there is the problem of China; in the second, there is the finalisation of the Third Plan, with many problems of international relations connected therewith. With the new Democratic administration in the United States and the possibility for a new thaw in the cold-war, India obviously has some constructive role to play and this cannot be done without the international standing of Jawaharlal Nehru. Finally, and perhaps most important of all, domestic problems, which include the Punjab and Assam, and the Congress rifts in Uttar Pradesh and Mysore, require his intervention as from a seat of power and not in an advisory capacity. All in all, therefore, the balance of advantage seems to lie in the Prime Minister's not abandoning office before March 1962. On the other hand, deeply as he will be missed, it would not be an advantage if the Prime Minister remained in office for an indefinite time after 1962. For one thing, at his present age—*notwithstanding what he describes as his "distastefully healthy" physical condition*—the country must get used to the idea of transmission of power from those who are aged to those who are middle-aged. The process of continuity or "normalcy" in political life otherwise will never be established. There are already too many aged people in the Central Government. Rumour has been current in Delhi that Mr. Sanjiva Reddy's resignation, that high office should not be held by

Congressmen for more than ten years, has not been well received in the highest circles of the country, and it is even understood that there are some Members of Parliament who are canvassing a third term for the President. This is an error in the President's state of failing health. There are undertones and overtones both in respect of the President and the Prime Minister, but these will only grow greater if there should be any suspicion that either of them intends to stay on indefinitely in office, waiting only for death to end their active career. Both have an active role to play in an advisory capacity, while younger men are made to broaden their shoulders to the task, with the country getting used to a normal political life without the protection of the heroes of the Revolution.

An issue of principle thus overrides personal choice in this matter. It would be a misfortune if the Prime Minister of India were, for the second time, to create the impression that speculation is raised by him on his retirement only to demonstrate his "indispensability". India would be a poor country, indeed, if any man, however eminent in public life and howsoever central in its administration, were so regarded, for immortality has been granted to no man, however great his role in history. Many will view the departure of Jawaharlal Nehru, when it comes, as a major historical misfortune. This it will not be. Or if it is to be, then India is unworthy of the democratic process which is to find leaders equal to her tasks in every generation. The Prime Minister himself has already ruled India with almost exclusive power for an Indian generation of fifteen years. It is wholly proper that as a matter of principle, rule by one man should not, under any circumstances, be extended over so long a period. This is not because Jawaharlal Nehru has been corrupted by power. Indeed, there are few men in all history who have been less corrupted. But it is bad for the people of India, for such a long period, to let major decisions—good and bad—be made by one man, for the capacity of decision making grows upon by what it feeds upon, and is easily killed by a failure to tread the hard journey of trial and error. Even if Jawaharlal Nehru is not like a banyan tree—preventing the growth of talent of the highest calibre—the fact remains that the highest calibre has not been able to display itself yet amongst men of middle-age in the Congress Party. Equally, it is wholly wrong that particular members of the Cabinet should have

no constituency except the Prime Minister himself. Undoubtedly, the character of India's administration would be more "normal" in every way if the Cabinet were composed of men with their own followings and it was not dominated by personality as supreme in every way as that of Jawaharlal Nehru has been over the last decade.

All in all, therefore, while one should record with satisfaction that the transition is not to be immediate, one should observe that this is time for preparation for a change in the most important office in the Indian Union. In wishing for this change, no disrespect of any kind can be intended for Jawaharlal Nehru whose towering personality

and prestige have been amply demonstrated in the year which has ended. Equally, however, the country should not be belittled by the idea that one man alone keeps its affairs from disorganisation and ruin. It is good, as the Prime Minister has said in the interview to the correspondent of the *Daily Herald*, both for the country and himself that the office of the Prime Minister should, in a relatively short period, be transmitted to a man who will have the opportunity to show that leadership, like so much else, is not a monolithic gift of God, reserved only for heroes of a revolution. For that, surely, is the path to a revolution, without a hero and without design.

The Case for Road Development

IT is a pity that the case for a moderate programme of road development, which is so evident and so cogently argued on quite a number of appropriate occasions, should need to be re-stated. But pressures of political expediency, as demonstrated by the questionable concessions made to the State Governments in their clamour for ambitious outlays on their plans, threaten to distort the correct perspective in planning and put priority programmes like road development on the defensive. The loss of perspective is vividly reflected in the enlargement of the size of the Third Plan in disregard of the superior claims of the infra-structure of the economy. The reverse process of a downward revision of the allocation of outlays for roads ironically typifies this trend.

The Draft of the Third Plan makes the admission that the provision of Rs. 250 crores made for roads is inadequate. The least that was expected was to adhere to the parsimonious provision made in the Draft. But astonishingly enough, while the size of the total outlay has now been raised from Rs. 7,200 crores in the Draft to Rs. 7,500 crores, the allotment for road development is proposed to be cut by Rs. 20 crores to about Rs. 230 crores. This process of pumping larger allocations at favoured points and pruning them at strategic points is apparently unconcerned with the prospect of an ill-provided infra-structure throttling the progress of expansion programmes in other sectors.

It is by no means too late at this stage to heed the advice emanating from those whose technical competence to give it is not open to question. It is in this light that the address of Mr. H. P. Sinha, President of the Indian Roads Congress, and Consulting Engineer (Road Development) to the Government of India, at the recent annual session of the Congress, is to be interpreted. In stating the case for an adequate, but by no means ambitious, plan for road development, Mr. Sinha has taken the opportunity of expounding the rationale of the Master Plan for Roads (1961-1981) drawn up by the Chief Engineers of States. While this plan has won the approval of the Government—in principle—it seems as though it is being overlooked even before it could get off to a start.

Mr. Sinha's approach to the question of road development in the Third Plan is matter-of-fact, but forthright. He urges that planning for roads in the next five years need not await the formulation of a long-term policy for the development of overall transport. Inevitably it will take time. He views the case for road expansion at the ob-

jective level in the immediate context. The plain facts are that roads claim at the present time the movement of hardly 10 per cent of the country's goods traffic in terms of ton-miles, while its potential capacity is substantially higher. At the beginning of the Third Plan, railways will be unable to provide capacity for transporting 20 million tons of traffic with an average lead of 300 miles. This gap can be effectively covered by road transport and in any case it represents the existing scope for expansion of roads. The talk about road-rail co-ordination, particularly in respect of medium distance high-rated traffic, need not be brushed aside; but at the same time it ought not to be allowed to hold up provision of transport capacity which the railways are demonstrably not in a position to offer. Even the Master Plan (1961-1981) assumes that the distribution of freight traffic that should be allocated to railways and roads could be made in the ratio of 2:1. In view of this recognition of the primary importance of railways as the premier mode of transport, they would do well to shed their fear complex about the expansion and competition of road transport.

The outlay of Rs. 5,200 crores for development and Rs. 1,350 crores for maintenance proposed by the Chief Engineers over the period of twenty years is not to be apportioned in four equal amounts during the next four Five-Year Plans. But starting with Rs. 500 crores in the Third Five-Year Plan, it is to be raised with steeper progression in the subsequent Plans. From Rs. 250 crores in the Draft Plan (now proposed to be reduced to Rs. 230 crores) to Rs. 590 crores may seem a far cry. But finance for road development should not really pose an insuperable problem. Road development can be made largely self-sustaining.

During the last three years, expenditure on road development and maintenance was kept far below the revenue of the Centre and States from road transport. The respective figures for 1959-60 were Rs. 84.7 crores and Rs. 134.5 crores. This is not to say that the entire revenue should be spent on roads. For the Third Plan period, road revenue has been put, on a conservative estimate, at Rs. 900 crores. The outlay of Rs. 590 crores is to be considered in relation to the anticipated revenue of this magnitude. Of course, the assumption behind this estimate of revenue is that adequate fleets of vehicles will be put on the roads to exploit the traffic potential. This is by no means an unpractical assumption. What applies to railways ought to apply to roads. Railway expansion is never conceivable without adequate expansion of rolling stock. Likewise, it is absurd to envisage road development without adequate growth of motor transport services.

Guest Editorial

The Economic War Against Hunger

By William Rees-Mogg

ONE of the remarkable contrasts in the World at present is that the strength of both the Communist and the capitalist systems lies where one least expects it. Communism is supposed to appeal to underdeveloped countries as their way of making, under conditions of ruthless regimentation, a break through into modern industrial conditions. In fact, the only real example of this happening is Russia which already had a very high rate of industrial growth in the first years of this century. Nevertheless, the attraction of Communism is that it promises a break through of this kind.

On the other hand, capitalism is thought of as an admirable system for more advanced countries where the standard of living is so high that the problem of consumer choice is more important than production at any cost. It is also regarded as a preferable system for regulating the division of resources in a highly complex industrial system, where its emphasis on profitability creates a greater cost-consciousness.

No doubt there is something in this view, which is certainly a widely held assumption. Yet the most interesting point at present is that the Communist countries seem to have solved the problem of growth economics in an advanced economy, while the capitalist countries seem to have solved the problem of applying advanced technology to agriculture.

Certainly neither point is absolute. The Japanese record of economic growth is at least as good as that of any Communist country, and probably better than any. The industrial production of Japan is double that of 1955, which compares more than favourably with the 10 per cent increase in the United States. But even if Japan and Europe show capitalism producing growth economies able to match the Communist, the fact is that the largest capitalist power, with its immense reserve of investment capacity, has hardly produced any economic growth at all in recent years.

Equally, however, the Communist system has a deplorable record of agricultural failure. China has this year suffered from traditional calamities of climate, a disaster for which the Government can scarcely be blamed. Yet after twelve years of Communist rule China seems as vulnerable to famine as it was under the despised Kuomintang regime.

In Russia Mr. Khrushchev made a most important speech on January 20. He promised to raise living standards and to devote more resources to the production of consumer goods. This

no doubt can and will be done. He then went on to criticise the farm programme. The Ministry of Agriculture is being re-organised and the level and rate of growth of Soviet agricultural production is too low. He pointed to the need for "providing a more solid scientific foundation for the organisation of agricultural production." The failure of their farm policies has, of course, been a source of concern to Soviet economic planners for forty years, and was one cause of the brutally imposed famine under Stalin during the period of liquidation of the Kulaks.

The American position, and even the British, is entirely different. There the problem is that rapidly rising agricultural productivity tends to produce surpluses which cannot be disposed of without the disruption of markets. The granaries of America are full of an almost unlimited quantity of grain.

It is this which lends particular force to the speech that President Kennedy made at his inauguration. Important as new investment capacity is the provision of food is even more important. But for the agricultural productivity of the advanced capitalist countries the whole world would face recurrent and major famines. President Kennedy's struggle against "the common enemies of man: tyranny, poverty, disease and war itself", would be almost meaningless if the United States was not in such a strong position to lead the struggle against hunger.

There remains the important question why the capitalist countries should have such a remarkable agricultural record. It is undoubtedly based on productivity. About 12 per cent of Americans live on the farm, and about 45 per cent of Russians. The American farmers produce a massive surplus after providing a very high standard of feeding for their fellow countrymen. The Russians provide a small and fluctuating surplus after a considerably lower provision at home.

The best available hypothesis for the difference in productivity, which seems to be wider than that found in industry, is that Communism tends to keep farm workers on earnings which encourage the wasteful use of labour. If labour is wasted then paradoxically farm efficiency suffers; low productivity per man goes hand in hand with low productivity per acre. While the farm workers do still provide an immensely large labour reserve for Russian industry, the wastage of manpower on Russian farms stems almost inevitably from the neglect of costing, and the inability to assess true costs of an economy which divorces itself from the ordinary market measure of prices.

A DELHI DIARY

THE QUEEN IN DELHI

LET me—as becomes an honest journalist—confess at least to one of the errors of my ways. Last week I prophesied an all-time peak in traffic jams with the arrival of the Queen. As things turned out on Saturday, by some miracle, which no one has yet explained, there was no suggestion of a jam anywhere; and although the crowd has been estimated between one and two million people (depending on the newspaper you read!), there was never a feeling of rush or a stampede that the eye could see or the mind could inwardly discover. The procession (or motorcade) sailed on according to schedule up to Willingdon Crescent, and then ten minutes ahead of schedule so that the Queen and the Duke had a breathing-space before they were ushered into lunch. Rumour has it that the breathing space was used for a cup of tea—surely an unusual beverage immediately before lunch. But this is running true to a Royal tradition. I recall that when Queen Mary was involved in a car accident in her seventieth year, she emerged from the wreck and asked calmly "for a good cup of tea." Whether the appropriate response after an air journey from London to Delhi and an hour-long procession, including many handshakes and a very formal speech, is a cup of tea or not, I leave to leaders of etiquette and the makers of fashion, amongst others, in the beverage world. All I can say at the present time is that the Tea Board has a magnificent opportunity of cashing in on what seems to have happened at the hour of 1.00 p.m. on Saturday, January 21, 1961.

LORD ALTRINCHAM WRONG

The Queen was in good form all the way from Palam to Rashtrapati Bhavan. Her smile was natural; apparently, there were no regrets at her not being Empress of India. The Duke waved with a fortitude which recalled the vigour of his first official visit, and the crowds were obviously very nappy at seeing young people, both happy themselves, and genuinely happy at being so warmly welcomed. Some people have evolved a theory that this has been such a tremendous reception, largely because Queen Elizabeth is a young woman and has romance of her own, apart from being the most important monarch in our crumbling twentieth century world. They used to say many years ago in England that there were only two institutions which would see the country through all revolutionary changes. The first was the monarchy, and the second the Bank of England. I shall not express myself on the Bank of England, but the monarchy, it seems to me, is as safe as anything I know in that very conservative country, which now chooses a Lord to be Governor of the Bank of England as well as Foreign Secretary.

People have often said, and some of these whispers have reached India, that Buckingham Palace at this age and time was moulded too much in the Georgian tradition of remoteness from the people. Lord Altrincham, of English and Scottish Review fame, made himself very unpopular some years ago—and, incidentally, got a box on the nose in an outburst of personal temper—when he criticized the Queen's deportment and manner. My first impression is that Lord Altrincham is now completely out-of-date, if there was ever any force in his contention. The free and easy manner in which the Queen and the Duke have moved about in the two days in which I have seen them, shows a natural communion with people which cannot have been created merely for the Indian visit. Those of us who were at the Press Reception on Saturday evening

were much struck by the gracious naturalness with which they conversed with the members of the 'fourth estate' which had, inevitably, various degrees of sophistication. They were at home with all and the meeting conveyed, at least to my mind, a lasting impression that they have natural warmth with dignity. Perhaps, the British monarchy has stooped to conquer; but many of us in Delhi at least were conquered.

The essence of this particular meeting was the fact that it was not excessively organized. Great tributes have been paid to the Protocol Section of the Ministry of External Affairs; I do not wish here to strike a discordant note. But I do feel the more protocol enters into relationships—diplomatic or other—the less normal they become in a human sense, which is a straight equality between man and man, woman and man and (if possible!) woman and woman. I understand the need for formal introductions, but the support of Prince Philip and the Queen by the Minister of Information on the one hand and the High Commissioner for India on the other was, I think, not absolutely necessary for a meeting with members of the Press. It gave an impression, to me at least, of officiousness in what might otherwise have been a more relaxed and informal occasion. The Fourth Estate should not depend on any other.

May I say that on the whole, however, the occasion was markedly successful with some pressmen elated at the fact they were the first to be invited to a reception to the Queen. I hope, that the Queen and the Duke, finding a level of sophistication different from that of the Fleet Street Press that they ordinarily meet, have also become earthier by the contact. May I more daringly express the hope that protocol and officialdom over the rest of the tour will be subdued a little further to let them mix more intimately with the Indian people? Perhaps, I am unnecessarily in revolt with officialdom. But I have a good precedent. One of the reasons why I so admire the Prime Minister's approach to the people is that he refuses to be bound by officialdom, anxious to "protect" him from the Indian people. I understand there are risks involved, but they are there in any case. The intervention of official intermediaries, who are anxious to "organise" the people, is always a mistake in our age and time.

THE PROTOCOL TIGHTROPE

Talking about protocol, an interesting piece of tightrope walking was maintained at Jaipur where the Queen and the Duke were on Monday this week. To the protocol pundits it was obvious that the Queen could not, at Jaipur, stay with the Maharaja since she was the guest of the Government of India and Government House was in readiness for her reception. On the other hand, the Maharaja of Jaipur and the Queen and Duke were old friends and not to give the Maharaja the opportunity to offer hospitality would be a lapse of 'noblesse oblige.' The compromise reached was skilful in the extreme. The Governor received the Queen and the Duke at Sangener airport and (shades of viceregal protocol!) the Maharaja was a pace behind. Lunch was at Government House, but dinner was with the Maharaja. After the Queen and the Duke had got on to a special train, apparently protocol permitted them to be the exclusive guests of the Maharaja of Jaipur. Since the Sawai Madhopur forests are more or less a shooting preserve of the Maharaja, no more was heard of the Governor for some time, and thus, it seems, the uneasy partnership between the old and the new was maintained.

ARGUS

THE WEEK'S NOTES

Education

DR. SHRIMALI'S PLANS AND PROPOSALS

THE PRESIDENTIAL address of Dr K. L. Shrimali, the Union Education Minister, at the 28th meeting of the Central Advisory Board of Education held in New Delhi last week, reminds one of another long list of impressive figures that seeks to congratulate one's own self. He gives us an impressive record of what his Ministry achieved during his tenure of office. But one fails to understand why does he not go deeper into a problem and try to solve it. For example, he mentions that "by the end of the Third Plan, number of schools is expected to increase to four lakhs." This is impressive; but has India got sufficient number of trained teachers to man these schools? Of course, Dr Shrimali pats himself by saying that not only there has been expansion of educational institutions but there is also every indication to show that standards of education have risen. He claims that the remuneration of the primary teachers has risen considerably and their minimum qualifications have been raised. As regards considerable increase in the remuneration of primary teachers, is he sure that the increase in wages has matched the increase in cost of living? Is he aware that though minimum qualifications for recruitment of teachers have been revised upward in the statute books, very often teachers have to be recruited who do not satisfy these qualifications, specially in some of the educationally backward States? He also claims that the percentage of primary teachers, who are matriculates, has risen from 8 per cent in 1947-48 to 40 per cent in 1960; but often reports are available to the effect that these matriculates are no better than many middle-pass students of pre-war days.

Dr Shrimali gives us great hopes of improving the quality of education at all levels by research, experiments and by opening many institutions for the training of teachers with the active collaboration of State Governments. But no one knows how long it will take to arrive at a settlement between the Central and the State Governments and to implement the schemes. Past experience points to the possibility that it will be a couple of years before these things are sorted out and it would not be before the end of the Third Plan that results of research and trained teachers would be forthcoming. True to the spirit of a Minister, he is very hopeful about everything and sets his goals of physical achievements very high. But he does not try to weigh his goals with means available. It will indeed give one great pleasure to see his plans get through in practice. But at this stage one cannot help but being a bit sceptical about the whole affair.

One last thing need to be said about the fall in standards of education in recent times. Any such talk seems to annoy and disturb the Education Minister so much that he makes a feeble plea for not criticising the educational system. He says that "standards" meant mainly students' capacity to read, speak and write English under the British rule. But now the education system is to be gradually geared to meet the demands of the society, and he claims that our educational system is achieving this goal. How far our education system is training young minds to make them suitable for the growing needs of the society or the objective standard which Dr Shrimali has in mind while judging the efficacy of the education system is anyone's guess. But one thing is certain: the capacity of students at a certain level of education to read, write and speak not only English but even their mother-tongue is deteriorating. What spiritual and intellectual values are being acquired at the schools or universities are not known to us and Dr Shrimali does not enlighten us on this point. From the Education Minister one

would expect more of heart-searching, self-criticism and practical determination to overcome problems and face issues rather than trying to impress the voter by statistics and pious hopes of doing wonderful things at a future date.

Laos

CAMBODIA'S GESTURE

THE REPORTED withdrawal by Prince Norodom Sihanouk, the Cambodian Head of the State, of his proposal to call for a 14-nation conference to resolve the Laos tangle should pave the way for reconvening of the International Supervisory Commission for Laos as advocated by Prime Minister Nehru. Press reports suggest that Mr. Harold Macmillan, the British Prime Minister, is agreeable to follow Mr. Nehru's advice in this respect. Mr. Nikita S. Khrushchev, the Russian Prime Minister, would also be inclined to accept this proposition provided the issue of recognition of the Prime Minister of Laos on whose request the Commission would be reconvened is resolved. Mr. Khrushchev is reported to be of the view that the present Prime Minister of Laos, Mr. Boun Oum, has no locus standi as long as Prince Souvanna Phouma does not resign. But this tangle is proposed to be resolved through recognition of the legitimate authority of the King who is the Head of the State of Laos.

Whether the reactivation of the International Supervisory Commission will ultimately lead to an end of the Cold War that has engulfed Laos, it will obviously help in extinguishing the blaze that has broken out in this country. As the embers die during the truce period, second thoughts can be had whether Laos should follow a policy of neutrality between the two power blocs or should be pro-West as wanted by the present regime there. The continuation of the current hostilities between General Phoumi Nosvan's forces and those of the Pathet Lao will involve this country in a fratricidal war the consequences of which can be well imagined. In India, of course, there will be great sympathy for Laos being treated as a neutral country on the periphery of the Communist World in South-East Asia. This point was well recognised in the Geneva Conference, held in 1954 under the co-chairmanship of Britain and Russia, which brought peace to the troubled Indo-China States. It needs to be reiterated again. If neutrality of Austria, on the periphery of the Communist world in Europe, can be respected by both the Western Powers and the Communist Bloc, it passes one's comprehension why Laos should not be helped to maintain its neutrality in South-East Asia.

Algeria

NEGOTIATIONS POSSIBLE

THE DECLARATION of Mr Ferhat Abbas, head of the Algerian "Provisional Government," that his Government would be willing to open negotiations with the French Government over the future of Algeria is in direct contrast with the Algerian leader's attitude last year. This is a considered reaction to the recent referendum which gave President de Gaulle an overwhelming majority in favour of his peace and self-determination policy in Algeria. Though the Algerian liberation movement is now willing in principle to enter into peace talks, it is less certain that such talks, once started, will end the guerilla fighting in Algeria.

Meanwhile, the U.S. Charge d'Affaires, Mr Cecil Lyon, said in Paris that President de Gaulle was the man best placed to solve the Algeria problem and that the best way for him to do it was without American interference. The General, as soon as the results of the

referendum were out, stated that he would put into operation his plans for Algerian "self Government" and also enter into negotiations with the rebels as soon as Algeria had voted, in a second referendum, on self-determination. Mr Abbas and his "Government" rightly insist that the true feelings of the Algerians can be discovered only at a genuinely free referendum. This would be considered genuine only when the French Armed Forces have nothing to do with it. What is required in Algeria is an immediate cease-fire, so that further negotiations might continue in a suitable atmosphere. It is hoped that the present secret, somewhat tentative, negotiations will lead to a cease-fire and ultimately to self-determination in the troubled Algeria.

Export

WHY THIS TARDY RISE

ALTHOUGH INDIA'S exports registered a small rise of about Rs. 16 crores over last year, the rise during the past four years worked out to only a little over three per cent., in comparison to world export trade, which registered a rise of 37% during the same period. The value of world exports in 1959, in fact, registered an all time record of 103,000 million dollars, an increase of more than six per cent over the figure of 1957. What are the factors which have brought about this slow progress in our exports? An answer to this poser was provided by Mr Babubhai C. Shroff, President of the All India Exporters' Chamber, at the half-yearly general meeting of the Chamber last week, in Bombay.

There are many factors, internal as well as external, which are responsible for this stagnation in exports, he said. Among external factors, he listed the tendency to form regional economic groupings, such as the European Common Market of the six countries and the Free Trade Area commonly known as the Outer Seven. While the forming of these new groups was not very healthy for the free flow of trade generally, he observed, it posed a positive threat to the exports of developing countries like ours. Another equally disturbing symptom, Mr Shroff remarked, was the recent announcement made by Arab countries to start their own economic grouping. Since most of our natural markets are in Asia and Africa, such groupings are bound adversely to affect exports from India to these countries.

The other adverse factors mentioned by the A.I.E.C. President were (a) foreign competition, which was mainly coming from the industrially developed countries of the world against our products, (b) growth of new industries in South-East Asian and African countries which had embarked upon ambitious industrial programmes in collaboration with the highly industrialised countries, again resulting in reduced exports of some of our traditional items, and (c) import restrictions and tariffs placed by some countries.

Among the internal factors responsible for the poor showing on our export front, Mr Babubhai mentioned the vagaries of sales tax administration by different State Governments, the recent amalgamation of excise duty and sales tax (ostensibly to avoid duplicate work) and the delay involved in bureaucratic red tape.

One has yet to assess accurately the net advantage that has accrued to the country by way of foreign exchange earnings as a result of the so-called export incentives. But, in the meanwhile, the scheme has created enough heartburns, if not complications. For instance, Mr Babubhai complained that the export incentives were not equitably distributed as between the manufacturers and the exporters. While the manufacturers took away a major share, he alleged, the exporters who put in about ninety per cent of labour and took all the initiative were given only a negligible part of the benefit. This, he was afraid, would leave very little impetus to the exporters. Accordingly, he urged the Government to go into the matter, with a view to increasing substantially the extent of incentives to exporters. These exporters, he maintained, had been conducting their business against heavy odds and then too with only a meagre profit margin.

Another important point made by Mr. Babubhai was that the system of barter trade, which had not been thrown open to individual business men yet, should be extended to them atleast hereafter. According to him, private traders, with their vast experience of world markets and fluctuating prices, would be able to show better results than any State venture. While on this point, he also demanded that the functions and scope of the State Trading Corporation should be more clearly defined in order to remove all uncertainty in the minds of the private traders.

The World Abroad

JAWAHARLAL NEHRU IN SEARCH OF GOD

By ODYSSEUS

MR. R. K. KARANJIA has just published "The Mind of Mr. Nehru" (Allen & Unwin. 1960. Price 10sh. 6d.), ten tape-recorded, widely roving conversations with our Prime Minister. By so doing he has placed all students of Indian affairs in his debt. Mr. Karanjia throws more light on Mr. Nehru's personality, thought, and approach to contemporary problems than any of the eight biographies, all of which I have read, listed in the useful appendix. I commend this book to Mr. Nehru's admirers and critics alike, in India and abroad, because I think that many will find that they have been admiring, or criticising, him for beliefs that we attribute to him because he calls himself a Socialist, and this whether we are, or are not, Socialist, colours our own thinking about him.

Mr Karanjia has succeeded where so many others have failed, or at least not succeeded so well, because he is a convinced Marxist. Mr. Nehru's replies to Mr. Karanjia's courteous but unflinching cross-examination reveal that if ever he was a Marxist, he is certainly not one today. But since Mr. Nehru talks the same language, and is in ideological rapport with Mr. Karanjia, he feels free to speak his mind frankly, whereas the same questions put by a professing Capitalist would have put Mr. Nehru on his guard, suspicious that his replies would be misunderstood, misinterpreted, and exploited against him.

Mr. Karanjia comes to grips with basic issues when he tells Mr. Nehru that the problem for India is to mobilize the masses to support the Five-Year Plan. This, Mr Karanjia urges, makes imperative certain institutional changes, such as a new political leadership, new administrative machinery based on essentials like service co-operatives, and the mobilization of at least a million "cadres" (euphemism for party officials, bosses, natchaniks, stakhanovites, komsomols, partogs, N.K.V.D.'s etc.... See "My Friend Vassia" by Jean Rounault. Rupert Hart Davis. London. 1952), necessary for a vast country like India to get the masses to co-operate in development projects.

TOTALITARIANISM OR DEMOCRACY?

To this, Mr Nehru replies forthrightly that the alternatives are either (1) the authoritarian way, i.e., in which the government, or a group of persons having power in the country and representing the government, impose their wishes on the people, make them work harder than they normally would, in ways that they dislike, and under pressure. Or (2) the democratic way, which means inducing the people by appeal and persuasion to co-operate because they are brought to realize that they will benefit. It is not so difficult to build an industrial plant, but when you come to agriculture—basic to India—you can't get far by authoritarian impositions. You must make the people self-reliant. That is why, Mr Nehru explains, he attaches importance to the Gram Panchayats, Samitis, and Jillah Parishads, which decentralize and hand responsibilities over to the people. The real "cadres" are being built at the village, not the party, level.

Other institutional changes, Mr. Nehru explains, are also coming about at the top, though slowly, because the risk is that in bringing about major institutional changes quickly, you may stop the wheels working altogether.

Mr. Karanjia suggests that whereas the Chinese revolution was a break with the past, the peaceful transfer of power prevented India from abolishing an archaic governmental and social structure. Mr. Nehru

replies that the peaceful transfer of power influenced independent India for both good and bad. He feels that, on the whole, it was better that India had to take the good and bad along with her. Gandhiji promoted the revolution in terms of continuity, as opposed to a violent break. This was unique because most revolutions are conceived in terms of violence. "The peaceful transfer of power has been a great stabilizing factor....."

Urged to explain his views on Marxism, Mr. Nehru says that, although the Marxist analysis illuminated the past, it no longer applies today. Marxism was the outcome of the English Industrial Revolution, the special conditions of which have not been repeated elsewhere. Because he thought that there was no democracy in 19th century England (a belief apparently shared by Mr. Nehru), Marx concluded that the condition of the masses could not be improved without revolution.

Mr. Nehru concedes that if you do not allow for the march of political democracy and trades unionism, the Marxist analysis is correct "in vacuo". But history has proved Marx wrong. Political democracy and trade unions have made peaceful change possible. As a matter of fact (this is my comment, not Mr. Nehru's), Marx's analysis was already out of date when he published "Das Kapital" in 1873. The political Reforms Acts of 1832, 1866, and 1867 had been passed; the Corn Laws abolished in 1846; a series of Factory Acts controlled working conditions; the co-operative movement had been originated at Rochdale in 1844; trade unions, legal since 1824, got into full swing between 1850/72. However, without rubbing it in that Marxist ideology was already anachronistic when it swept the world, my guess is that Comrade Khrushchev would agree heartily with Mr. Nehru that in 1961 Marx's analysis is an historical curiosity. On the other hand, reading between the lines, I suspect that Mr. Karanjia would support Comrade Mao Tse-tung in disagreeing.

Mr. Karanjia suggests that since there are landless workers in India today earning only Rs. 5 a month, they should be mobilized on large state farms. Mr. Nehru realistically answers that there are more rural workers today than the land requires. It is this excess population which has been reducing India to poverty for over a century. If you mechanize Indian farms in the Soviet manner, you displace peasants, who then have no work, which creates social problems without increasing production. Mechanization works in the USSR because the USSR is underpopulated. India's agricultural policy is to promote co-operatives of small farmers, following the example of Japan which, with small farmers, enjoys one of the world's highest agricultural outputs.

Is Mr. Nehru a Socialist? "Basically", Mr. Nehru replies, "we have adopted a Socialist ideal upon a planned co-operative economy, not Socialist in any rigid or dogmatic meaning of the word, but in a sense that is flexible and pragmatic.....Modern thinking all over the world is increasingly becoming Socialist and only people who have lost touch with contemporary trends can think otherwise. At the same time, I refuse to accept any particular dogma of Socialism.....to be rigid about the formal pattern....." As to the means of attaining Socialism, "We have chosen Parliamentary democracy.....because it produces the best results in the long run....." Mr. Nehru rejects capitalism ("Although it is changing all the time"), because he

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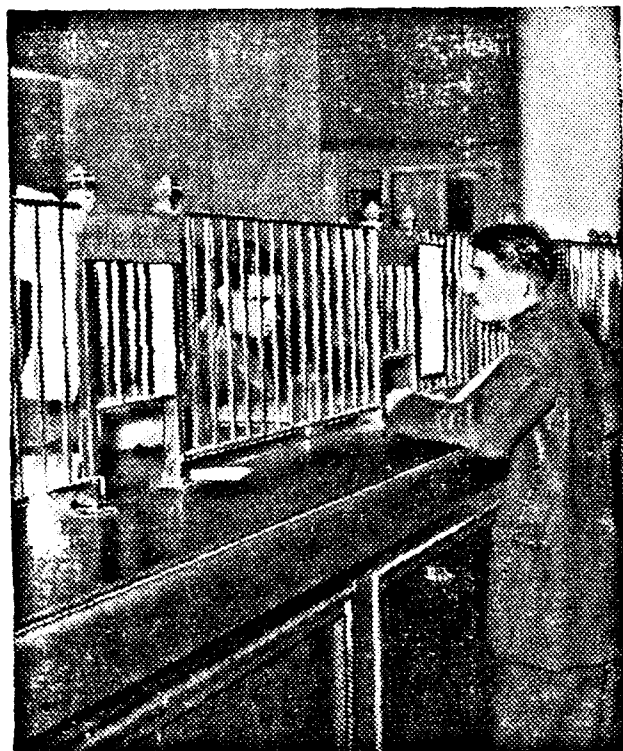
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says, it sticks to its basic grab instinct and tends to monopolies and aggregation of economic power.

MR. NEHRU'S REALISM IN FOREIGN POLICY

Scattered throughout these fascinating 106 pages are repeated evidences of Mr. Nehru's realism. "Foreign policy," he says, "depends ultimately on internal conditions and developments. Internal solidarity and solvency are, therefore, necessary if we are to play any effective role in world affairs." And in another connexion he says: "The Bandung powers can meet, of course, and pass pious resolutions but will that bring any result? ... Some of the Bandung powers are pulling in a dozen different directions."

Mr. Karanjia asks Mr. Nehru about the Chinese allegation that India, having recognized Tibet as a province of China, had interfered in China's domestic affairs. Mr. Nehru replies that India has not interfered but merely tried to persuade the Chinese that it is impossible to make good Communists of Tibetans by force and that persuasion is better. "We agree with them that the rebellion, as such, must be crushed, but repression is another matter." It creates a crisis which sends refugees into India. The distinction between "crushing" and "repressing" is a nice one and I like Mr. Karanjia's follow-up question: What would you have done if you had been P.M. of China? Mr. Nehru's answer is significant. "I would forget Communism, slow down the pace of reform, and first of all try to create understanding."

As a good Marxist, Mr. Karanjia tells Mr. Nehru that fears are expressed in many (presumably leftist) quarters that India's link with the Commonwealth might obstruct our leadership of newly liberated Asia and Africa and blunt our protest against racial and

fascist developments. Mr. Nehru answers: "We do not suffer from any such obstructions. ... I have myself denounced S. African racialism from London itself. ... One important factor about the Commonwealth association is that it reverses the other process of military or economic blocking-together for the purposes of the cold war. It has a certain warmth of approach about it. ... Although individual Commonwealth members have different approaches, the overall Commonwealth approach to controversial problems is nevertheless a friendly one, which helps to tone down friction and difficulties. The Commonwealth link does not affect India's association with the resurgence of Asia and Africa, nor does it restrict this historical development: on the contrary, it helps it."

In the course of their talks, Mr. Nehru refers to spiritual solutions. Marxists do not believe in God, and Mr. Karanjia puts the question squarely: "Isn't that unlike the Jawaharlal of yesterday to talk in terms of ethical and spiritual solutions? What you say raises visions of Mr. Nehru in search of God in the evening of his life." Mr. Nehru replies ".... Yes, I have changed. The emphasis on ethical and spiritual solutions is not unconscious. ... I believe the human mind is hungry for something deeper in terms of moral and spiritual development, without which all the material advance may not be worthwhile. ... The old Hindu idea that there is a divine essence in the world, and every individual possesses something of it and can develop it, appeals to me. ... Mr. Nehru may care to be reminded that Pascal puts these words in the mouth of God: "Comfort yourself. You would not seek me if you had not found me."

Next week, I offer some comments on Mr. Nehru's concept of Socialism.

The European Scene

FREE TRADE AND EUROPEAN UNITY

From Our Special West European Correspondent

PARIS, Jan. 21.

INDIAN exporters do not need to be told that much of the talk about free trade heard in Europe in recent years is accompanied by tacit but very firm reservations. European countries are willing to trade more freely in certain articles but not in others, to trade more freely with certain countries but not with others, to trade more freely on certain conditions (e.g. "equality of the conditions of competition") but not on others. Specifically, their free-trade liberalism does not run to opening their frontiers to all foreign textiles and agricultural produce; nor to granting Japan free access to their markets; nor, in the case of the Continental Six, to trading freely with countries that refuse the social and fiscal obligations of the Common Market Treaty. So, although it is wrapped up in the rhetoric of 19th century free-trade liberalism, the new European trade philosophy includes some very substantial amendments to that dead doctrine. In particular, before accepting the statement that country A produces an article better and more cheaply than country B (and then jumping to the conclusion that B should stop making it and import from A), Europeans now ask why A manages to do this. If the answer is that A pays lower wages because its labour is content with lower living standards, or that it uses women to make the article and does not pay them equal wages with men, then the retort will probably be: let A and B first equalise the conditions of competition, and then we'll see who does the job better, and draw our conclusions about a division of labour thereafter.

When this report is addressed by a European country to India, it constitutes, of course, a blank refusal to trade freely because it means telling India to achieve European living standards without increasing her exports, whereas an increase in exports is a necessary condition of an improvement of living standards. It makes more sense when applied to neighbouring countries of comparable economic development, and indeed the Common Market consists in just such an application. West German electronic equipment is today cheaper than French, but it would be foolish to conclude that the French should wind up their electronics industry in favour of German imports without first seeing whether this would still be the case if the Germans paid women (who do most of the fine assembling of electronic parts) men's wages, as the French producers do. This is only one of the things that can cause an apparent advantage over a neighbouring industry; there are dozens of others, ranging from different social security payments, taxes and export incentives to different agricultural policies.

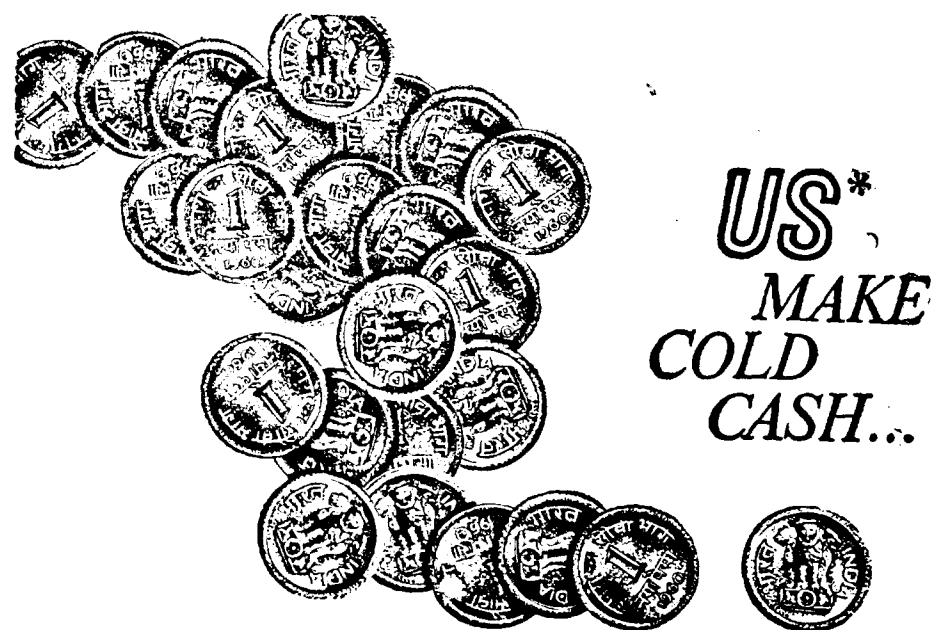
Naturally, it is utopian to imagine that all these factors could ever be exactly equalised—and there are so many of them that no one could ever say when, on balance, "conditions" were equal. And when they had been equalised as nearly as possible, it is sure that the law of comparative advantage would still apply. For example, in our illustration, it might well turn out in the end that the Germans were still making electronic equipment better and cheaper than the French, and so in a truly common market the French industry would have to go under. (More exactly, what would happen is that a unified Franco-German electronics industry would emerge, using French ideas, because these are more prolific in electronics than German ideas, and

German labour, etc.) That might happen, I say, but there is no warrant for assuming it has to happen merely on the basis of a comparison of current export prices. Classic free-trade doctrine made that assumption, which meant that it was accepting as unfathomable mysteries certain discrepancies in export prices, which in reality had quite simple explanations. What was behind that hasty and unquestioning acceptance of mysterious price differences was a conviction of national and racial superiority: the fact that British hardware prices happened to be low at one point in the 19th century "proved" that Britons had superior endowments in that department, which it would be impudent for foreigners to question by trying to make their own hardware.

Since an identical "proof" could be drawn from a comparison of most industrial prices 100 years ago, this conclusion was welcome to complacent Victorians. No one would revive that argument today, one hopes, firstly because it has been disproven a thousand times, and secondly because all—literally all—prices are today more or less faked, by taxes, subsidies, welfare, labour unions, customs duties, monopolies and a thousand and one other influences. So they can tell us nothing about comparative advantage. To assign the various nations their separate "duties", which is what the theory of the international division of labour presumed to do, on the basis of current false prices would mean solidifying the world in its present irrational economic condition, while forcing a levelling down of the social advantages won, to very different degrees, by the national labour movements. This will be accepted neither by the industrialising nations nor by the beneficiaries of the Western welfare states.

There is an even more important point, and one that takes us to the heart of the trade-bloc controversies in Europe today. Supposing that a division of labour between country A and country B is to take place when conditions have been equalised, this can only mean (otherwise it means just nothing) that B stops making something and draws its supplies from A. In political language, that means that B is henceforth dependent on A, at least for that article. Now before, in this dangerous 20th century world, one nation consents to be dependent on another, there are a lot of questions to answer. Who is A, where is it and what are its politics? Is it on our side in world affairs and is it likely to stay there in the event of war or grave crisis? Is it Japan, at the other end of the earth and liable to be cut off from us for any number of reasons? Is it Egypt, governed by a dictatorship that might choose to blackmail us tomorrow? Is it a developing country that just happens to have plenty of this article to export today, but might be so much richer in 20 years that it has none to spare for us, when our own industry is dead and its craft extinguished?

Questions like these are the staple of politico-economic controversy in Europe today. The reluctance of Britain and Germany to wind up their inefficient farms, the anxiety in Italy about dependence on Soviet oil, the unwillingness of the Continent to stake its energy future on supplies of Saharan crude, the refusal of Switzerland to surrender its neutrality by joining a trade bloc in which it would prosper, and the search for a way to keep the European textile industry alive in the face of Asian competition, all refer to political



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questions of that order. About all, this is the reason why efforts toward economic unification (such as the Common Market, the Free Trade Association or the OECD) all run up against the problem of political unity. It has been realised that any form of freer regional trade implies a division of labour among the participants, and that implies relations of dependence, and that raises the issue of political security. In fact, Europe's free-traders today can be divided into two classes: those under the illusion that trade can be liberalised and protection dismantled without closer political co-operation, and those who know otherwise.

Switzerland is condemned as belonging to the former class in a study just published by M. Iffland from the European Research Centre in Lausanne. M. Iffland recalls that Switzerland stayed out of the Common Market because of its evident political implications, properly judged to be incompatible with her neutrality and independence. But by joining the Free Trade Area, she is sapping the autarchy on which her independence was based, preparing the ruination of some of her essential national industries and receiving no guarantees about future supplies—because the FTA is politically empty and can guarantee nothing. For M. Iffland the choice is clear: either a country sticks to classic tariff protection in order to keep alive all the industries necessary to its political survival, or else it joins a political confederation that offers it the same, or greater security, while liberalising trade. The Indian Union, which is still in process of forming a truly common market out of scattered centres of economic activity, and the Russian empire offer this political security to the units called upon to trade freely. The Common Market is pledged to do so too, the only question being whether it will find political unity in the way favoured by Dr. Erhard and President de Gaulle, by inter-governmental agreement, or in the way favoured by Dr. Adenauer and the European socialists, through popular elections and

supra-national institutions. The FTA and the "Atlantic union" of the OECD do not offer any security in return for the dependence that must follow freer trade, and are thus dangerous ventures for their participants.

Realisation of the political implications of freer regional trade has a significant consequence for the overseas developing nations. It is not simply that each European country must guarantee its supplies from other European countries, but—once they have a common tariff and are all in the same economic boat—they must co-operate in guaranteeing their raw material supplies from abroad. Taken individually, they have not the weight to do this, as Russia and America have today. As a political confederation they would have. Being the main client and the main supplier of the developing nations, a Europe with some political unity would see clearly its interest in promoting development, stabilising commodity prices, maintaining the purchasing power of, and the flow of materials from, the backward economies. In other words, a common foreign trade policy and joint assistance programmes are as much the consequence of regional freer trade as political unity.

Asians have a right to some impatience when Europeans mouth Cobdenite phrases about free trade, because genuine international free trade is nowhere in question. But the regional freer trade that is taking shape could lead, if necessary consequence of political unification is drawn, to the appearance of more effective agencies capable of promoting trade and aid for developing economies. Dr. Ludwig Erhard, who is no more a 19th century free-trader than he is a 19th century liberal economist, imagines that the whole of the non-Communist West could be brought into the scope of a free-trading political unit. Few Europeans believe that, and those on the Continent prefer to hold tight to the one unit that has shown both economic and political promise, the six-nation Community.

Our West German Letter

GERMANY'S AID PROGRAMME PICKING UP

From Our West German Correspondent

BONN, January 15.

THE first Letter in the new year (and the last one of this correspondent who is packing his trunks for a six months' stay in India) deals mainly with "Entwicklungshilfe", i.e. aid for developing countries. It keeps not only ministries busy but also industrial associations, trade unions, church and charity organisations etc. We start with quoting a New Year's article by the President of the Federations of German Industries. Fritz Berg, in which he says: "Among our efforts to reach such goals (safeguarding full employment and the purchasing power of the Deutsche Mark, etc.), the DM 1,500 million development aid loan of German industry certainly holds a prominent place. It will be a most valuable contribution to the international standing of the Federal Republic. I am fully aware that quite a number of German firms will find it hard to find the money to subscribe the loan, but I am likewise convinced that the loan will testify both to the enlightened self-interest and the sense of responsibility of German business. By signing the loan we also meet an honorary obligation towards our allies. We shall never forget that the United States' Marshall Plan aid sparkplugged our economic recovery. We shall also never forget that we need the assistance of our allies all over the world to safeguard Berlin and to bring about the reunification of Germany. We have therefore to show the same spirit of sacrifice when it comes to solve the problems posed in common to the free world." These are certainly brave words but during the first days of this month it became known that by the closing date of this aid loan on 16th December, it was not fully subscribed. In fact, on 4th January, the amount came to one milliard DM only. But it is hoped that the balance will be subscribed shortly. At any rate the Government does not intend to issue a forced non-interest bearing loan.

The administrative organisation of the "Entwicklungshilfe" will be finalised when Parliament will grant, possibly this month, the means for a new department in the Foreign Office. The present German Ambassador in Cairo, Dr. Walter M. Weber, will probably be chosen as its leader with the rank of "Ministerialdirektor". One also learns from reliable sources that Botschaftsrat Rolf von Keiser, since more than five years the highly recognized head of the Economic Department of the German Embassy in New Delhi, will become Dr. Weber's deputy. The President of the Association of Chambers of Commerce and Industry, Alwin Muenchmeyer suggested in a radio talk that, according to the importance of these problems, a "Secretary of State" should co-ordinate all work connected with the aid for developing countries within the various departments of the Foreign Office, the Finance Ministry and the Ministry of Economics. Even now there is a committee composed of high officials of these ministries meeting regularly whose task is already more or less the same. At present a law is being drafted to change the "Kreditanstalt fuer Wiederaufbau" (Credit Bank for Reconstruction) into the "Entwicklungsbank", a newly coined word of the German language, meaning a bank exclusively concerned with the "Entwicklungshilfe". The capital of this bank would amount to one milliard DM.

The official daily Bulletin of the Central Government deals in a three page article with private investments in developing countries and refers therein to the importance of getting correct informations. The Ministry of Economics has a special office in Cologne

(Bundesstelle fuer Aussenhandelsinformation) which receives its reports not only from the economic departments of embassies, legations and consulates but also keeps its own staff of correspondents in Asian, African and Latin American states. This office is publishing a daily paper "Nachrichten fuer Aussenhandel" (News for the Foreign Trade). Its correspondent in India published recently therein a series of articles under the heading "Investieren oder indischen Markt verlieren" ("To invest or to lose the Indian Market"). Besides this official information institution there are the combined chambers of commerce, as the Indo-German Chamber of Commerce in Bombay with its branch in Frankfurt as well as quite a number of private associations, each concerned with one developing country only which either provides information for the German investor or vice versa for the entrepreneur in Asia or Africa who is looking for a partner from overseas.

We close the subject "Entwicklungshilfe" with quoting extensively from an article "Our future and the developing countries", written by Professor Dr. Fritz Baade, Director of the (famous) Institute for World Economy at the University of Kiel. Baade (who was sent out to Turkey with a delegation of the Food and Agricultural Organisation of the United Nations to study the economical situation there) starts his observations with the following statement. The conquest of illiteracy and the building up of educational institutions in developing countries is the basic condition under which these nations are able to develop. This would mean that they have to spend a much higher proportion of their gross national products for these purposes. The Western countries would have to help in this respect to a far greater extent than hitherto. Starting from the Turkish example where the agricultural production is rising at a slower speed than the increase of the population, he refers to India where, according to expert reports, she would have a deficit of about 28 million tons of agricultural products in 1966 if the production is not trebled. While the FAO report suggests for Turkey the mobilization of a compulsory organised labour service to step up the agricultural production, Baade points out that India is thinking of co-operative organisations aiming at the same goal. But this kind of organisation requires an extremely high figure of advisers and amongst the village people it will be hardly possible to find the sufficient number of the experts. India will, as Baade says, experiment with village co-operatives for some years. If this system fails she will be compelled to introduce more effective methods to mobilize unused labour to achieve the final aim.

He goes on by stating that industrialisation in developing countries will only partly be possible by bringing people from villages to new or already existing industrial centres. It is a very expensive procedure to transplant a man from the village to the industrial area because it means not only the procurement of a job but also of a living room as well as of a minimum of water and electricity supply, drainage etc. Therefore, it will be necessary to bring industries and improved trade to the village. As a successful example Prof. Baade quotes Japan although not belonging to developing countries. There are villages in which people together with their agricultural activities are manufacturing single parts of bicycles. This requires only a few machines and, of course, it requires a factory which organizes such a system in various villages. Optical and toy factories are organized in Japan in a

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similar way. To make this kind of development possible, electrification has to be urged on by using local water-powers or coal deposits which would not necessitate the costly erecting of high-tension lines. The author comes finally to the conclusion that the Western powers would have to multiply their contributions of their planned aid.

About two months ago the Communist regime of the German Democratic Republic published the draft for a new Labour Code, heralded as a "document of true historical and national importance." It is expected to become law sometimes this year. The period before this 12,000 words draft is passed by a rubber stamp vote of the so-called parliament, should be used by the workers to "dis-uss" the new Code. But more and more reports reach the West confirming that the workers eye the 153 articles of the draft with utmost suspicion and apprehension. This is not surprising in view of its salient points. The right to strike still — on paper — guaranteed by the constitution is not mentioned at all in the draft. In future wages will be determined in such a way as to provide for a direct material interest of the worker in the highest possible increase of labour productivity, in the correct meeting of quality — and time-targets, in the most economical use of time, money and material. This, in plain words, paves the way for the much dreaded increase of work norms. This Code also envisages that whoever willfully and/or carelessly produces wastage and/or goods of insufficient quality will see his wage cut accordingly. The plant manager will have full discretion to decide what "willfully and/or carelessly" shall mean. The free movement of labour will be further restricted. For up to six months a year any worker can be ordered to accept another job within or outside the plant and even in another town! This measure is obviously designed to counteract the scarcity of labour in some key sectors. The draft keeps silent on the earlier promise of the Communist Government that the workers would enjoy the 42-hour week by 1962. On the contrary, it says that the workers will have one day off a week, which means that the five-day week is still a far dream. The Code also makes further cuts of the work week dependent upon corresponding increase of labour productivity by saying bluntly "the length of the work week is determined by the socialist state." In their efforts to overcome suspicion and apprehension among the workers the Communists are presently resorting to expedients sometimes bordering tragicomedy. A Dresden news-

paper compared the new Code with a German Labour Code for domestic servants and farm labourers enacted in 1909 and in good earnest said that the new Code compared favourably with the 1909 version. The new Code will in fact force the workers to work more and to work faster without fully getting what is due to them in terms of personal dignity and material rewards.

Spreading property as widely as possible is one of the proclaimed aims of the Federal Government which by various kinds of tax relief and premiums encourages workers and employees to save and invest part of their earnings. The sale of shares of denationalized industrial firms, such as the Preussag (Preussische Bergwerks — and Huetten A.G.) and the Volkswagen (People's Car) Factory, at preference prices to people of lower and middle income groups is another step in this direction. The Government intends to follow up this policy with a bill drawn up by the Ministry of Labour and intended to become law before the general elections in September. The principle of encouraging property-owning by the working population has the wholehearted support of the majority of employers. The first annual general meeting of the denationalized Volkswagen Factory will take place in two large halls of the Hanover Fair by using television transmitters which will enable thousands of the new shareholders to follow the proceedings. The Company will even pay the travelling expenses to them! In this particular case we arrive at almost astronomical figures. According to an official announcement, the number of shareholders will rise to about two millions. As Minister Wilhelmi pointed out: in an article, with 'his new development a new phase of social order in Germany has started. The production of the people's car has risen in 1960 to about 9 lakhs and will increase this year, as stated in full page advertisements in the dailies, weeklies etc., to 4,000 cars per day or 1 million the year!

Tail-piece: While the Chinese try or tried to have their little ironworks in the backyards, one of the leading German aircraft factories, the Dornier Works in Friedrichshafen on the Lake of Constance suggest to have "an aerodrome in the backyard". With this slogan the firm makes propaganda for its type "D 27" which, in fact, needs an extremely short runway. More and more industrial firms are now-a-days using their own planes in order to be independent from the conventional means of communication. Dornier exports this new type already to 18 foreign countries.

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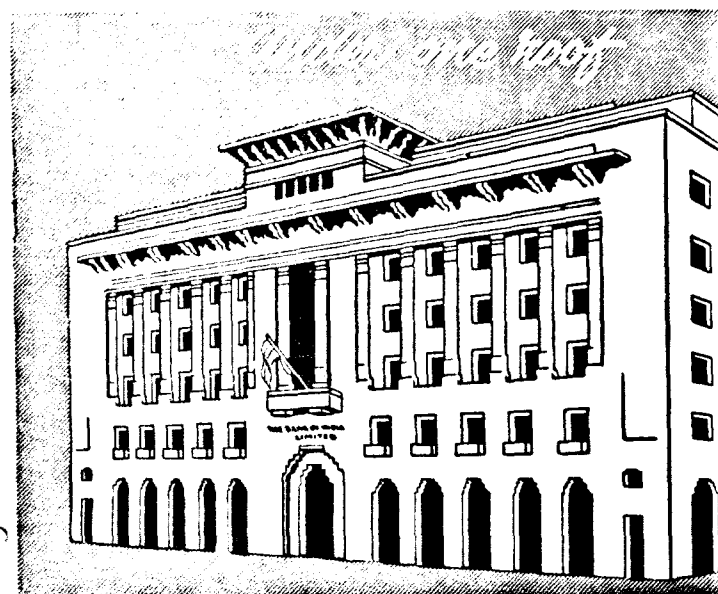
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WORLDGRAM

India

Production Beyond Licensed Capacity to be Permitted: The Government of India have decided to permit increase in production in manufacturing units beyond the licensed capacity provided the additional production is achieved within their foreign exchange allotment. This step has been taken to further encourage industrial production in the country. When the increase in production beyond licensed capacity is achieved, this should be brought to the notice of the Ministry of Commerce and Industry and the Development Wing for purposes of regularisation and registration. It may be recalled that the Government had taken steps to simplify the licensing procedure and facilitate a higher level of industrial production. In February 1960, the Government announced a list of 49 industries in respect to which licences for setting up fresh capacity would be issued freely. Subsequently, in June 1960 it was decided that in cases where production could be increased without installing additional plant or machinery, except balancing equipment, the requisite licences should be granted without prior reference to the Licensing Committee.

*

A New Process for the Production of Ethyl Chloride: A process on ethyl chloride has been developed at Shri Ram Institute Delhi. Ethyl chloride can be manufactured commercially by three methods, viz., addition of hydrogen chloride to ethylene, chlorination of ethane and the reaction of ethyl alcohol with hydrogen chloride. For Indian conditions, however, the last method is most suited because of easy availability of ethyl alcohol. Based on ethyl alcohol as starting raw material, know-how for the manufacture of ethyl chloride has been developed using zinc chloride as a catalyst. Hydrogen chloride is fed 30 per cent in excess of the theoretically required quantity at about 130°C. No by-products are obtained. Alcohol with 90 to 95 per cent alcoholic content is used. Over 95 per cent of alcohol is converted to ethyl chloride and the process gives an efficiency of nearly 99 per cent. Another novel feature of the invention is an improved apparatus where optimum conditions can be maintained. Total capital outlay for a plant having a capacity of 300 tons of ethyl chloride per annum is estimated at Rs. 1.87 lakhs. The plant can be located at a place where raw material and market facilities for the finished goods are easily available. Parties interested in taking up the commercial development of the process are invited to correspond with the Secretary National Research Development Corporation of India, Mandi House, Lyton Road, New Delhi.

*

Storage of Ripe Arecanuts: Ripe arecanuts during storage by conventional methods (pit storage, water storage, etc.) undergo heavy microbial damage. An important process of storage has been developed at Central Food Technological Research Institute, Mysore, by which arecanuts in husk retain their original colour of skin, fruits, firmness, colour, structure, flavour and taste of edible kernel. The process consists in balancing and steeping arecanuts in low concentrations of mixed preservatives in sealed containers. Preliminary experiments have shown that nuts in husk, stored for 2-3 months, if hygienically packed in ploythene bags have a shelf life of over a month for purposes of transport and retailing. The edible kernel after six months of storage contains preservatives well below the per-

missible limits. As an extension work, conditions have been established for convenient and safe storage of ripe arecanuts in husk in earthenware pots. Consumer evaluation of the 6-month stored product is satisfactory.

United Kingdom

Oversea Trade in 1960: United Kingdom exports in December 1960 were valued at £302,700,000, imports at £382,500,000 and re-export at £12,100,000, it was announced by the Board of Trade in London on January 16. In 1960, total United Kingdom exports at £3,536 million (valued f.o.b. were 6 per cent greater than in 1959. Imports, at £4,559 million (valued c.i.f.) exceeded the 1959 figure by 14 per cent. Re-exports amounted to £142 million, compared with £131 million in 1959. It is pointed out that 1960 was a year of mixed performance by the British economy. Industrial production remained high but, particularly near the end of the year, it did not show the rise which might have been expected. The level of national consumption, so far as can be estimated, declined as the year went on; on the other hand, fixed investment, especially by manufacturing industry, rose very rapidly in the third quarter of the year, and looks like continuing to do so.

*

Steel Production: Total production of steel in the United Kingdom in 1960 amounted to 24,305,000 tons, the highest figure yet reached, according to figures recently issued by Iron and Steel Board, in London. This total represented an increase of 20 per cent over the figure for 1959, and was 12 per cent above the previous annual highest figure, reached in 1957. Production of steel in the U.K. in December was at an average rate of 4,51,000 tons a week, which was 4 per cent higher than the previous best December figure.

Germany

Leipzig Spring Fair: With a collective exhibition in a representative fair pavillion of its own, having a floor space of more than 10,700 sq. ft. on the area of the Technical Fair and a participation of numerous individual exhibitors in the various groups of the Fair, the Union of India at the forthcoming Leipzig Spring Fair of 1961 will be the largest foreign exhibitor from overseas. In G. D. R. public circles the Indian exhibition, which is anticipated with great interest, is not only regarded as a purely commercial affair, but also as proof of how the friendly relations between the Union of India and the G. D. R. became ever closer in the past few years. In this connection the goods lists for 1961 recently signed in Berlin, which envisage an increase of 35 per cent in the trade between the two states, represent a solid foundation for a promising participation in the Leipzig Fair of Indian firms. Besides the exhibiting firms, a large number of foreign trade experts, and officials and private buyers from India are likewise expected to come to Leipzig where they will meet exhibitors from about 50 countries of the world in the 55 fair trade groups of the Technical Fair and the Consumer Goods Fair, covering an overall exhibition area of about 3 1/2 million sq. ft.

Yugoslavia

New Trade Agreement with Sudan: A joint communique has been issued in Khurtoum following the

conclusion of a new agreement on trade and economic co-operation, a payments agreement and additional documents on deliveries of equipment and on scientific and technical co-operation between Yugoslavia and the Sudan. The communique says, realistic possibilities exist for an increase in the exchange of goods between the two countries as well as possibilities concerning the participation of Yugoslav enterprises in the development of the Sudanese industry and in the fulfilment of the programme of economic development.

U.A.R.

Trade Pact With Cuba: An Agreement has been signed for the export of cotton yarn and textiles to Cuba to the value of 8,600,000 dollars. This was announced early last month by Central Minister of Economy and Treasury who is the Chairman of the Board of Economic Development Organisation. He added that the consignment would be exported in the course of 1961.

No Change in Cotton Policy: Executive economy Minister Hussan Abbas Zaki following a meeting he had with leading cotton exporters in Cairo on December 18, declared that the Government would adopt this season the same cotton export policy as had been in force the year before. The Minister further revealed that discount would be maintained and that barter deals and tri-lateral transactions would continue to be banned. Mr. Zaki affirmed that the Government would be taking stringent measures against whoever would take part in cotton re-export activity.

Norway

Earnings of Merchant Fleet in Foreign Currency: The Norwegian merchant fleet increased by 413,000 gross tons during 1960 and totalled by the end of the year 11,209,000 gross tons. The increase can be expected to continue for still one year to come as another 3,400,000 tons have been contracted for future delivery, 1,270,000 tons to be taken over in 1961. Roughly one million tons is contracted from Norwegian yards and another million from Swedish builders. The Norwegian fleet is now 8.6 per cent of the total world tonnage. It earned for Norway £157,500,000 in foreign currency during 1960. The total number of people employed on board Norwegian ships is 60,000 (population 3,600,000).

Good Year for Norway's Foreign Economy: 1960 was a good year for Norway's foreign economy. Although the accounts show a £35 million deficit in the working balance, imports include nearly £75 million worth of ships. This means that this money has not been invested in consumer goods, but in commodities which will earn new foreign currency for years to come. Foreign currency reserves have been trebled during the last four years and although part of this is due to foreign loans, the situation is much more comfortable.

Australia

Australian Project by Big American Cannery: Announcement of details of a new £1 million cannery to be built by the Campbell Soup Company on a 137 acre site at Shepparton, Victoria is an important development in the Australian canned foods industry. The American company, which is one of the world's largest producers of canned and frozen soups, acquired the food division of a soundly established company, Kia-Ora Industries Ltd. The Shepparton District is one of the main vegetable producing areas in Australia, and

the cannery is planning to export canned foods to Asian and African countries, as well as supply the local markets. The American enterprise expects to employ 300 to 400 people and to enter into contracts with local market gardeners, and poultry farmers in order to ensure supplies. As an added incentive to the producers the company will make available expert advice and services, as well as provide the suppliers with an assured income.

Petro-Chemical Industry Takes Shape: It is reported that over £50 million is being spent in Australia in the establishment of a petro-chemical industry, mainly in the States of New South Wales and Victoria. Most of the plants expect to be producing next year. There are five centres where the industry is being developed. The two major ones are linked with the oil refineries of Vacuum at Altona, Victoria, and Shell at Clyde, New South Wales. The biggest of the projects is the Altona complex. Here, on a 527 acre site, two miles west of the Stanvac Refinery, five petro-chemical plants are being constructed which would be completed by the end of next year. They are estimated to cost £26,500,000. Construction of the plant of Australian Petro-chemicals (Pty.) Ltd., at Liccombe, New South Wales, is another of the plants under construction. It will produce styrene monomer, a raw material for various industrial products. The Monsanto Chemical group is associated with this project.

World Bank

Loan for Irrigation in Mexico: The World Bank has made a loan equivalent to \$15 million for the improvement of irrigation on 1,430,000 acres of farm land in Mexico. The loan will finance the foreign exchange costs of completing and rehabilitating four irrigation systems on Mexico's north-west coast. When the project is complete, the annual net income from crop production on the lands is expected to increase by the equivalent of about \$20 million. Six private banks are participating in the loan without the World Bank's guarantee, for a total of \$821,000 representing the first three maturities which fall due between July 1, 1964 and July 1, 1965. The participating banks are: Crocker-Anglo National Bank, San Francisco; the Northern Trust Company, Chicago; Chemical Bank New York Trust Company; Girard Trust Corn Exchange Bank, Philadelphia; the First National City Bank of New York; and Grace National Bank of New York.

The total cost of the public works to be undertaken is estimated at the equivalent of \$41 million. The bank loan is for a term of 20 years and bears interest of 5½ per cent annually including the 1 per cent commission which is allocated to the Bank's Special Reserve. Amortization will begin July 1, 1964. The loan is guaranteed by the United Mexican States.

Loan for Burma Railways: The World Bank has made a loan equivalent to \$14 million to the Union of Burma Railway Board for a rehabilitation and modernisation programme. The proceeds of the loan will be used to purchase diesel locomotives, rail cars, spare parts and workshop equipment. The new equipment is an essential part of the railway's programme to increase operating efficiency, reduce costs and provide additional carrying capacity for Burma's growing freight and passenger traffic. The loan is for a term of 16 years and bears interest of 5½ per cent annually including the 1 per cent commission which is allocated to the Bank's Special Reserve. Amortisation will begin March 1, 1964. The loan is guaranteed by the Union of Burma.

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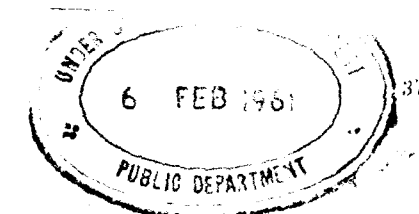
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INDIAN

The 3½ per cent ten-year Treasury Savings Deposit Certificates will start maturing on February 1, 1961. In order to facilitate the reinvestment of these certificates after maturing the Government of India have decided that they may be accepted in payment for purchase of 4 per cent Treasury Savings Deposit Certificates if they are tendered for such investment duly discharged.

The Government of India have reconstituted the Technical Advisory Committee in the Department of Company Law Administration. The reconstituted committee will function for a two-year period.

The Centre has redistributed money set apart for the welfare of Backward classes so that there is no shortfall at the end of the Third Plan. About three months ago, the States had informed at a Conference held in Delhi that as much as Rs. 145.96 lakhs would remain unspent at the end of the Plan.

The Department of Company Law Administration has formulated rules under which companies may obtain exemption from the provision in the Companies (Amendment) Act regarding the audit of branch accounts of Companies.

The Government of India have after a careful examination of the objections raised by some State Governments in regard to the inclusion of mother-tongue as a subject matter of enumeration in the coming census, decided not to change the two questions on language to be asked by the census officials.

The Uttar Pradesh Electricity Board has received six diesel sets of 7,000 kv each from Czechoslovakia and these will be installed at Ghaziabad by March and commissioned by April or May next.

The Tariff Commission has issued a questionnaire on the revision of the sugar price linking formula for determining the amount to be paid by the industry to the cane growers.

The cotton textile mills production in December, 1960 is provisionally placed at 159 million lbs. of cotton yarn and 447 million yards of cotton cloth, according to a press note issued by the Textile Commissioner.

It is reported that about 20,000 tons out of the recently released export quota of 50,000 tons of sugar has already been shipped to various destinations. The remaining 30,000 tons would be shipped out before the end of February.

India's foreign exchange earning from scrap exports during 1960 is estimated at Rs. 6 crores. The scrap exports of 3.25 lakh tons last year surpassed the performance of all the previous years, except that of 1953 when the exports were 3.92 lakh tons.

The Oil and Natural Gas Commission has decided to undertake oil exploration in an area of 2,859 sq. miles in the country during this year. Cutch, Kutch, Saurashtra, Assam, and the Punjab are included.

In Bombay recently, Mr. T. N. Toiani, Director of Technical Education, Government of Maharashtra, inaugurated the Blue Star-Honeywell Instrumentation Centre. The Centre is jointly sponsored by Blue Star Engineering Co. (Bombay) Private Ltd. and their principals. Minneapolis — Honeywell Regulator Co., the world's largest manufacturer of instrumentation and automatic control.

FOREIGN

An agreement for £5 million loan from the U.K. to finance purchases by the Pakistan Government of U.K. equipment for projects under the Second Five-Year Plan was signed at Rawalpindi recently.

Sr. Frazo, Chairman of the Board of the International Coffee Agreement, confirmed that the 10 per cent reduction in export quotas which the I.C.A. established a few days ago would be transferred to member nations' normal quotas for the second half of the year beginning April 1, 1961.

The Minister for Oil speaking in the Indian Parliament about his recent discussions with Sr. Mattei, the head of E.N.I. declared recently that apart from proposals covering oil exploration, talks were held on the possibility of obtaining credits from E.N.I. on reasonable terms.

The U.S. Agriculture Department has announced that 824,299 short tons of sugar, normally purchased in Cuba, would be obtained from other countries. The Department has estimated sugar requirements for 1961 at 10 million tons.

It is reported the Soviet Council of Ministers decided recently that the system of planning the national economy should be improved so that Russia would have a "continuous five-year plan".

A U.K. Trade Commission has now been established in Nicosia in the office of the U.K. Representative to the Republic of Cyprus.

A new British-controlled oil distribution centre will be set up next year at Korsor, on the Island of Zealand, according to the newspaper Kristeligt.

A new Franco-Yugoslav trade agreement was announced recently. Its provisions are designed to cause a considerable increase in the trade between the two countries during 1961.

Spain's industrial production index in 1960 increased to 169.4 from 160.4 in 1959 (1953 = 100) according to National Economy Council figures published recently.

The Volkswagen Company will complete about 750,000 passenger cars and another 140,000 vans and baby buses this year — about 200,000 vehicles more than in 1959. Daily output has reached 4,000 vehicles and the company expects to produce 1 million Volkswagens in 1961.

A. O. Smith International S.A., subsidiary of A.O. Smith Corp., Milwaukee, has entered into a joint venture with Kobe Steel Works, Koba, Japan, for production of equipment for the petro-chemical and fertiliser industries, the company announced.

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Special Article

INDIA AND THE COMMONWEALTH

A Study in Aid and Trade

THE Queen's visit to this country has been deemed as a landmark in the relationship between the Indian Union and the Commonwealth. It is interesting, to look into the manner in which India's trading relations with the Commonwealth have progressed during the last 13 years (since Independence) and the order of assistance received from the Commonwealth in relation to the total economic assistance obtained from abroad. This Special Article attempts to analyse the role that the Commonwealth has played in shaping the economy of this country with special reference to trade as well as aid. Tables I, II, III and IV summarise the statistical position.

The volume of India's foreign trade has risen by about 62 per cent since 1948-49. As against the total of imports and exports at Rs. 966.23 crores in 1948-49, the estimated figures for 1960 show that the total volume of trade (including exports, re-exports and imports) was of the order of Rs. 1,567.39 crores. This rise has been encouraging but unfortunately most of it has come from the non-Commonwealth countries. Our trade has particularly risen with the Communist countries, the United States of America and West Germany. In the case of the Commonwealth, there has been a steep decline in percentage terms. In 1948-49 India's trade with the Commonwealth countries was nearly half of the total — 48.3 per cent to be precise. It dropped to 37.8 per cent in 1959 and 38.8 per cent in 1960. Amongst the non-Commonwealth countries, West Germany captured a sizable portion of the Indian foreign trade. In 1948-49 India's trade with West Germany was not more than half a per cent of the total trade. By 1959, it had risen to 9.16 per cent. Similarly our trade with the Communist countries constituted nearly 2 per cent of the total trade in 1948-49, while presently they account for 6 per cent of the foreign trade of India. The United States of America had also slightly improved its position. Thus, it is clear that the Commonwealth, in so far as India's foreign trade is concerned, has lost its dominant position.

India's imports from the Commonwealth countries have not exhibited that order of increase which the overall figures of imports depict. Here, the Commonwealth has registered a rise of only about Rs. 33 crores between 1948-49 and 1959 while the total rise in imports is of the order of Rs. 344 crores. The Communist bloc's share in India's imports has risen from less than Rs. 7 crores in 1948-49 to 37 crores of rupees in 1959. Our imports from West Germany have risen in a spectacular manner from Rs. 2.25 crores in 1948-49 to Rs. 18.72 crores. Thus, the Commonwealth as a trading partner has not fared exceedingly well. The only countries which have registered some marginal gains are the United Kingdom, Canada and some of the African countries. Our imports from Australia and Pakistan have been on the decline.

India's exports have not risen in the manner they should have as anticipated in the Five-Year Plans, but there has been a considerable rise in exports in relation to the base year 1948-49. Here the increase of about Rs. 200 crores is shared by the Commonwealth countries, the Communist bloc, the United States of America and West Germany. The Commonwealth countries have increased their exports from India by Rs. 70 crores. Between 1950-51 and 1959, India's exports to the Commonwealth countries have suffered minor deviations around the level of Rs. 290 crores.

The United Kingdom continues to be the biggest buyer of our goods in the Commonwealth. The countries which have shown greater interest in our exports are Canada, some African countries and Ceylon.

The dependence of the Indian Union in selling some of its major exports such as tea, jute manufactures etc. continues on the United Kingdom, the leading member of the Commonwealth. But it is a pity that in overall growth of India's foreign trade, the Commonwealth is not playing as important a role as it should have, in view of the dynamic manner in which the Indian economy has been growing.

TABLE I
EXTERNAL ASSISTANCE TO INDIA

Country	(Up to December 31, 1960)		
	Total Aid Authorised Loans	Credits already committed for Grants Third Plan Projects	(Rs. crores)
A. Commonwealth Countries			
United Kingdom	115.99	0.47	46.67
Canada	15.71	90.57	—
Australia	—	12.27	—
New Zealand	—	3.43	—
Total of (A)	131.70	106.74	46.67
B. Non-Commonwealth Countries			
U.S.A.	974.64**	505.68**	—
West Germany	122.24	2.09	28.34
Japan	27.61	—	—
U.S.S.R.	145.30	1.15	238.11
Czechoslovakia	23.10	—	23.10*
Yugoslavia	19.05	—	19.05*
Rumania	5.23	—	5.23*
Poland	—	—	14.30
Norway	—	2.19	—
World Bank	315.28	—	—
Ford Foundation	—	14.20	—
U.N. Special Fund	—	4.16	—
Total of (B)	1632.45	529.47	328.13
C. Total Foreign Assistance (A+B)	1764.15	636.21	374.80
D. Share of Commonwealth in total foreign aid (Ratio of A to C)			
	7.47	16.78	12.45

* Fully unutilised aid; hence the entire amount is available for the Third Plan.

** Includes the rupee loans and grants out of the counterpart funds of PL. 480 signed on May 4, 1960, and its two supplements concluded respectively on July 29 and September 23, covering commodities worth \$1,334.7 million (Rs. 635.2 crores). Out of this amount Rs. 267.3 crores will be as loans and an equal amount (Rs. 267.3 crores) as grants. Sizeable portion of this amount is available for the Third Plan.

In the sphere of foreign assistance for financing India's Five-Year Plans, the United States of America overshadows all other countries which have held out a helping hand to India. The latest figures upto January 1, 1961, indicate that the Commonwealth has given by way of aid to the Indian Union not more than 7.5 per cent as loans and 16.8 per cent as grants. The share of the United States, was 55.2 per cent for loans and 79.5 per cent for grants.

Thus, since the independence of this country, the non-Commonwealth countries, particularly the United States of America, West Germany and the Communist bloc countries have played a more dynamic role, both in the matter of aid and trade. While the Indian Union continues to depend on the United Kingdom for its traditional exports, it is necessary that fresh efforts should be made to widen the area of India's co-operation with the Commonwealth.

TABLE II
THE SHARE OF THE COMMONWEALTH IN INDIA'S FOREIGN TRADE
(Expressed as a Percentage of India's Total World Trade)

	1948-49	1950-51	1952-53	1954-55	1955-56	1957	1958	1959	1960 Jan. - Sep.
United Kingdom	26.00	22.39	22.31	28.07	27.31	23.94	23.20	22.84	22.55
Canada	1.84	2.73	3.59	2.26	1.68	1.65	3.41	2.47	1.88
Australia	4.88	5.44	2.53	3.63	3.09	2.47	2.55	2.05	2.53
Aden	0.39	0.93	0.84	0.68	0.67	0.44	0.56	0.45	0.41
Bahrein Islands	0.58	0.69	1.73	1.84	0.84	0.52	0.41	0.44	0.40
Pakistan	7.11	1.55	1.22	0.46	0.31	1.21	0.93	0.78	1.51
Ceylon	1.56	2.06	2.07	2.16	2.41	1.37	1.69	1.87	1.43
Singapore	1.38	3.96	2.40	1.86	1.76	1.30	1.37	1.11	1.22
Federation of Malaya	0.19	0.54	0.46	0.80	0.71	1.10	1.08	1.01	1.08
Hongkong	0.59	1.14	0.67	0.40	0.63	0.41	0.44	0.28	0.27
Kenya	1.49	2.12	2.31	2.06	2.25	1.03	1.13	1.09	1.30
Tanganyika	0.34	0.36	0.43	0.57	0.48	0.41	0.37	0.40	0.38
Rest of Commonwealth	1.89	1.82	2.62	3.13	3.18	3.41	3.60	2.97	3.81
Total Commonwealth	48.25	45.74	43.24	47.90	45.33	39.25	40.73	37.77	38.76
Communist Bloc	2.14	1.03	1.58	1.43	2.15	4.14	4.95	5.82	5.49
United States	18.57	19.70	25.03	14.04	14.22	18.11	17.64	19.26	20.01
West Germany	0.50	1.80	2.98	4.58	6.66	8.33	7.54	9.16	8.58
Rest of World	30.54	31.74	27.18	32.05	32.25	30.17	29.15	27.99	27.16
Total Non-Commonwealth	51.75	54.26	56.76	52.10	54.67	60.75	59.27	62.23	61.24
WORLD TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

TABLE III
INDIA'S IMPORTS FROM COMMONWEALTH COUNTRIES
(Rs. Crores)

	1948-49	1950-51	1952-53	1954-55	1955-56	1957	1958	1959	1960 Jan. - Sept.
United Kingdom	152.96	122.90	138.84	153.36	172.69	238.50	168.53	172.72	148.25
Canada	9.38	18.29	29.31	10.16	6.84	13.58	34.66	22.21	9.80
Australia	26.65	33.44	12.73	19.76	13.47	16.41	15.32	11.80	13.80
Aden	1.77	1.12	0.59	1.43	2.07	0.84	0.75	1.15	1.00
Bahrein Islands	4.76	6.96	18.51	20.27	8.16	6.40	2.90	4.23	3.20
Pakistan	22.37	4.64	0.65	0.63	0.98	13.40	6.28	5.46	11.25
Ceylon	2.72	4.53	4.29	7.51	9.42	5.76	4.30	6.05	2.97
Singapore	9.39	15.81	12.57	15.56	13.84	12.67	9.29	9.09	9.30
Federation of Malaya	0.51	0.80	2.25	5.83	4.48	14.19	10.70	10.54	9.48
Hongkong	2.49	2.31	1.16	1.48	1.66	1.20	0.88	0.93	1.23
Kenya	10.80	18.52	20.57	18.39	21.85	9.35	11.50	11.64	11.65
Tanganyika	1.84	2.11	1.98	2.46	2.27	3.17	2.88	3.31	2.83
Rest of Commonwealth	3.78	5.34	5.55	8.37	8.57	27.89	25.51	22.89	16.64
Total Commonwealth	249.32	236.77	249.00	265.21	266.30	363.36	293.50	282.07	241.45
Communist Bloc	6.80	4.78	15.14	9.97	15.04	40.70	37.93	36.35	25.84
United States	108.74	115.82	181.41	82.22	89.30	170.32	161.46	195.43	158.58
West Germany	2.25	10.21	22.55	40.68	60.28	122.82	93.95	118.72	86.64
Rest of World	175.81	198.99	167.39	234.97	218.72	328.62	277.34	254.81	212.38
Total Non-Commonwealth	293.60	329.80	356.19	367.84	383.34	662.46	570.68	605.31	483.44
WORLD TOTAL	542.92	566.57	635.49	633.05	649.64	1025.82	864.18	887.38	724.89

TABLE IV

INDIA'S EXPORTS TO COMMONWEALTH COUNTRIES

(Inclusive of Re-exports)

(Ps. Crores)

	1948-49	1950-51	1952-53	1954-55	1955-56	1957	1958	1959	1960 Jan. - Sept
United Kingdom ..	98.28	139.81	123.39	189.42	166.16	161.02	166.29	172.17	116.81
Canada ..	8.39	13.79	12.84	17.47	14.02	13.92	14.54	15.15	12.33
Australia ..	20.65	30.41	16.98	24.54	24.82	24.73	21.43	19.17	15.99
Aden ..	2.00	9.76	9.32	6.84	6.28	6.53	7.30	5.61	3.79
Bahrein Islands ..	0.86	1.16	1.62	2.28	2.28	2.25	2.99	2.37	1.53
Pakistan ..	46.30	13.56	13.71	4.93	2.85	6.77	7.17	6.32	6.48
Ceylon ..	12.31	19.68	20.07	18.32	20.54	17.04	20.11	22.23	13.84
Singapore ..	3.99	30.70	15.66	7.17	8.02	9.08	10.44	7.67	5.01
Federation of Malaya ..	1.34	5.50	3.19	3.88	4.38	4.14	4.90	4.73	3.22
Hongkong ..	3.17	11.04	6.63	3.40	6.19	5.62	5.42	3.30	1.86
Kenya ..	3.61	6.41	6.56	6.81	6.06	7.79	4.75	4.89	3.60
Tanganyika ..	1.48	2.10	3.67	4.46	3.68	3.60	2.40	2.77	1.67
Rest of Commonwealth ..	14.48	15.99	25.24	29.83	30.86	29.02	26.50	21.90	28.09
Total Commonwealth ..	216.86	299.91	259.03	319.79	296.14	291.51	294.24	288.28	214.22
Communist Bloc ..	13.89	7.27	3.49	7.50	11.60	28.36	33.51	51.50	38.67
United States ..	70.68	115.34	112.67	89.23	87.12	131.87	93.09	95.42	76.65
West Germany ..	2.61	10.89	12.47	15.23	14.92	16.22	14.83	19.61	14.20
Rest of World ..	119.27	173.43	151.94	156.49	181.45	174.89	143.29	167.93	106.91
Total Non-Commonwealth	206.45	306.93	280.48	268.45	295.09	351.34	284.72	334.46	236.43
WORLD TOTAL ..	423.31	606.84	539.51	588.24	591.23	642.85	578.96	622.74	450.65

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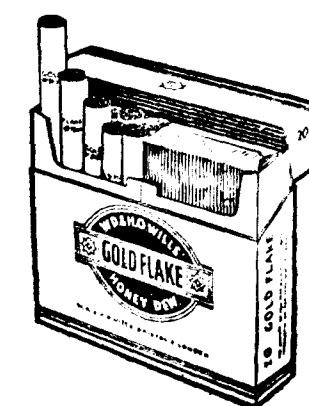
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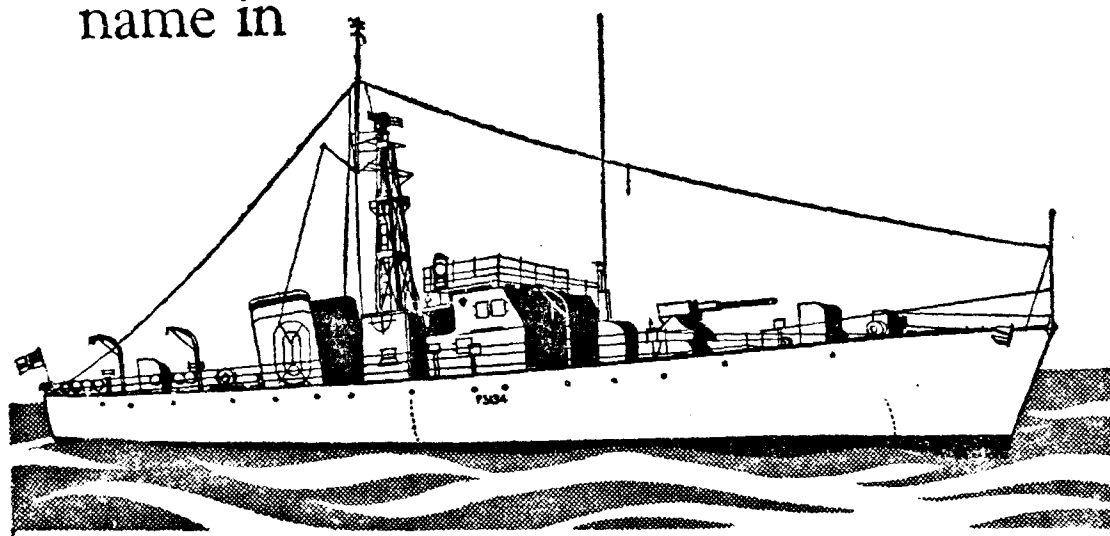


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THE BUSINESS WORLD

Costs, Wages and Work-Loads

BY CROESUS

WHEN a seasoned business man complains that, notwithstanding a dividend of 12 per cent, subject to deduction of tax—now all dividends are under a like disability—and despite higher profits, the results in a given year are disappointing, many may wonder how this could be. And when they are further told that this remark applies to last year's (year ended July 31, 1960) performance of the Associated Cement Companies, Ltd., they may wonder still more. But truth, as the old adage goes, is stranger than fiction, and, for unbelievers, if any, even after this assurance, I would advise a careful study of the speech of Mr Dharamsey M. Khatau, Chairman of the A.C.C. at the Company's twenty-fifth annual meeting. Without fully weighing the debit and the credit sides of the picture, he would never have gone on record, which he did last week, as saying that, as regards the future outlook for the Company, he was as much at sea as the shareholders. This is a depressing matter not only for the A.C.C. or the cement industry, but for the corporate sector generally. It was with this thought weighing in my mind that I emerged from the first important annual general meeting of the new year. I also decided simultaneously to devote this week's despatch to an enumeration, if not a detailed examination, of the several factors that must have combined to make the customarily genial chairman of the A.C.C. so cussed as he seemed to me at the meeting this year. Perhaps that also explains some of the most outspoken observations I have heard these days from any company chairman, least of all from Mr Khatau.

The first of such factors is undoubtedly the frustration that overtakes an industry when, even with an adequate installed capacity and no dearth of demand, it is not enabled to take full advantage of the improved demand. This has happened to the cement industry generally and to A.C.C. in particular. The reason? Shortage of railway wagons leading to acute shortage of transport for coal ("a number of our works were obliged to curtail production for want of coal supplies towards the end of the year under review") inwards and of cement outwards. According to Mr Khatau, "the transport situation still continues to be grave," although the authorities are doing all they can and the A.C.C. itself has appreciably increased its despatches of cement by road.

The second factor is the "future increase in the cost of various materials, enhanced railway freight, a further rise in the cost of coal and power, higher incidence of labour costs, etc. The incidence of depreciation was also higher on account of the high capital cost of expansion and rehabilitation projects. This, by itself, is understandable, if not bearable, but the fact is that "the major increase in costs which have been respon-

sible for the progressive reduction of profits from year to year over the past few years have been due to factors entirely beyond the control of the Company." They are, in Mr Khatau's own words, again, "the direct consequence of Government's own fiscal, monetary, labour and welfare policies, in an attempt, on the one hand, to implement the second Five-Year Plan (which many of us regarded as extravagant) and, on the other, to move nearer to the goal of a socialistic pattern of society (which, at this juncture, most of us consider impracticable)."

The third factor is that, when the Government itself has recognized that the increases in cost thus are beyond the control of the company or the industry concerned, and even undertakes to provide for them in determining the price, it fails to fulfil this assurance or do so only partially, for reasons best known to itself. In computing the incidence of the labour cost per ton of cement (consequent on the implementation of the recommendations of the Cement Wage Board), for instance, the installed "rated" capacity has been taken as the base, instead of the actual production which was considerably lower. Similarly, while compelling the industry to use second hand jute bags for packing cement, the Government has conceived (as an average price for packing in new bags and used bags) a price so low that "it makes the whole scheme both impossible of performance and grossly expropriatory."

Again, it is one thing if the increases in costs to be taken for the purpose of fixing prices are arbitrarily supplied by the industry concerned but quite another if these are meticulously worked out after minute study by a statutory body such as the Tariff Commission. Normally one would expect the authorities to accept the findings and also implement the recommendations, of such an impartial agency. Had this been done, no occasion would have arisen for Mr Khatau to say that "the Government's failure to implement the last Tariff Commission's recommendations concerning the retrospective operation of the enhanced retention price fixed in 1958 and the need to alter that price with every change in the cost of coal" is "reprehensible." No less reprehensible is the practice of taking decisions affecting the prices of any commodity after once the Tariff Commission is seized of the question.

These are merely by way of illustration, which is all I can do within the limitations of space and time at my disposal, but the list can be enlarged further. What I have catalogued, however, are serious enough to have driven the A.C.C. Chairman to declare ".....I feel bound to say, with all the emphasis at my command and with a full sense of responsibility, that the recent policies of

Government affecting this major industry are fraught with grave consequences to its future and to the early satisfaction of the country's urgent need for cement."

I must now turn to two other important points of general interest to the entire corporate sector made by Mr Khatau—the concept of a "fair net distributable return" as distinct from "a fair return" and the real significance of the Wage Board approach to a solution of the problems of wage fixation. These, again, involve broad questions of policy applicable to every industry.

At the outset alone, Mr Khatau indicated in his speech that the dividend recommended by the A.C.C. Board was "by no means a fair return on shareholders' capital." Accordingly, the Company proposes to urge before the Tariff Commission that the "fair return" on the capital employed in the cement industry should be conceived as a "fair net distributable return," after meeting all items of cost. It may not be known to many that, in the so-called "fair return," to the cement industry today, such items as full charges for packing, commission payable to stockists, bonus and accruing gratuity to employees, remuneration payable to managing agents, development rebate reserve and company taxation are excluded from the overall "cost" of cement. "To admit, on the one hand, that the industry is entitled to a fair return on capital employed, but to insist, at the same time, that, from this return itself, the industry should, in effect, meet the cost of the items to which I have just referred is, as the A.C.C. Chairman rightly described, "a contradiction in terms." That apart, it results in the industry being left with a net distributable return as in the case of the cement industry, which can be hardly described as fair. How far the Tariff Commission will persuade itself to accept this view is more than I can say, but I have no doubt whatsoever that the view requires to be carefully examined in the interests of this country's industrial development. No industry, least of all a basic industry like the cement industry, should be allowed to nurse feeling that it is possibly being singled out for harsh treatment, or that there is no clear understanding of its problems by the Government, or that there is some other motive influencing the Government's attitude towards it.

Business Notes

Power

LIGHT ON KOYNA

ALTHOUGH THE State of Maharashtra — the third biggest State in the Indian Union, both in area and in population—is predominantly agricultural, the State is bound to rank quite high industrially also, what with a number of important industries, such as engineering, sugar, cotton textiles, chemicals and a host of others, being already there, and many more industries still expected to be started. Fortunately for the industries, the generation and consumption of electrical energy—an important index of economic growth—is fairly high. Thus, the per capita power generation in the State of Maharashtra is about 71.1 kw., as against the all India figure of only 27.1 k.w. The position is expected to improve further, thanks to new State projects like the Koyna Project.

Addressing the first meeting of the Bombay Chapter of the Society for International Development last week, Mr S. G. Barve, Secretary, Maharashtra State Irrigation and Power Department, chose this project — one of the largest hydro-electrical projects under execution in the country — as the theme of his inaugural talk. The Koyna

As regards Wage Boards, now that these boards have come to stay, it is just as well that some one like Mr Khatau thought of the real significance of this approach to resolve the complex problem of wage fixation and also looked into the vital question of whether all wage boards have been scrupulously following the Central Government's terms of reference to them. From what the A.C.C. Chief said, it seems doubtful whether the latter is being done. Indeed, his charge was: "It seems to me that the Wage Board has, for all practical purposes, ignored the importance of fair work loads as an essential element in any fair wage fixation." Although he did not say so in as many words, Mr Khatau must be feeling whether it was at all prudent on the part of the A.C.C. to have gone ahead with the implementation of the Cement Wage Board's recommendations at most of the Company's works, "without waiting either for the actual realization of the revised retention price or the assessment of proper work-loads." On both the counts, it is unfortunate, the A.C.C.'s fine gesture has not been reciprocated.

Now, for reasons best known to itself, although the Government has accepted it in principle, it does not seem to be very keen on making the assessment of proper work-loads a precondition to the enforcement of wage board awards. Besides being contrary to the specific stipulation to this effect made by the Fair Wages Committee, it is an invitation to other industries, on whom wage boards may be imposed by the Government in future, to insist on proper work-loads being worked out before they agreed to abide by the decisions of any Wage Boards. It is not clear why the Government has chosen to relegate work-load studies to a secondary stage of importance thus, when it has itself (not to speak of the Planning Commission) proclaimed ere now that "higher productivity is the only sure basis of prosperity and well-being of the workers." One thought everybody had realized by now that the productivity of Indian workers is very much lower than that of workers in other industrialized countries. In any case, it is high time that the authorities at least realized that raising the wages of workers, unaccompanied by a corresponding assessment of fair work-loads or a rise in productivity, is "a dubious and somewhat self-defeating device," especially in a developing economy.

Project has certain outstanding features from the technical and engineering point of view, Mr Barve said: "It is the only project in the country and one of the two in the whole world where the entire works, apart from the storage, that is to say the head race, pressure shafts, power house, tail race and other elements, are all underground. Also in the construction of the dam wall of the project rubble concrete is being used for the first time in the country, thereby effecting a substantial economy." The project, which is designed to have an installed capacity of 650,000 kw. (approx.) will be executed in three stages. The first stage of the project, which is estimated to cost Rs. 38 crores, will be completed by the end of 1961, with an installed capacity of 240,000 kw. The second stage of the project is to be taken up in continuation of the first, making available an installed capacity of an additional 300,000 kw. by the end of the Third Plan period. The balance of 100,000 kw. is to be undertaken from tail race utilization of the Koyna storage. After completion of the entire project, Mr Barve said, the Koyna power would probably meet the requirements of the mounting demand in the Bombay-Poona area for over perhaps the next 6 or 7 years.

Briefly, the project consists of a gravity type dam across Koyna, where a storage of 73,000 M.Cft. would be

created. 56,000 M.Cft. are designed for power generation requirements and 16,000 M.Cft. for irrigation. For hydro power generation, the water will be diverted through a head race tunnel $2\frac{1}{2}$ miles long and 21 feet in diameter. Four steel lined pressure shafts 2,100 feet long each and about 10 feet in diameter at an angle of 45° will carry the water to the turbines in an underground power house 650 feet long with three caverns to house the valve House, Machine Hall and a Transformer and Control Hall. The tail race tunnel is a mile and a half long and 27 feet wide. Mr Barve also disclosed that the Maharashtra Government would, in all probability, initiate steps shortly for securing a loan of 10 million (Rs. 4.75 crores) from the World Bank for the second stage of the Koyna hydro-electric project. This is in addition to the loan of \$25 million already advanced by the World Bank in 1959.

From his experience of the Koyna project, Mr Barve said that hydro power projects have generally a long period of gestation. It is, therefore, necessary to settle the pattern of planning for power generation in a long-term perspective. Mr Barve further stated: "With the completion of the easier, the more obvious and the inter-state projects for water utilisation, we are now coming up on the harder core of projects involving the balancing of alternative and inter-regional interests. One has to weigh the interests of different regions, the economics of alternative uses and the master-plan for the optimum overall utilisation of the water resources with due regard to phasing of execution." In this connection, he also envisaged the building up of a trans-continental grid for electrical power linking the South with the North.

Indian Oxygen

STEADY PROGRESS

THAT THE Indian Oxygen Limited is well set on the road to progress is evident from the statement of Sir J. D. K. Brown, Chairman of the Company, issued to the shareholders, together with the Director's Report and Accounts for the year ended 30th September, 1960. The profit made for the year, after providing Rs. 37,10,806 for depreciation and Rs. 38,85,900 for taxation, amounted to Rs. 62,98,449. In the previous year, the net profit was Rs. 53,07,450. The increase in sales over the previous year has been of the order of 16 per cent. While the rate of increase has been particularly high in the case of piped oxygen supplies to the steel works, liquid oxygen explosives used in the open-cast mining operations and electrodes, it has been disappointing in regard to solved acetylene. Production has increased at Ahmedabad and Madras as a result of transfer of plants and now it is proposed to increase the capacity of the Bombay factory by importing new plant and equipment. The significant development has been that argon purification and high production facilities have been installed at the Burnpur factory and the Khardah factory, near Calcutta, has been equipped for bigger production of special electrodes.

In view of the expansion plans that may cost Rs. 3.85 crores, it is proposed to increase the ordinary share capital. It has been decided to make a rights issue of 600,000 ordinary shares of Rs. 10 each at a premium of Rs. 8 per share. Although the British Oxygen Company Limited is entitled to 70% of the shares, it has agreed to take only 60% thereby enabling the Indian public to have more shares, i.e., 40%. The contribution of the British Company will help Indian Oxygen to obtain the foreign exchange necessary for the expansion project. As for the future outlook of the Company, it is needless to say that with the continued expansion of the economy, Indian Oxygen's products will continue to have an expanding market.

Coffee

NEED FOR PLANNING

MR. C. I. MACHIA, Chairman of the Consolidated Coffee Estates (1943) Ltd., made a pointed reference to Haarer's "Modern Coffee Production" wherein the latter had warned that prices of coffee had already reached the peak (1955-56) and a decline was bound to be observed. The Chairman, therefore, warned the producers of coffee to take timely action to improve the economics of their estates. One step which could help the coffee producers was the introduction of mixed planting. In line with this policy the Consolidated Coffee Estates have decided to pay attention to pepper, cardamom, oranges, and arecanut, although primarily they remain the producers of Coffee. This certainly is going to help the estates to add to their earnings.

The Chairman also stressed the advisability of a thorough examination of the export procedure adopted by the Coffee Board. He was especially critical of the mixing of the coffee obtained from various estates by the exporters, because it made the grading less perfect. He cited the example of Kenya where coffee was sold according to liquor tests so that the buyer was sure of the quality he bought. It seems to be a more modern method of standardisation. The Coffee Board should consider this suggestion in view of the fact that Kenya coffee has sold at higher prices than those of Indian coffee.

Madras Cement

NEW ISSUE

THE FIRST stage of the construction programme of Madras Cement Ltd. which has its factory in Tulu-kkappatti in Ramanthapuram District has been completed and its production is expected to commence shortly. The initial capacity will be between 200 and 250 tons a day. As the company has been able to make satisfactory arrangements for the import of plant and machinery from Czechoslovakia on a rupee payment basis it has decided to go ahead with the second stage of the programme which will take the capacity up to 600 tons a day. The expansion scheme is proposed to be taken up immediately and completed as early as possible so that the new plant can commence production by the end of 1962.

The total cost of the second stage is estimated at Rs. 1.20 crores. The company proposes to find part of this sum by issuing additional capital for Rs. 70 lakhs in the form of equity shares worth Rs. 50 lakhs and preference shares worth Rs. 20 lakhs. Arrangements have been made to secure the balance of Rs. 50 lakhs as a loan from the Industrial Finance Corporation. The new shares were offered in the first instance to the existing shareholders. The balance left over is to be placed on the market for subscription details for which are available in an announcement in this issue.

The company has been successful in securing firm subscription from leading institutions. The whole of the issue of Rs. 70 lakhs has been underwritten. Madras Industrial Investment Corporation alone are taking up shares for Rs. 35 lakhs and the L.I.C. for Rs. 2.50 lakhs. The balance of Rs. 24.27 lakhs is to be raised from the open market. Even here, the L.I.C. will be sending an open application for equity shares of the value of Rs. 7.50 lakhs so that comparatively small amount is open for the public. The new issue is, therefore, likely to receive a ready response in the market. The investors will have the advantage of subscribing to new shares which may yield an income right from the beginning as these rank equally with the existing shares for dividend purposes.

FROM THE CAPITAL'S CORRIDORS

FERTILIZERS IN THE THIRD PLAN

THE latest estimates prepared by the Union Food and Agriculture Ministry put the requirements of nitrogenous fertilizers in 1961-62, the first year of the Third Plan, at two million tons out of which not more than about 8½ lakh tons will be available from indigenous sources. The Ministry, it is understood, is therefore pressing for additional allocation of foreign exchange for the import of nearly 11½ lakh tons of nitrogenous fertilizers. Originally it was expected that an import of one million tons of ammonium sulphate would meet the requirements.

The Third Five-Year Plan envisages raising of foodgrains output to 100 million tons from the present level of about 75 million tons. Substantial increases are also envisaged in the output of other agricultural products. This increase in agricultural production is to be mainly achieved through massive application of chemical fertilisers, extension of irrigation facilities, greater use of improved seeds and implements and through the package programme of intensive cultivation in selected districts. Primary emphasis will, of course, be on increasing the use of chemical fertilizers. Consequently, the Third Plan target of fertilizers output has been put at one million tons of nitrogen, four lakh tons of phosphatic fertilizers and about one lakh tons of potash fertilizers.

EXISTING CAPACITY OF NITROGENOUS FERTILIZERS

The existing capacity for the production of nitrogenous fertilizers is as follows:

1. Sindri Fertilizers Factory (after expansion just completed)	117,000 tons
2. Mysore Chemicals and Fertilizers	1,300 tons
3. Fertilizers and Chemicals Travancore Limited	30,000 tons
4. Five by-product ammonium sulphate units at Coke ovens, including those of steel plants	10,000 tons
5. By-product ammonium chloride at Varanasi Soda Ash Factory	10,000 tons
TOTAL	168,300 tons

Three more fertilizer projects — one at Nangal, another at Neyveli and the third one at Rourkela — have been recently taken up for execution. These factories will have a capacity of 80,000 tons, 70,000 tons and 80,000 tons of fixed nitrogen respectively. The Nangal factory was expected to start production by the end of the last year, but could not do so due to paucity of electricity; it is now expected to go into production sometime during the current year. The Neyveli and Rourkela factories are expected to start production by the end of 1962. Besides these, a fertilizer factory, with a capacity of 90,000 tons of fixed nitrogen, has been sanctioned to be set up at Trombay. Negotiations are in progress with the United States to arrange foreign exchange resources for this project. Preliminary work has been taken in hand. The total capacity already installed or under installation, thus, is as given in the table on top of next column.

Name of Unit	Capacity in Tons of Nitrogen
1. F.A.C.T.	30,000
2. Sindri	1,17,000
3. Nangal	80,000
4. Rourkela	80,000
5. Neyveli	70,000
6. Parry & Co. (Madras)	8,250
7. Mysore	1,300
8. Trombay	90,000
9. Steel Plants (by-product)	26,000
10. Ammonium Chloride (by-product)	10,000
TOTAL	5,12,550

PRIVATE SECTOR AND MANUFACTURE OF FERTILIZERS

Manufacture of fertilizers in the Third Plan has also been thrown open to the private sector which is expected to yield about 2 lakh tons of nitrogen per year by 1965-66.

To suggest suitable sites for setting up new fertilizer manufacturing units, both in the private and the public sectors, the Government of India last year instituted a technical committee under the chairmanship of Dr. G. P. Kane, Senior Industrial Adviser (Chemicals), Ministry of Commerce and Industry. This Committee has submitted its reports on the fertilizer factories to be set up in Andhra Pradesh, Assam, Rajasthan, Madhya Pradesh, Uttar Pradesh, Mysore and West Bengal. The capacity to be installed in these States, as suggested by the Kane Committee, is as follows:

Location	Capacity in Tons of Nitrogen
1. Andhra — Kothagudam	80,000
2. Assam — Nahorkatiya region	32,500
3. Rajasthan — Hanumangarh	50,000 (or 80,000)
4. Madhya Pradesh — Katni or Itarsi	50,000
5. Uttar Pradesh	30,000
6. Mysore	50,000
7. West Bengal — Durgapur	58,000
TOTAL	400,000

The Committee is examining the cases of setting up fertilizer factories in the remaining States which have no big fertilizer factories at present. Its reports about these States will be available in course of time.

The fertilizer factory at Kothagudam, in Andhra Pradesh, is proposed to be set up by the State Government. Preliminary work on this project has already been started. The factory at Nahorkatiya, in Assam, is proposed to be set up by the Central Government. The execution of this project has been entrusted to Messrs. Hindustan Chemicals and Fertilizers Ltd., Nangal. The Durgapur factory is proposed to be set up by the West Bengal Government which is having negotiations with a Japanese firm for technical and financial collaboration.

Three parties have submitted applications for the grant of the licence for putting up the fertilizer factory at Hanumangarh, in Rajasthan. The applicants are Mr. Dharamsey Mulraj Khatau, Mr. S. P. Jain and Mr.

VITAL NEWS

for every businessman

The management of the Times of India group of publications has decided to change the name of the proposed daily financial newspaper from 'The Financial Times of India' to 'The Economic Times'.

The change is designed to meet certain technical requirements, but the management is happy that the new title, with its wider significance accords better with the newspaper's main field of coverage — the economic development of the country.

The newspaper which will consist of eight pages will be published on all days of the week and will be priced 20 nP. per issue.

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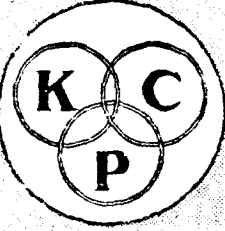
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B. L. Jalan. All of them have based their proposals fundamentally on the recommendations made by the Kane Committee.

Messrs. Khandelwal Bros. Private Ltd., New Delhi, and Krishna Distributors, Indore, are interested in setting up the fertilizer factory at Itarsi or Katni, in Madhya Pradesh. The production patterns proposed by these two parties also conform to the recommendations of the Kane Committee which are as follows:

- | | |
|---|---|
| (1) Total capacity in terms of nitrogen | 55,000 tons |
| (2) Ammonia | 66,800 tons per year of which 6,000 tons would be sold as such for industrial purposes. |
| (3) Urea | 101,300 tons |

The Kane Committee has recommended production of methanol in the fertilizer factory to be set up in Madhya Pradesh. Messrs. Khandelwal Bros. have not included the manufacture of this in their scheme, while Messrs. Krishna Distributors have done so. There are five applicants for the grant of the licence for setting up the Visakhapatnam fertilizer factory. Among them are Birla Brothers, Parry and Company and Seshasayee Brothers. This factory is expected to cost over Rs. 20 crores.

It is understood the Government decision on the grant of licences for setting up these three factories in the private sector will be made known in the next few days.

BUILDING PROGRAMME UNDER THE THIRD PLAN

The Draft Outline of the Third Five-Year Plan had left out the following four items of expenditure: (1) building programme of the Ministry of Works; (2) expansion of printing capacity; (3) statistics and research; and (4) plan publicity. The revised estimates, increasing the outlay for the Centre by Rs. 817 crores, have included Rs. 53 crores for "Other Schemes" which shall cover these four items.

A provision of Rs. 6 crores is being made in the Third Plan for the expansion of printing capacity covering the following schemes:

- (1) Establishment of Government of India presses at Coimbatore, in Madras State, and Koratti, in Kerala State.
- (2) Resetting of the Government of India Press, Calcutta, and the construction of staff quarters at Santaragachi.
- (3) Construction of quarters for the staff of the Government of India Forms Press, Aligarh.
- (4) Setting up of a new Government of India Press in New Delhi (Najafgarh Industrial Area).
- (5) Addition of a Photo-Litho and Photography Wing to the Government of India Press, Calcutta, after it has been resited at Santaragachi.

A proposal is under discussion here to allocate Rs. 35 crores for the building programme of the Union Ministry of Works. This includes the expenditure to be incurred on the Second Plan spill-over projects.

An outlay of Rs. 12 crores is suggested for statistics and research and Plan publicity purposes.

THIRD PLAN PROVISION FOR DEVELOPMENT OF ROADS

A total outlay of Rs. 230.5 crores is now proposed for development of roads in the States and the Union Territories during the Third Plan period, as against an outlay of Rs. 234.6 crores recommended by the Planning Commission's Working Group on Transport Development and Rs. 350.5 crores initially proposed

ed by the States and the Union Territories. The outlay on road transport is similarly proposed to be cut down to Rs. 26.3 crores from Rs. 27.3 crores as recommended by the Working Group and Rs. 52.9 crores as suggested initially by the States and the Union Territories. Some further reduction in these outlays is not ruled out if the resources to the extent of Rs. 7,500 crores for public sector outlay during the Third Plan period, as envisaged now, are not available.

The following table sets out a comparison of the outlay on transport and communications in the Third Five-Year Plans of the States and the Union Territories proposed after their discussions with the Planning Commission, as recommended by the Working Group and as suggested initially by the States and the Union Territories.

	(Rs. crores)		
	Outlay initially proposed	Outlay recommended by the working Group	Outlay proposed after discussions
Roads	350.5	234.6	230.5
Road transport	52.9	27.3	26.3
Ports and harbours	13.2	3.5	5.1
Inland water transport and other transport	9.5	4.9	5.8
Tourism	8.1	3.0	3.5
Total	434.2	273.3	271.2

Besides the Rs. 230.5 crores outlay proposed for the development of roads in the States and the Union Territories during the Third Plan period, the Centre will be making an allocation for the development of national highways and inter-State roads of economic importance. The contemplated expenditure in this respect will be made known in the near future.

PROVISION FOR SOCIAL SERVICES

Provision for social services in the Third Plan in its revised form is also likely to be lower around Rs. 1,200 crores—Rs. 900 crores to be included in the plans of the States and the Union Territories and Rs. 300 crores in the Central Plan—as against Rs. 1,250 crores in the Draft Outline. The allocations now proposed for social services in the plans of the States and the Union Territories, compared with those recommended by the Planning Commission's Working Groups on Social Services and those originally suggested by the States and the Union Territories in their draft plans, are as follows:

	(Rs. crores)		
	Outlay proposed in Draft Plans	Outlay recommended by Working Groups	Outlay proposed after discussions
General education (including cultural programmes)	427.3	346.1	328.4
Technical education	124.4	73.5	70.3
Health	430.3	315.2	293.5
Housing	202.5	128.9	116.8
Welfare of backward classes	120.5	63.5	73.5
Social welfare	25.6	8.9	9.0
Labour and labour welfare	49.3	26.0	26.1
Total	1379.9	962.1	917.6

Outlays proposed by the States and the Union Territories for various stages of education during the Third Plan period, compared with the expected expenditure incurred under the Second Plan, are as follows:

(Rs. crores)

	Expected Outlay in 2nd Plan	Outlay Proposed for 3rd Plan
Elementary education ..	88	199
Secondary education ..	47	75
University education ..	23	37
Other educational programmes	16	15
Cultural programmes ..	1	3
Technical education ..	27	69
TOTAL ..	202	398

The States, as also the Centre, in their plans have endeavoured to provide for increased facilities for imparting technical education. This is evident from the following table which gives the number of additional seats to be provided for degree and diploma courses during the next five years, along with the growth that has taken place during the Second Plan period.

TECHNICAL EDUCATION

(Increase in Institutions and Number of Seats)

	Institutions	Intake	Outturn
Degree Courses			
1955-56 ..	64	5,937	4,017
1960-61 ..	97	13,531	8,300
1965-66 ..	117	19,400	12,000
Diploma Courses			
1955-56 ..	102	9,397	4,072
1960-61 ..	208	26,069	12,850
1965-66 ..	273	39,918	19,000

COMPANY LAW TECHNICAL ADVISORY COMMITTEE

The Government of India has reconstituted the Technical Advisory Committee in the Department of Company Law Administration. This Committee had been set up towards the end of 1958 under the chairmanship of Mr. D. L. Mazumdar, Secretary, Department of Company Law Administration, to advise the Govern-

ment on all major policy issues relating to legal and accounting aspects of the administration of the Companies Act. The scope of the Committee's work is similar to that of the Technical Advisory Committee associated with the Companies and Insurance Department of the Board of Trade in the United Kingdom.

The reconstituted Committee will function for a period of two years. Besides Mr. D. L. Mazumdar, who will continue to be its chairman, the Committee will consist of Messrs. N. R. Mody, S. P. Chopra, G. Basu, J. D. K. Brown, C. C. Shah, C. C. Choksi, J. M. Lall and P. L. Tandor.

Simultaneously, the Government has reconstituted the Research Programme Committee attached to the Department of Company Law Administration. This Committee's function is to advise the Department on the most fruitful lines along which statistics and other data on companies, now available, can be processed and analysed to serve as a basis for formulation of policy. During the last two years, this Committee has sponsored several research publications on different aspects of company management and finance. Besides the Secretary of the Department of Company Law Administration, who will act as its chairman, the members of this Committee will be some leading chartered accountants, economists and the Director of Statistical Research, Reserve Bank of India.

UTILISATION OF RURAL MANPOWER

Thirty-two pilot projects on utilisation of manpower in rural areas have been approved by the Planning Commission and the Government of India for execution by March 31, 1962. They will cover all the States and the Union Territories of Himachal Pradesh and Tripura.

The programme involves undertaking of some works concerning minor irrigation, drainage, communications, drinking water-wells, contour bunding, building of earth embankments, manufacture of building materials, development of Panchayat lands, afforestation and soil conservation. The projects included in this programme will be besides those included in the State plans, and will have high employment potential. On a rough basis, an outlay of Rs. 2 lakhs has been suggested for each of these projects. The programme envisages payment of wages to those engaged on its execution at rates prevailing in the country side at the time when the work is undertaken.

The object of these pilot projects is to gain experience in organizing in rural areas a works programme which will make a marked impact on the problem of unemployment and under-employment, especially during the slack agricultural seasons. On the basis of the first year's experience, it is hoped to extend this programme to many other areas in which there is widespread under-employment.

INDIA'S TRADE WITH ITALY

A 22-member economic mission, sponsored by the Italian Government, will arrive in New Delhi on February 1 to explore the possibilities of further expansion of trade between India and Italy.

During its 24-day stay in this country, the mission will hold talks with the Government of India and representatives of trade and industry for making arrangements for export of Italian machines and machine tools to India and for import, on a larger scale, of industrial raw materials from here.

COMMODITY NEWS AND NOTES

ALL-INDIA FINAL ESTIMATE OF POTATO, 1959-60 MANUFACTURE OF FREE-FLOWING TABLE SALT

The All-India Final Estimate of Potato, 1959-60 puts that year's area and production at 885,000 acres and 2,719,000 tons as compared to the Partially Revised Estimates of 858,000 acres and 2,327,000 tons for 1958-59, according to the Directorate of Economics & Statistics, Ministry of Food and Agriculture. This shows an increase of 27,000 acres or 3.1% in area and 392,000 tons or 16.8% in production in 1959-60 over 1958-59. The increase in area during the year 1959-60 has been shared mainly by Uttar Pradesh and West Bengal and has been attributed generally to favourable climatic conditions at the time of sowing. This increase has, however, been off-set to some extent by the decrease registered in Bihar State on account of unfavourable weather at the sowing time. The increase in production has occurred mainly in West Bengal, Bihar, Uttar Pradesh and Punjab States. The increase in production is due partly to increase in area and partly to increased yield per acre this year as compared to last year, as a result of favourable climatic conditions during the growing period of the crop and also due to adoption of improved methods of cultivation reported from Bihar and Punjab.

Central Salt Research Institute, Bhavnagar. The process involves purification of salt with lime and soda-ash and crystallisation under controlled conditions so as to produce grains of size and shape conducive to the free-flowing quality. Cost estimates indicate that a one-ton per day plant would give a 21.5 per cent return on investment. Ordinary common salt contains certain hygroscopic impurities. Thus, even when powdered to the requisite grain size, it is not free-flowing particularly in humid weather. Even when freed from impurity, the salt absorbs moisture when the humidity goes beyond a certain limit. It is therefore necessary to incorporate small quantities of certain chemicals (driers) to form a protective coating on the grains so as to preserve the free-flowing quality under varying atmospheric conditions. The free-flowing property is further improved by providing a very thin coat of a non-offensive paraffin wax in addition to small quantities of the usual driers.

RAISINGS AND DESPATCHES OF COAL

The raisings and despatches of coal during November 1960, from all fields in India, were 4,635,733 and 4,141,243 tonnes respectively. The corresponding figures for the month of October 1960 were 4,338,723 and 4,134,405 tonnes respectively. The daily average loading for the month of December 1960 from the West Bengal and Bihar fields was 4629 wagons as against 4897 wagons in the previous month. The highest loading on any day during December 1960 was 5452 wagons as against 5394 wagons in November. A daily average of 162 wagons was allotted for shipment traffic during December 1960 as compared to 180 in the preceding month. A daily average allotment of 152.70 wagons was made to Pakistan during December 1960. About 104,148 tonnes of coal were despatched to that country during the month.

CURCUMIN AS COLOURING AGENT FOR VANASPATI

Investigation in progress at the Central Food Technological Research Institute, Mysore, suggest the suitability of curcumin derived from turmeric as a colouring agent for hydrogenated vegetable oil. When powdered turmeric is extracted with alcohol, curcumin is obtained as a crude extract (7-8 per cent of the dry powder), mixed with the oil of turmeric. Addition of the extract (0.04 per cent on the weight of the fat) to hydrogenated vegetable oil imparts to it a pleasant acceptable colour. When added (even at 10 per cent level) to ghee, the colour is clearly visible and responds to the lime test. Taking the present market price of turmeric in bulk at Rs. 48 per maund (80 lb.) and reckoning the yield of crude curcumin at 8 per cent, the cost of colourization per pound of vanaspati inclusive of the extraction process comes to less than 1 nP. On the basis of average production of vanaspati in the country at 4 lakh tons, the country will need 2000 tons of turmeric which represents about 1 per cent of the total production of turmeric in the country. The addition of turmeric colour (at 0.04 per cent level of the extract) may serve as a deterrent for the adulteration of ghee with vanaspati because it acts both as a visible and as a latent colour. It is considered desirable that the addition of sesame oil should also be continued as it will serve as an additional check.

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COMPANY AFFAIRS

TITAGHUR PAPER: LARGER SALES

During the year to March 31, 1960 the Titaghur Paper Mills Company Ltd. registered an improvement in production although coal shortage was felt in one of the Mills of the Company. During the year under review paper sales proceeds of the Company were registered at Rs. 9.86 crores against previous year's sales of Rs. 9.42 crores. This was in spite of the fact that a reduction in the selling price of many qualities of paper and paper board took place on 1st January, 1960, as a result of the recommendations of the Tariff Commission. This has had an adverse effect on the results of the Company for the year under review and will have a still greater effect when the lower prices are in force for a full financial year. The Board of Directors have therefore decided to take certain steps to improve the earning capacity of the Company which has been affected by the reduction in selling prices and rising costs of production caused mainly by higher costs of materials, coal and rail freight. The ninth stage of renovation will be mainly at one of the Mills and it is proposed to improve the Soda Recovery and Boiler Plants and to build an Electrolytic Bleach Plant all of which will effect substantial economies.

The profit during the year under review after making provisions for depreciation and taxation comes to Rs. 55.42 lakhs which is higher than the previous year's Rs. 46.01 lakhs. A sum of Rs. 24.9 lakhs was transferred to statutory development reserve. An interim dividend on A and B ordinary shares at Rs. 1.20 nP. per share absorbed Rs. 13.45 lakhs. Now final dividend of the year has been paid on these shares at the rate of Rs. 1.30 nP per share absorbing another sum of Rs. 14.57 lakhs. In view of the Preference Shares (Regulation of Dividends) Bill, 1960, recently introduced in the Lok Sabha, the Directors have decided that Dividends on the Preference and Preferred Ordinary Shares be recommended for payment in the manner stated above in respect of the financial year ended 31st March, 1960, as a result of which Dividends will be paid at the rates specified in the Articles of Association of the Company. The Directors have added that as soon as practicable after the said Preference Shares (Regulation of Dividends) Bill has been enacted, steps will be taken for declaration of such additional Dividends, if any, on the Preference and Preferred Ordinary Shares in respect of the said year as may be necessary to comply with the provisions thereof.

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Subject to audit, the profit of the Bank for the year 1960, after making payment of Rs. 12.77 lakhs to Employees' Gratuity Fund Trust and providing for Contingencies, amounts to Rs. 121.18 lakhs including Rs. 3.19 lakhs brought in from the previous year's account as against Rs. 88.69 lakhs for 1959 including Rs. 4.49 lakhs brought forward from previous year's account. A sum of Rs. 12.50 lakhs has already been utilised towards payment of ad-interim dividend at Re. 1/- per share subject to tax, thus leaving a balance of Rs. 108.68 lakhs for further appropriations.

The Directors have decided to make the following appropriations:

Provision for Income-tax, ...	Rs. 53 lakhs
Transfer to Reserve Fund, ...	Rs. 11 lakhs

Transfer to Bonus to Staff Account, ...	Rs. 27 lakhs
Transfer to Charity Account, ...	Rs. 1 lakh

The Directors have further recommended to the shareholders that out of the balance of Rs. 16.68 lakhs a sum of Rs. 12.50 lakhs be paid as final dividend at the rate of Re. 1/- per share subject to tax, making a total distribution of 20% per annum subject to tax. Balance of Rs. 4.18 lakhs is proposed to be carried forward to the next year.

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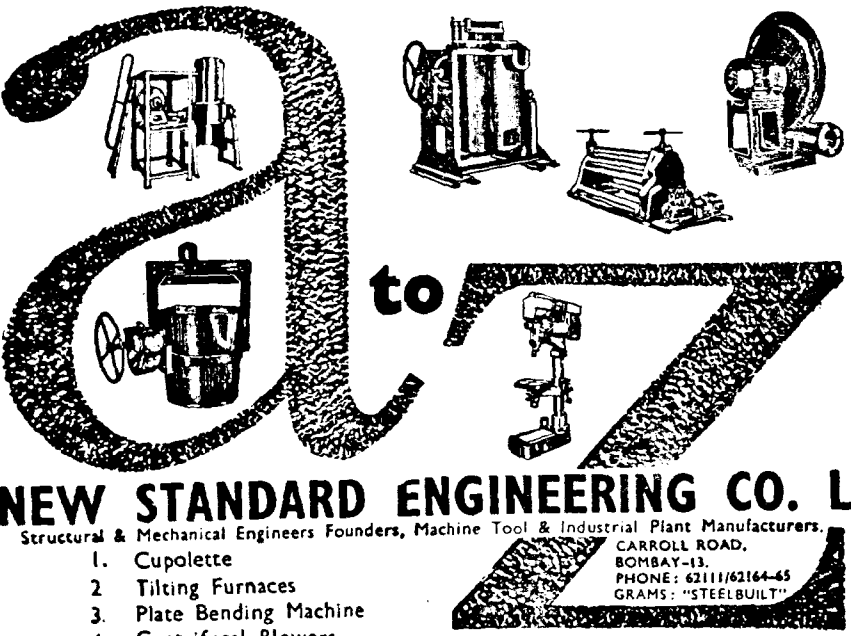
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INDUSTRIAL GASES AND ELECTRODES PLAY INCREASINGLY IMPORTANT PART IN THE
INDUSTRIALISATION OF THE COUNTRY

PROPOSED RIGHTS ISSUE TO FINANCE LARGE EXPANSION PROGRAMME

The following is a statement by Sir John Douglas Keith Brown, Chairman, Indian Oxygen Limited, issued to the shareholders, together with the Directors' Report and Accounts for the year ended 30th September, 1960 and the Notice of the Company's 26th Annual General Meeting which is to be held on 14th February 1961.

The Directors' Report and Accounts for the year ended 30th September last are being circulated with this statement. In keeping with the trend in these matters, your directors have felt that the statement which is normally made by the Chairman at the Annual General Meeting, which is attended by only a very small proportion of the shareholders, should be circulated in advance to all members and that this opportunity might be taken to deal at some greater length than previously with the company's trading experience in the year under review, its financial position and its development plans with particular reference to its position in the expanding economy of India.

PROFITS, TAXATION AND DIVIDEND

The profit for the year, after providing Rs. 37,10,806 for depreciation and Rs. 38,85,900 for taxation, amounted to Rs. 62,98,449. This compares with a net profit for the previous year of Rs. 53,07,450 which was arrived at after charging depreciation of Rs. 31,69,459 and taxation of Rs. 34,62,755. As stated in the report of the directors, the profit may be considered satisfactory. Ours is, however, a capital-intensive industry and past experience has demonstrated the necessity continuously to plough back profits to provide for plant replacements at increased cost and for expansion which, as an industry serving other industries, we must always be prepared to carry out in anticipation of demand. I shall refer later in this statement to the expansion which we visualise over the next few years and to the arrangements which are contemplated to finance it. Suffice it to say at this juncture that, for so long as can be foreseen, there will always be the necessity to plough back substantial sums of money each year and it is in these circumstances that your directors have felt it appropriate, notwithstanding the increase in profits, to recommend the same rate of dividend as was paid in respect of the previous year.

SALES

From the accounts for the year you will observe that the value of sales exceeded that in the previous year by over Rs. 91 lacs, representing an overall increase of just over 16 per cent. While practically all products contributed towards this rise, the rate of increase was particularly high in the cases of piped oxygen supplies to the steel works, liquid oxygen explosives used in open-cast mining operations and electrodes. The increase in electrode sales was primarily due to the higher level of production at the factory and the introduction of new ranges of special types during the year. The rate of increase in sales of dissolved acetylene was disappointing and while partly due to delays in the completion of customers' own development programmes, was also accounted for by increased competition and

the use of alternative products. The principal raw material used in the production of dissolved acetylene is calcium carbide and towards the close of the year, with the commissioning of a plant in South India to supplement the output of another plant which had been functioning for some time in Calcutta, the country is now approaching self-sufficiency in this item. While this development is particularly welcomed by us as ensuring supplies of one of our main raw materials without our having to concern ourselves with the problem of foreign exchange, I have to observe that the high price of indigenously produced carbide and its lower gas yield are already having an adverse impact on the cost of production of dissolved acetylene.

DEVELOPMENT AND EXPANSION

Industrial gases and electrodes, which are your company's main products, play an increasingly important part in the industrialisation of the country, and this was appropriately recognised during the year when the Planning Commission called a meeting of the major producers and consumers to discuss the requirements of these products in the Third Five-Year Plan period. The outcome has been the inclusion of our industry's overall requirements in the draft outline of the Plan published a few months ago.

While the Planning Commission has indicated the country's overall requirements of our major products during the next few years and while this is extremely useful as a basis for planning our own production facilities, these requirements have to be broken down to assess the needs of each region. This is particularly important in the case of industrial oxygen and dissolved acetylene, where extremely high distribution costs limit the frontiers of the market. The whole country, therefore, has to be divided into several regions to be served by carefully sited producing and supply points. Again, each production point has to be of a capacity geared to the needs of the region it serves, and as the state and pace of development varies from region to region, it is obvious that the capacity and size of the various plant units will also vary. In catering for additional oxygen requirements, therefore, we have to consider the alternatives on the one hand of multiplication of plants of similar capacity, and on the other of stepping up the size of each unit as a region progresses industrially, so that benefit may be derived from the economies of larger scale production. Your company is in a particularly favourable position to fulfil this requirement of regional development, and this is accomplished by transferring oxygen producing plants from one region to another, and installing plants of higher capacity and greater efficiency in regions which, by reason of economic advancement, require such plants. This incidentally results in a significant saving of foreign exchange as the import of one additional plant may, through a number of consequential transfers, help to increase available capacity in more than one region. Thus, during the past year we have succeeded in stepping up oxygen production at Ahmedabad and Madras by transferring plants from Bombay to Madras and from Madras to Ahmedabad. This leaves the oxygen plant capacity at

Bombay to be augmented, and we are hopeful that the necessary licence under the Industries (Development & Regulation) Act will be forthcoming in the near future, to enable us to import a plant with adequate capacity against foreign exchange procured by the company.

Oxygen requirements in the Calcutta and Jamshedpur region have been growing apace and an additional 400 M3 oxygen plant was installed in each of the Calcutta and Jamshedpur factories during the year.

Another significant development took place at Burnpur, where we installed argon purification and high purity nitrogen production facilities, which were successfully commissioned during the year with the help of technical assistance received from The British Oxygen Company Limited. In our Burnpur factory we are now equipped to produce and compress argon, high purity nitrogen and argon/nitrogen and argon/oxygen mixtures. The production of these gases for the first time in India will lead to substantial savings in foreign exchange which had hitherto been expended on importing them and the cylinders which contained them. Argon, high purity nitrogen and their mixtures will provide electric lamp manufacturers with an indigenous source of supply, while argon will help in welding and fabricating stainless steel and aluminium and aluminium alloys, which are to be produced in the country in growing quantities in the years to come, and will also fulfil the large requirements of the Government Alloy Steel Plant to be set up at Durgapur.

The present oxygen producing plant in Bombay also produces liquid nitrogen which is essential for the operation of India's atomic reactors. The additional oxygen plant we hope to install there will further augment our supply of this gas, the demand for which is increasing and will continue to increase as India progresses in the field of atomic power generation.

Through the pioneering efforts of your company, liquid oxygen is being more and more used with loxite cartridges as an effective and economical explosive in open-cast mining for coal, iron ore, limestone and manganese. In developing the use of this explosive, we have been closely associated with the National Coal Development Corporation, the Tata Iron & Steel Co. Ltd., and the Indian Iron & Steel Co. Ltd. The loxite cartridge manufacturing plant which was established at Burnpur in May 1959 is producing the additional cartridges required to match developing sales.

The draft outline of the Third Five-Year Plan envisages rapidly increasing requirements of electrodes and our new factory at Khardah, Calcutta, is being equipped to meet the greater demands. The level of production at this factory improved during the year and new types of special electrodes were developed and introduced into the market. Our equipment factory at Calcutta, which two years ago undertook a phased programme of indigenous manufacture of gas-user equipment, is now on 100% local manufacture of the components required. Here again, plans are afoot to raise the level of production in the near future.

At Bangalore construction of a new oxygen and dissolved acetylene factory is progressing on schedule and operations should commence within the current financial year. When complete, this will afford increased production of dissolved acetylene in that growing industrial area.

At Gauhati, we have installed an oxygen plant within the premises of Indian Refineries Ltd., and I think we can claim that we have contributed in no small measure to the progress of erection at the refinery by coming forward with timely supplies of oxygen.

Nitrous oxide, which is an anaesthetic widely used by the medical profession in India and which is also exported, is now produced in our Calcutta factory. A

licence for setting up a second producing plant for nitrous oxide at Bombay has recently been obtained and when this plant is in operation, it is hoped to increase substantially both sales generally and in particular exports to the Near and Far East.

With regard to welding rods, miscellaneous gas-user and medical equipment and electric welding plant, it has been our policy to encourage their manufacture through feeder industries, thus reducing our reliance on imports. I am glad to say that in very many cases these feeder industries have been nursed and encouraged to undertake manufacture of these items, not only through the orders we place with them, but with the technical help we render them by drawing on our collaboration arrangements with The British Oxygen Company Limited.

It is obvious that with the increasing pace of industrialisation in the country and in particular having regard to the greatly increased quantities of steel which will become available for fabrication and machine building during the next Five-Year Plan period, the consumption of your company's products must continue to rise. What may not, however, be so widely appreciated is that based on the experience of the industrially developed countries, the rate of expansion of the industrial gases industry is likely to exceed the rate of expansion in the output of steel. Even today, in the United States of America, the consumption of oxygen per ton of steel produced is still increasing and this is a factor which I believe will have to be borne in mind in considering the scale of development required in India if shortages and deficiencies are not going to handicap the steel-using industries in the highly competitive years which lie ahead of us.

COMPETITION

Government's policy towards competition, especially with regard to industrial oxygen, has been indicated by the Planning Commission as follows:—

"... it was agreed that while recent entrants into this field and newcomers might be given some weightage in the interest of preventing over-concentration of growth, there could be no question of freezing the capacity of leading producers at current levels and that taking all relevant factors into consideration, an appropriate share of the expansion should be allowed to them also."

We accept this position which is in line with the declared economic and social objectives of planning in this country. I feel, however, that I should make one comment in this connection and it stems from what I have stated before, namely that by the very nature of its business, oxygen production facilities have to be sited at multiple points each serving a certain optimum area. If, therefore, the country is to reap the benefits of increased production each one of these production points should be allowed to grow to be able to achieve the economies of scale which in this industry are very considerable; indeed, spectacular. A careful eye should, therefore, be kept on this aspect of the problem so that wasteful competition is not allowed to lead merely to unnecessarily high prices to the detriment of our customers and therefore of the nation as a whole through failure to achieve economic cost levels.

FINANCE

The considerable expansion in our production facilities which has already taken place as well as the further expansion which is now visualised, necessarily involves financial commitments which cannot be completely met from cash retentions in the business. Apart from the quantum of the finance required, the necessity at this stage to import plants gives rise to a demand

for foreign exchange, and this is being met in various ways. The biggest single item in the past year has been for oxygen and dissolved acetylene cylinders and for this purpose accommodation was arranged through the United States Export-Import Bank. As a counter-part of this arrangement, the rupee equivalent of the U.S. Dollar cost which could not be met from internal resources was secured by way of additional facilities from our Bankers in Calcutta.

Our capital expenditure in the three years ending 30th September, 1963, is presently estimated at a figure of Rs. 3,85,00,000. Your directors have carefully considered the methods of financing this large expansion programme and in view of the steadily increasing investment in fixed assets have come to the conclusion that the Ordinary Share capital should now be increased. By virtue of The British Oxygen Company Limited's holding in our equity capital this will also yield foreign exchange in our hands through the parent company's subscription towards the new Ordinary Shares to be allotted to them. The consent of the Controller of Capital Issues has, therefore, been sought and obtained, and it is now proposed to make a rights issue of 6,00,000 Ordinary Shares of Rs. 10/- each at a premium of Rs. 8/- per share. You will notice that various matters arising out of this issue of share capital are proposed to be dealt with at the meeting to which this statement is to be submitted and full information is contained in the explanatory statement attached to the notice convening the meeting. I would particularly point out that although on the basis of its current holding of Ordinary Shares, The British Oxygen Company Limited, is entitled to 70% of the rights issue, they have agreed that they should take up only 60% thereof, thus enabling 40% to be offered to members other than The British Oxygen Company Limited, being very largely members of the Indian public.

MANAGEMENT AND PERSONNEL

In an expanding organisation such as ours which by the nature of its production is necessarily widely dispersed throughout the country, the need to provide for the development of senior executives is a continually increasing one. We have taken advantage of the facilities afforded to us by The British Oxygen Company Limited, to send a number of our officers to the United Kingdom for specialised training while nominees of the company have also attended the Administrative Staff College at Hyderabad as well as other specialised courses in sales and administration which have been available in India. We were particularly proud that our Secretary, Mr. A. K. Basak, was selected by the National Productivity Council to lead a Productivity Study Team on stores and inventory control to Japan, the United States of America and West Germany, while we are also pleased that one of our officers has been chosen for inclusion in a Productivity Team on welding which is to go abroad in 1961. The burden on our senior executives is a heavy one and I assure you that we have been well served by them. Our particular gratitude is due to our Managing Director, Mr. A. K. Sen, who has been untiring in his devotion to the company's interests. To him and to the other senior executives as well as to the staffs and work-people at our installations throughout the country I offer on your behalf our grateful thanks.

TECHNICAL COLLABORATION

It would be inappropriate to close this statement without a special mention of the help and assistance which we continue to receive from our parent company, The British Oxygen Company Limited. With the increasing tempo of development in India the contact between the personnel of the two companies has continued to grow at all levels and we were particularly pleased to welcome just a few weeks ago Mr. J. S.

Hutchison, the Chairman of The British Oxygen Company Limited, who in a crowded programme visited Jamshedpur, Calcutta, Delhi and Bombay. On your behalf I extend to The British Oxygen Company Limited and to its Chairman our appreciation of their valued assistance and of the very real interest which I can assure you they continue to take in our progress.

PROSPECTS

The Company is now embarked on a further expansion programme, the scale of which is substantial even on the basis of its already widespread activities. We are, however, building on a sound foundation and from what I have already stated, shareholders will appreciate that I have no doubts regarding the future demand for our products. Expansion of the steel-using industries constitutes a basic feature of the Third Five-Year Plan just as increased steel production was the central theme of the Second Plan. In these circumstances it is clear that our industry must forge ahead. At the same time I must point out that we have already shouldered substantial liabilities in the shape of foreign exchange loans and the likelihood is that the demands of Indian industry will compel us to consider before long a further stage of expansion, involving fresh financing problems. Having regard to all these considerations it may, I fear, be necessary for shareholders to be prepared to exercise a degree of patience in regard to the expectation of increased returns by way of dividend; but from what I have stated it is only reasonable that you should be able to look forward to a steady growth in the value of your investment in an industry which is vital to the continuing growth of the Indian economy. I have no doubt that, given a steady supply of the necessary raw materials, all industries in this country will bend themselves to the task of achieving what is expected of them under the Third Five-Year Plan and in serving them Indian Oxygen will play its full part.

MERCANTILE BANK LIMITED

(INCORPORATED IN ENGLAND)

(Liability of Shareholders Limited)

Head Office:

15, GRACECHURCH STREET, LONDON E.C.3.

West End Branch:

123, Pall Mall, LONDON S.W.1.

Branches and Agencies in:

INDIA PAKISTAN BURMA CEYLON MALAYA
SINGAPORE HONGKONG MAURITIUS
THAILAND JAPAN

Every description of Banking Business Transacted.

SAVINGS BANK ACCOUNTS

opened both at Calcutta and Howrah Offices.

CALCUTTA OFFICE:—
Gillender House,
Netaji Subhas Road,
CALCUTTA-1.

Sub-Branch.—
21, Grand Trunk Road,
HOWRAH.

W. H. JACKSON,
Manager

THIS IS ONLY AN ANNOUNCEMENT—NOT A PROSPECTUS

A copy of the Prospectus has been duly filed with the Registrar of Companies, Madras State, for registration together with the documents specified in the Prospectus, as required by Section 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 the public for inspection at the Registered Office of the Company at Rajapalayam. It must be distinctly understood that, in giving the consent, the Central Government, do not take any responsibility for the financial soundness of any scheme or for the correctness of any statements made or opinions expressed with 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 the public for inspection at the Registered Office of the Company. It must be distinctly understood that in granting the licence, the Government of India do not take any responsibility for financial soundness of the undertaking or for the correctness of any of the statements made or opinions expressed in regard to it.

The existing Equity and Preference shares of the Company are officially listed on the Madras Stock Exchange Limited, Madras. Application will be made in due course to the Madras Stock Exchange Limited for permission to deal in the Equity and Preference shares now offered.

The Subscription list will open at 10 A.M. on Friday, the 27th January, 1961 and will close at 10 A.M. on Saturday, the 4th February, 1961 or earlier as soon as subscriptions approximating to the amount issued hereunder to the public have been received, but not earlier than 10 A.M. on Wednesday, the 1st February, 1961.

MADRAS CEMENTS LIMITED

(Incorporated under the Companies Act, 1956)

SHARE CAPITAL

AUTHORISED CAPITAL:

1,50,000 Equity Shares of Rs. 100 each	Rs. 1,50,00,000
40,000 Redeemable Cumulative Preference shares of Rs. 100 each carrying a dividend of 9.3% free of Company's tax but subject to deduction of tax at source at prescribed rates.	40,00,000
10,000 Cumulative Preference shares of Rs. 100 each carrying a dividend of 6½% net after deduction of income tax at the prescribed rates.	10,00,000
Total	Rs. 2,00,00,000

ISSUED AND SUBSCRIBED CAPITAL:

40,000 Equity Shares of Rs. 100 each	Rs. 40,00,000
10,000 6½ per cent tax-free Cumulative Preference Shares of Rs. 100 each	10,00,000
Total	Rs. 50,00,000

PRESENT ISSUE:

50,000 Equity Shares of Rs. 100 each	Rs. 50,00,000
20,000 9.3 per cent Redeemable Cumulative Preference Shares of Rs. 100 each.	20,00,000
Total	Rs. 70,00,000

RIGHTS OF PREFERENCE SHARES

The holders of Preference shares shall be entitled to be paid out of profits which the Board of Directors shall determine to distribute by way of dividends, a fixed cumulative preferential dividend at the rate which after deduction of such amount of tax as may be prescribed from time to time under Section 18(3D) of the Indian Income-tax Act, 1922, would entitle the holder of such share to a net dividend of 6½% per annum on the capital paid-up for the time being on such shares

in respect of 10,000—6½% Tax-free Cumulative Preference shares of Rs. 100 each and at the rate of 9.3% per annum free of Company's tax but subject to deduction of tax at the prescribed rate as required under Section 18(3D) of the Indian Income-tax Act, 1922, on the capital paid up for the time being on such shares in respect of 40,000 Redeemable Cumulative Preference Shares of Rs. 100 each from the date of allotment and to a right on winding up to be paid all arrears of preferential dividends, whether earned or declared or not down to the commencement of the winding up and also to be repaid the amount of capital paid-up or credited as paid-up on the Preference Shares held by them respectively in priority to any payment in respect of Equity Shares, but shall not be entitled to any other rights in the profits or assets of the Company; subject as aforesaid and to the rights of the holders of any other shares entitled by the terms of the issue to preferential repayment over the Equity Shares in the event of winding up of the Company, the holders of Equity Shares shall be entitled to be repaid the amount of capital paid-up or credited as paid-up on such shares and all surplus assets thereafter shall belong to Equity shares in proportion to the amount paid-up or credited as paid-up on such Equity shares, respectively, at the commencement of the winding up. The holders of Preference shares that have already been issued and that may hereafter be issued shall, unless restricted by the terms of the issue of such shares, rank pari passu in the matter of payment of dividends and return of capital.

Any further issue of Redeemable Preference Shares over and above the present issue of 20,000 Redeemable Cumulative Preference Shares of Rs. 100 each ranking in all respects pari passu with the existing 10,000—6½% tax-free Cumulative Preference Shares of Rs. 100 each and 20,000 Redeemable Cumulative Preference Shares of Rs. 100 each now being issued under this Prospectus will be made only with the consent of holders of not less than three-fourths of the Preference Shares.

TERMS FOR REDEMPTION OF PREFERENCE SHARES

The shares will be redeemed at par after 10 years and before 15 years from the date of issue of shares.



Durgapur Thermal Power Station

Prestressed Concrete Plank Roofing was adopted for the Durgapur Thermal Power Station because of its lightness thus reducing the cost of the foundation and superstructure. It also made rapid construction possible.

A conventional cast-in-situ roof was ruled

out because of the unusual height between roof and floor.

The roof area covered was 50,000 sq. ft. The job was completed in about twelve months.

An additional feature is thermal insulation with foam concrete blocks.



SHALIMAR TAR PRODUCTS (1935) LIMITED

CALCUTTA • NEW DELHI • BOMBAY • LUCKNOW • CHANDIGARH

Agents: The Bombay Co. Private Ltd., Madras-1 R. C. Abrol & Co. (Private) Ltd., New Delhi-1

The Company may, at their option, start redeeming the Preference Shares at par, after six years from the date of issue of such shares. The Redeemable Cumulative Preference Shares, if any, subscribed for and held by the Industrial Finance Corporation of India, New Delhi, shall be redeemed in the first instance without draw of lots.

The Preference Shares may be redeemed all at a time or in instalments. The Preference shares to be redeemed on each occasion shall be determined by the drawing of lots.

RIGHTS OF THE EQUITY SHARES

The new Equity shares for all purposes shall rank pari passu with the existing Equity shares of the Company.

ALLOTMENTS TO SHAREHOLDERS AND FINANCIAL INSTITUTIONS

Pursuant to Section 81 of the Companies Act, 1956, and as per resolution passed by the Company in General Meeting on 1-10-1960, authorising the offer of the present issue to the holders of both Equity and Preference shares of the Company, all the shares under the present issue were offered in the first instance to the existing shareholders of both Equity and Preference shares of the Company, whose names appeared on the Register of Members of the Company as on 3rd December, 1960, on the basis of one Equity share of Rs. 100 each for every Equity or Preference share of Rs. 100 each held by them and two Redeemable Cumulative Preference shares of Rs. 100 each for every Five Equity or Preference shares or a combination of both held by them.

The shareholders of the Company have subscribed for 5,289 Equity shares and 2,941 Redeemable Cumulative Preference shares having a total nominal value of Rs. 8,23,000 leaving a balance of 44,711 Equity Shares of Rs. 100 each and 17,059 Redeemable Cumulative Preference shares of Rs. 100 each having a value of Rs. 61,77,000.

Out of the above, the Madras Industrial Investment Corporation Ltd., have subscribed for 27,500 Equity Shares of Rs. 100 each and 7,500 Redeemable Cumulative Preference shares of Rs. 100 each and they have been allotted these shares in full.

The Life Insurance Corporation of India have also underwritten and subscribed for 2,500 Redeemable Cumulative Preference shares of Rs. 100 each and these shares have been allotted in full.

THE ENTIRE ISSUE OF RS. 70 LAKHS IS UNDERWRITTEN

The following underwriting arrangements have been made with the institutions mentioned below in respect of the quantities and classes of shares mentioned against each.

Name of Underwriter	Redeemable Equity Cumulative shares	Total value Rs.
Madras Industrial Investment Corporation Ltd.	7,500	27,500
Industrial Finance Corporation of India, New Delhi.	10,000	10,00,000
Life Insurance Corporation of India, Bombay.	2,500	7,500
Indian Overseas Bank Ltd., Madras.	...	7,500

Brokers: Jointly

1) M. s. Chitra & Co., Madras)			
2) „ Maconochie & Co. „)			
3) „ Somayajulu & Co. „)	7,500	7,50,000	
4) „ Paterson & Co. „)			
5) „ P. R. Subramanyam,) Bombay.)			
Total	20,000	50,000	70,00,000

In the opinion of the Directors, the resources of the said underwriters are sufficient to discharge their underwriting obligations.

OFFER TO THE PUBLIC

The balance of the issued capital, namely, Rs. 24,27,000 consisting of 17,211 Equity shares of Rs. 100 each and 7,059 Redeemable Cumulative Preference shares of Rs. 100 each is offered at par for publication subscription in terms of the Prospectus and is payable as follows:—

On application	Rs. 50 per share
On allotment	Rs. Nil.

The balance of Rs. 50 per share will be called up at the discretion of the Directors not earlier than six months from the date of allotment.

No shares are issued for consideration other than cash.

The Life Insurance Corporation of India have also agreed to send us an open application for Equity shares to the value of Rs. 7,50,000 which will rank for allotment on a par with other applications received from the public.

BOARD OF DIRECTORS

- Shri T. K. Palaniappan I.A.S., Secretary to Government of Madras, Department of Industries, Labour and Co-operation, Madras.
- Shri P. A. C. Ramasamy Raja, Industrialist, "Ramamandiram", Rajapalaiyam, Director of Rajapalayam Mills Ltd., Rajapalaiyam, The Ramaraju Surgical Cotton Mills Ltd., Rajapalaiyam, Madras Industrial Investment Corporation Ltd., etc.
- Shri L. Alagusundaram Chettiar, Industrialist, Pasmalai, Madurai, Director of the Indian Bank Ltd., Madras, Mahalakshmi Textile Mills Ltd., Pasmalai, etc.
- Shri K. Venkataswami Naidu, B.A., B.L., Advocate, 94-C, Shenoy Nagar, Madras-30. Ex-Minister of Madras State.
- Shri A. S. K. Rathnasamy Nadar, 68, Victoria Extension Road, Tuticorin. Director of the Brilliant Trading Corporation Ltd., Madras, etc.
- Shri P. R. Ramasubramania Raja, B.Sc., "Ramamandiram", Rajapalaiyam, Director of Rajapalayam Mills Ltd., Rajapalaiyam, The Ramaraju Surgical Cotton Mills Ltd., Rajapalaiyam, etc.
- Shri K. Tiruvengada Mudaliar, B.A., 34, Second Main Road, Gandhinagar, Adyar, Madras-20. Director of Seshasayee Industries Ltd., Trichy.
- Shri S. Subbuswamy Iyer, Zamindar, "Srinilayam", Vannarpet, Tirunelveli-3. Director of Gitanjali Mills Ltd., Rajapalaiyam, etc.
- Srimathi C. P. Leelevathi Ammagaru, Zamindarini, Peria Aranmanai, Turaiyur, Trichy Dist.
- Shri A. M. S. Periasamy, Rubber Planter, No. 3, Main Road, Sunge Siput, Perak, Malaya.

- Shri V. S. Money, B.A., B.L., Banker and Landlord, Mitta Mansion, Krishnapuram, Kadayanallur. Director of Nagammal Mills Ltd., Nagercoil.
- Shri K. E. S. Ellappan, Banker and Landlord, Bungalow Street, Koilpatti. Director of Sree Rajagopaul Bank Ltd., Koilpatti.
- Shri K. S. Mohamed Ariff, Contractor, 199, Angappa Naick Street, Madras-1.
- Shri T. K. Thirumalaiappa Mudaliar, Proprietor: Kanthimathi Medical Stores. Tirunelveli Junction.

MANAGING AGENTS

Messrs. P. A. C. Ramasamy Raja & Co.,
"Ramamandiram",
Rajapalaiyam, S. Ry.,
Ramanathapuram District

BANKERS

State Bank of India, Rajapalaiyam.
The Indian Bank Ltd., Madras.
The Indian Overseas Bank Ltd., Madras.
The Central Bank of India Ltd., Rajapalaiyam.
The Rajapalaiyam Commercial Bank Private Ltd.,
Rajapalaiyam.

AUDITORS

Messrs. M. S. Krishnaswami & Jaganathan.
Chartered Accountants.
Coimbatore.

REGISTERED OFFICE

"Ramamandiram", Rajapalaiyam.

FACTORY OFFICE

Tulukkappatti, S. Ry., Sattur Taluk,
Ramanathapuram District

UNDERWRITERS

Madras Industrial Investment Corporation Ltd.
38, Whites Road, Royapettah, Madras-14.
Industrial Finance Corporation of India,
Reserve Bank Buildings,
Parliament Street, New Delhi.
Life Insurance Corporation of India,
"Jeevan Kendra",
Jamshedji Tata Road, Bombay.
The Indian Overseas Bank Ltd.,
Mount Road, Madras-2.
Messrs. Chitra & Company,
Post Box No. 1557,
322/323, Linghi Chetty Street, Madras-1.
Messrs. Somayajulu & Company,
337, Thambu Chetty Street, Madras-1.
Messrs. Maconochie & Company,
Post Box No. 291,
Mercantile Bank Building, First Line Beach,
Madras-1.
Messrs. Paterson & Company,
Post Box No. 48,
22, Errabalu Chetty Street, Madras-1.
Messrs. P. R. Subramanyam,
70-A, Stock Exchange Building,
Apollo Street, Fort, Bombay-1.

BROKERS

Messrs. Chitra & Company,
Post Box No. 1557,
322/323, Linghi Chetty Street,
Madras-1.
Messrs. Paterson & Company,
Post Box No. 48,
22, Errabalu Chetty Street,
Madras-1.

Messrs. Somayajulu & Company,
337, Thambu Chetty Street,
Madras-1.

Messrs. Maconochie & Company,
Post Box No. 291,
Mercantile Bank Building,
First Line Beach,
Madras-1.

Messrs. P. R. Subramanyam,
70-A, Stock Exchange Building,
Apollo Street, Fort, Bombay-1.

Messrs. A. B. Pandit & Company,
32, Apollo Street, Fort, Bombay-1.

Messrs. J. R. Motishaw & Company,
32, Apollo Street,
Fort, Bombay-1.

Messrs. M. Nanjappaiah Jahgirdar,
Post Office Box No. 71,
181, Cavalry Road, Bangalore-1.

Messrs. M. R. Dhawan & Company,
4/8, Asaf Ali Road,
New Delhi-1.

CONSENT

The consent in writing of the abovenamed Bankers, Brokers and Auditors of the Company to act in the respective capacities have been obtained and have been filed with the Registrar of Companies, Madras, and have not been withdrawn.

HISTORY OF THE PROJECT

The Company was incorporated on the 3rd July, 1957, for the several purposes set forth in the Memorandum of Association and in particular to undertake the manufacture of Portland Cement and other allied products. A factory has been established for this purpose at Tulukkappatti, Ramanathapuram District. An industrial licence has been obtained from the Central Government for erecting a factory with a capacity of 600 tons of Portland Cement per day to be executed in two stages.

Large reserves of suitable limestone are available from quarries within a few miles from the factory. Suitable clay and gypsum are also available in and around the area. Extensive lands for the factory and residential buildings, both for existing and expansion scheme, have been acquired by the Company. Plenty of water is available from Arjuna River nearby. Necessary pipe lines have already been laid from the river bed to the factory site. The supply will be sufficient both for the first and the second stage of the project. The State Electricity Board have sanctioned necessary electric power to meet the requirement of the first stage of the factory and they have already made the power available. They have also assured the sanction in time of the required electric power for the second stage. The factory is located on the Madras—Cape Comorin National Highway and is well served by rail and road transport facilities. Besides, it is very near to the Tuticorin Port.

The Certificate of Commencement of Business was obtained on 31st July, 1957. The licensed capacity of 600 tons per day is to be executed in two stages, namely, the first stage having a capacity of 200-250 tons per day and the second stage having an installed capacity of 350-400 tons per day, making the total of 600 tons per day.

In accordance with the above phased programme, to finance the outlay of the First Stage, a capital issue of Rs. 50 lakhs was made. The original issue of Rs. 50 lakhs was in the form of Rs. 10 lakhs of Preference and Rs. 40 lakhs of Equity shares both of the denomination

of Rs. 100. The entire Preference capital of Rs. 10 lakhs and Rs. 30 lakhs of Equity shares out of Rs. 40 lakhs were placed before the investing public without resort to the publication of a Prospectus, using the personal influence of the Chief Promoter, Shri P. A. C. Ramasamy Raja, the well-known Mill Magnate of Rajapalayam and the Managing Agents of Rajapalayam Mills Ltd., Rajapalayam, the Ramaraju Surgical Cotton Mills Ltd., and Javaram Mills Ltd., Rajapalayam. The balance of Rs. 10 lakhs of Equity shares was taken up by the Madras Government to signify their confidence in the project. Further, a long term loan of Rs. 40 lakhs was obtained from Industrial Finance Corporation of India, New Delhi, to secure the balance of requirements.

The Company has now completed the first stage of the construction of the 200-250 ton factory. The plant and machinery were supplied by the internationally well-known firm of Messrs. Skodas of Czechoslovakia and they were erected under the supervision of their experts. The Directors are glad to state that the first stage of the project is about to be commissioned and the cement produced by the factory will be placed on the market shortly.

EXPANSION SCHEME

The Company is now issuing additional capital to find the required finance for the second stage of the project. The supply and erection of plant and machinery for the second stage are also in the hands of Skoda, who have made all arrangements for delivery by the end of 1961 and erection of the machinery according to our present schedule.

The Import Licence for the plant and machinery for the expansion scheme has already been granted by the Government of India under Rupee payment terms and it is in accordance with the terms of this licence that we have placed firm orders with Messrs. Skodas.

PLANT AND MACHINERY

The Company has entered into an agreement on 9-12-1959 with Messrs. Skoda (India) Private Ltd., Bombay, Agents of Messrs Technoexport of Czechoslovakia, for supply of the expansion plant of 350-400 tons day capacity. The entire plant and machinery including electrical drives are to be supplied by the renowned manufacturers in Czechoslovakia, Messrs. Skodas. These manufacturers of cement-making and other machinery, enjoy a world wide reputation, particularly in the Cement and Sugar lines. They have undertaken the erection and the successful commissioning of the extension plant. The plant and machinery supplied by the above mentioned firm, Skodas, is for the wet process.

CAPITAL REQUIREMENTS

The total cost of the second stage of the project is estimated as under:

Plant and Machinery	Rs. 76.25 lakhs
Civil Construction	" 27.00 "
Other Assets	" 9.25 "
Contingencies	" 3.50 "
Expenses for issue of shares	" 4.00 "
TOTAL	Rs. 120.00 "

The requirements of working capital for the Second Stage will be about Rs. 20 lakhs.

SOURCE OF FUNDS

The total sum will be provided as under:	
By the present issue of share capital	Rs. 70 lakhs
Additional long-term loan from the Industrial Finance Corporation of India, New Delhi (already sanctioned)	" 50 "
TOTAL	Rs. 120 lakhs

The requirements of working capital, namely, Rs. 20 lakhs for the Second Stage will be met out of the earnings of the first stage and borrowings from banks.

PROSPECTS

It is well-known that the cement industry in India has not only seen phenomenal growth in the last twelve years but is looking forward to a period of increasing consumption of cement in the next decade. Apart from a quadrupling of capacity in a little over a decade, the industry has been allotted a target of 14 million tons during the Third Plan period. The capacity of the industry at the end of 1960 was estimated at about 9 million tons. Thus, it is safe to expect that the target will be more than achieved during the Third Plan period, though it is expected that, by this time, consumption of cement by the house building industry will, apart from the needs of the large projects of the Third Plan, have very considerably increased. Actually, it is expected that, by the first year of the Third Plan, cement consumption will receive a new stimulus with the availability of larger quantities of steel, with the completion and coming into operation of the three steel units in the public sector. The Company's expansion scheme, is therefore, timely.

PROFITS

The Directors are of opinion that in the absence of any unforeseen circumstances, the Company will earn sufficient profits as to enable the declaration of a reasonable dividend within one year from the date the second plant goes into production.

FINANCIAL INFORMATION

The Auditors' Report dated 10-1-1961 in accordance with the provisions of the Companies Act, 1956, has been appended to the Prospectus. The Auditors have given and have not withdrawn their written consent to the inclusion of their reports in the form and context in which it appears.

EXPENSES OF THE ISSUE

The expenses of the issue, including underwriting — commission and brokerage, are estimated not to exceed Rs. 4 lakhs and are payable by the Company.

UNDERWRITING COMMISSION

Underwriting Commission at the rate of 2½ per cent on the nominal value of both Equity and Preference shares underwritten will be paid to the underwriters.

BROKERAGE

Brokerage at the rate of 1% will be paid to the Bankers of the Company and recognised Brokers on all allotments made in respect of applications for Preference and Equity shares bearing the stamp of such Banks or Brokers. Brokerage on the same basis is payable to underwriters in addition to the underwriting commission, on allotments in respect of applications made or procured by them and bearing their respective

stamps. However, no brokerage is payable on shares subscribed by the existing shareholders under Section 81 of the Companies Act, 1956, or by the Directors or by the Managing Agents or their associates and by the Madras Industrial Investment Corporation Limited.

DIRECTORS

The Articles of Association of the Company provide that the number of Directors shall not be less than three and until otherwise determined by the General Meeting, not more than fifteen, including Ex-Officio Directors. The maximum number of Directors not liable for retirement by rotation shall not exceed one-third of the total strength of the Board. The qualification of every Director, other than the first Directors, Ex-Officio Directors, and alternate Directors, Madras State Government Director, and Industrial Finance Corporation of India Director shall be his holding shares in the capital of the Company of the face value of Rs. 5,000/- and it shall be his duty to comply with the provisions of Section 270 and 271 of the Act.

Every Director is entitled to receive a sitting fee of Rs. 100/- for every meeting of the Directors or of any Committee of the Directors attended by him and all reasonable travelling, hotel and other expenses incurred within India for attending and returning from meetings of the Board or a Committee thereof or in connection with the business of the Company.

BORROWING POWERS

The Directors may at their discretion raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company provided that the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) shall not at any time, except with the consent of the Company in General Meeting, exceed the aggregate of the paid-up capital of the Company and its free reserves.

INTEREST OF DIRECTORS

Messrs. P. A. C. Ramasamy Raja and P. R. Ramasubramania Raja, Directors of the Company, are the partners of Messrs. P. A. C. Ramasamy Raja & Co., the Managing Agents of the Company and each of them is interested in the remuneration payable to the Managing Agents in the following proportion:

1. Shri P. A. C. Ramasamy Raja	51%
2. Shri P. R. Ramasubramania Raja	49%

Each of the Directors is interested to the extent of shares subscribed, allotted or to be allotted to him in the Company and in the sitting fee receivable by him for attending the meeting of the Board of Directors.

MANAGING AGENTS

Messrs. P. A. C. Ramasamy Raja & Co., have been appointed with the approval of the Central Government accorded in their letter No. 41 (914)-GMN/57 dated 4th October, 1957, as the Managing Agents of the Company, for a period of 15 years from 30-1-1958 on a remuneration of 10% of the annual net profits of the Company. For this purpose, the net profits are to be computed in accordance with Section 349 and 350 of the Companies Act, 1956. In the event of inadequacy or absence of profits, the Managing Agents will be paid, as minimum remuneration for every such financial year of the Company, such sum payable in such manner, as the Central Government may hereinafter fix in this behalf.

In the event of any compensation becoming due and payable to the Managing Agents for loss of office, such compensation shall be determined in accordance with Section 366 of the Companies Act, 1956.

The partners of the Managing Agents are well-known industrialists and they are associated with several successful enterprises.

Subject to the provisions of the Companies Act, 1956, and to the supervision and control of the Board of Directors, the Managing Agents shall have the Management of the whole affairs of the Company. The Managing Agents have a right of appointing not more than two Directors where the total number of Directors of the Company exceeds five and one Director, where the total number does not exceed five. Such appointees will be known as Ex-Officio Directors.

VARIATION OF RIGHTS

The rights attached to any class of shares may be varied by complying with provisions of Sections 106 and 107 of the Companies Act, 1956.

INSPECTION

Copies of Memorandum and Articles of Association of the Company, Audited Balance Sheet and Profit and Loss Account for the last three financial years and the Auditors' Report referred to hereinabove, the original consent order of the Controller of Capital Issues, Licence issued by the Government of India for establishment of new industrial undertaking and copies of other contracts, agreements and documents mentioned in the Prospectus can be inspected at any time during the usual office hours of the Company at the Registered Office of the Company for a period of 14 days from the date of publication of the Prospectus or until the Subscription List closes whichever is earlier.

APPLICATION AND ALLOTMENT

Applications for Equity and Preference shares must be for a minimum of 5 shares.

All applications must be made on the forms accompanying the Prospectus which can be had from the Registered Office of the Company, the Company's Underwriters, Brokers and Bankers. In respect of Bankers, arrangements have been made with the following offices for receiving applications and remittances.

State Bank of India, Rajapalayam, Madras and Bombay; Indian Bank Ltd., Madras, all their branches in Madras State, Bombay, Calcutta and New Delhi; Indian Overseas Bank Ltd., Madras, all their branches in Madras State, Bombay, Calcutta, and New Delhi; Central Bank of India Ltd., Rajapalayam, Madras and Bombay, and Rajapalayam Commercial Bank Private Ltd., Rajapalayam.

The form of application accompanied by the necessary remittance of Rs. 50/- per Equity or Preference share applied for, should be delivered to the Registered Office of the Company, Company's Underwriters, Brokers and Bankers mentioned in the Prospectus on or before the date of closing of the subscription list.

Cheques or drafts drawn on banks at places other than those mentioned above must include bank charges at 1/8% with a minimum of 75 nP. Cheques or drafts should be made payable to 'Madras Cements Limited' and should be crossed. A separate cheque or draft should accompany each application.

Company Meeting

THE ASSOCIATED CEMENT COMPANIES, LIMITED

Twenty-fourth Annual General Meeting of the Company

Speech by the Chairman, Shri Dharamsey M. Khatau

PROFITS AND DIVIDEND

Speaking at the 24th Annual General Meeting of the Associated Cement Companies Limited held in Bombay on Friday, 20th January 1961, the Chairman, Shri Dharamsey M. Khatau said: "After the steady and continuous deterioration in profits over the preceding four years, there has at last occurred some slight improvement in gross profits and net profits. Encouraged by this, and by the prospect, or at least the hope, that the Tariff Commission now examining our current and future costs will recommend a fair price and that the benefits accruing hereafter from the increase in installed capacity will not be wholly neutralised by further increases in costs, your Directors have decided to recommend a Dividend at Rs. 12 per share (subject to deduction of tax). This has been done in an endeavour to reach what we consider to be the **minimum rate of dividend** to which the shareholders are entitled. Your Directors realise that this is by no means yet a fair return on shareholders' capital, having regard particularly to the fact that the shareholders have also contributed a very substantial amount of further capital by way of Premium on Shares paid in cash. But it is not possible to go any further in that direction just at present, because even the modest dividend now recommended as well as the rate at which it is proposed to pay Bonus to our employees this year, have necessitated the heavy withdrawal of Rs. 84.50 lakhs from General Reserve.

PRODUCTION AND COSTS

"Despite the slight improvement in profits the results of last year's working have been disappointing. In keeping with the Second Plan, the installed capacity of your Company's factories in India rose from 34.42 lakh tons to 37.30 lakh tons, but despatches improved only from 31.47 lakh tons last year to 33.68 lakh tons. This was not due to any lack of demand for cement. On the contrary, the demand improved strongly since the beginning of 1960. But the shortage of railway wagons, especially since the end of May 1960, prevented us from taking full advantage of the improved demand. Moreover, your Company along with many other industrial concerns was adversely affected by the acute shortage of transport for coal, with the result that a number of our Works were obliged to curtail production for want of coal supplies towards the end of the year under review. The transport situation continues to be grave, though the authorities concerned are doing all they can to ensure for our cement plants at least their minimum requirements of coal and adequate supply of wagons for despatching cement. We are also endeavouring to increase despatches by road transport.

"Apart from these, the increase in gross earnings has been largely offset by further increases in the cost of various materials, enhanced railway freight, a further rise in the cost of coal and power, higher incidence of labour costs etc. The incidence of depreciation was also

higher on account of the high capital cost of expansion and rehabilitation projects.

"The implementation of the recommendations of the Cement Wage Board would have increased the labour costs still further but for the Government's acceptance of the Wage Board's finding that the cement industry was incapable of bearing this additional burden, and that consequently there was need to neutralise it by an appropriate increase in the retention price. Unfortunately, in the process of computing this higher labour cost per ton of cement, the installed 'rated' capacity has been taken as the base instead of the actual production which was considerably lower.

"The major increases in costs which have been responsible for the progressive reduction of profits have been due to factors entirely beyond the control of the Company. They have in fact been the direct consequence of Government's own fiscal, monetary, labour and welfare policies in an attempt, on the one hand, to implement the Second Five-Year Plan which many of us regarded as extravagant and, on the other, to move nearer to the goal of a socialistic pattern of society which, at this juncture, most of us consider impracticable."

TARIFF COMMISSION

"In view of continually rising costs," the Chairman continued, "your Company was constrained to approach the Government repeatedly since 1959 for some enhancement of the retention price. It was pointed out that the continued decline in the earning capacity of the Company, despite the substantially higher production and increased capital employed, which is amply borne out by our published accounts since 1956, was the direct outcome of increasing costs and the uneconomic retention price. The Government was well aware that your Company has always co-operated in the plans and policies of Government by readily assuming responsibility for its share in the expansion of the country's cement output, and by carrying out expansions and technical improvements with a view to keeping down production costs. Your Company has also participated in establishing a major Heavy Engineering project in the country in collaboration with two leading British Concerns, involving very considerable investment of resources in men and money. In view of all this, one cannot but deprecate the irresponsible attitude of Government in deliberately ignoring the difficulties and needs of this basic controlled industry, and in refusing to re-fix the retention price at a level which would yield a reasonable margin of profit, and also leave something over for ploughing back into the business. Even more reprehensible was the Government's failure to implement the last Tariff Commission's recommendations concerning the retrospective operation of the enhanced retention price fixed in 1958 and the need to alter that price from time to time with every change in the cost of coal.

"In these circumstances, the decision of the Government to refer the whole question once again to the

Tariff Commission for a fresh investigation is welcome, though the decision was taken after nearly two years of inaction. In effect, this means that the Cement Industry will have to continue to suffer, without any redress, not only the entire rise in costs which has already occurred since January 1958, but also the further rise which will undoubtedly occur until a new retention price becomes operative.

"Meanwhile, almost exactly a month ago, even before the Tariff Commission could make a start with its formidable task, came an extraordinary edict from Government. They decided, by a stroke of the pen, to compel the industry to use second hand bags for packing cement; and this at a price so low, conceived as an **average price** for packing in New Bags and Used Bags, that it makes the whole scheme both impossible of performance and grossly expropriatory.

"I have often wondered,—lately with some anxiety,—what could be the reasons for singling out the Cement Industry for such unsympathetic, if not indeed harsh, treatment. Can it be that, even after all these years, there is as yet no understanding in Government circles of the real needs, or the elementary "economics" of this major, basic, capital-intensive industry? Do they not want a Cement Industry that is buoyant and can grow with freedom and vigour to a point when shortage of cement will be a thing of the past? Or is it, quite simply, that State Trading in cement, though initially highly lucrative, has lately become such an unprofitable adventure, that a desperate attempt is now being made to minimise the liability by passing back the losses in State Trading to the producers? I suspect that this last point is nearest the mark; but whatever may be the true answer, I feel bound to say, with all the emphasis at my command and with a full sense of responsibility, that the recent policies of Government affecting this major industry are fraught with grave consequences to its future and to the early satisfaction of the country's urgent need for cement. I must also add that 'holding the price line' is impossible, with **planned inflation** on the one hand, and with so many variable factors (of Government's own making) tending towards rising costs, on the other. In such circumstances a rise in the price of cement is an unavoidable necessity if a further increase in cement production is not to be throttled.

"It is with this background that we propose to urge before the Tariff Commission that the 'fair return' on the capital employed in the Cement Industry should be conceived as a 'fair **net distributable** return' after meeting all items of cost. In particular we shall urge that there can be no justification—legal or equitable—for excluding from the over-all 'cost' of cement either such items of **direct cost** as the full charge for packing, whether in New or Used Bags, and the commission payable to stockists, or such large and specific items of **overhead costs** as Bonus and accruing Gratuity to employees, the remuneration payable to Managing Agents, the statutory Development Rebate Reserve and Company Taxation. To admit, on the one hand, that the industry is entitled to a fair return on capital employed, but to insist, at the same time, that from this return itself the industry should in effect meet the cost of the items to which I have just referred is a contradiction in terms. It certainly results in our being left with a net distributable return which can hardly be described as fair."

EXPANSION AND REHABILITATION

The Chairman reported that the Company's various expansion and rehabilitation projects have made satisfactory progress. Giving details, Shri Khatau mentioned the extensions to the Shahabad Works which raised

its capacity from 4.00 lakh tons to 5.65 lakh tons per annum; the modernisation and extension of the Kymore Works as a result of which the capacity of the factory has been raised from 3.60 to 5.73 lakh tons per annum; the installation of the floatation plant for the beneficiation of low-grade limestone and the slag-cement plant at Chaibasa; and the slag-granulation plant at Jamshedpur. The Chairman expressed his fears that it may not be possible to commission the recently completed second dry-process kiln at Mancherla immediately due to the inability of the Andhra Government to supply the full requirements of additional power.

NEW CEMENT WORKS AT DURG

Shri Khatau also announced that the Company had decided to start immediately on the building of a Cement Works at Durg in Madhya Pradesh which was held in abeyance due to the glut in the cement market and the shortage of foreign exchange etc. The Government of India has now agreed to give high priority to this project so far as foreign exchange is concerned. This new Cement Works will have an initial capacity of 1.65 lakh tons of cement per annum, and in due course, will produce slag-cement using blast-furnace slag from the Bhilai Steel Plant.

FIREBRICKS AND WHITE CEMENT

The capacity of the refractories factory at Katni was being raised from 17,640 tons to 30,000 tons per annum in view of the adequate demand for this product. The Company also marketed nearly 8,000 metric tonnes of Silvicrete white cement produced at the old Porbandar Works. Since demand continued to be fairly steady despite competition from imported and local white cement, and was likely to increase in the coming years, the Company has planned to install a new 25,000 ton capacity white cement plant at Kymore.

COLLIERIES

Shri Khatau also said that the Company's Nowrozaabad and Kotma Collieries met a good portion of coal requirements at some of the cement works and the modern coal-washing plant at Nowrozabad to improve the quality of the coal produced there, is supplying enriched washed coal to the Kymore Cement Works replacing the more expensive Bengal coal to a large extent.

MACHINERY MANUFACTURE

Continuing, the Chairman stated that in line with the Government policy of encouraging the setting up of a heavy-machinery industry in India, the Company has decided to establish a well-equipped engineering works at Shahabad for the manufacture of machinery required for cement, paper and pulp, chemical industries etc. Meanwhile, the Company continues to manufacture cement machinery for its own requirements at the existing Central Workshops at Shahabad.

ACC-VICKERS-BABCOCK LTD.

The work on the construction of the Heavy Engineering Works at Durgapur in collaboration with Messrs Vickers Ltd. and Messrs. Babcock & Wilcox Ltd. is proceeding according to schedule. The new Company is expected to go into production by the end of 1961. ACC-Vickers-Babcock Ltd. have up to now issued 3,00,000 shares of Rs. 100 each and the ACC's share, which is 49.8% of the shares so issued, amounts to Rs. 1,49,40,000/-.

PAKISTAN

The Chairman reported that the Company's factories in Pakistan continued to function satisfactorily. Remittance to India of profits earned in Pakistan continued to be banned, but the Company was allowed to remit to India the due proportion of the management and administrative charges incurred at the Head Office. The demand for cement in Pakistan was steadily growing and naturally, the Government of Pakistan were eager to meet this growing demand by increased production within the country. "They therefore approached us to expand the capacity of our two plants in Pakistan; but we expressed our inability to do this for want of the substantial foreign exchange resources required for the purpose."

The Chairman continued: "As the need for expanding the cement production in Pakistan was undoubted, we have been in negotiation with certain foreign interests—at first British, and now American—to transfer our factories to them on terms mutually agreeable and subject, before completion, to the approval of the Government of Pakistan and the Government of India. The pre-requisites of any such transaction must be that we get a price which is fair, having due regard to all the circumstances, and that the entire sale proceeds together with our cash balances should be received by us in Indian Rupees or in convertible foreign exchange. From the point of view of the Government of Pakistan, such an arrangement would be of great value because it would ensure considerable expansion of production capacity without any burden on the foreign exchange resources of the country either for the acquisition of our factories, or for their further expansion. To the Government of India also the transaction should be welcome as it would enable the release of our resources in Pakistan for investment in further expansion in India. Negotiations are proceeding satisfactorily and before they are finalised the shareholders will be approached for their approval."

BONUS SHARES, MANAGING AGENCY ETC.

The Chairman stated that the Directors "have been reluctantly compelled to drop the idea of issuing Bonus Shares until such time as Government may deem fit to withdraw this entirely unjust imposition" (of a 30 per cent tax) "the incidence of which your Company cannot bear." Shri Khatau hoped that the Government (in the Company Law Administration Department) will sanction the extension of the duration of the Managing Agency Agreement to ten years and to enhance the terms as to remuneration above the "standard scale".

LABOUR-MANAGEMENT RELATIONS

Commenting on labour-management relations Shri Khatau observed: "Among the outstanding events of the year under review was the publication of the Report of the Central Wage Board for the Cement Industry."

He said that its main recommendations had been approved by Government and had been voluntarily accepted by us. The Wage Board must be complimented on the competence with which it has worked out a clear, need-based, fair wage pattern for this Industry.

Continuing, Shri Khatau said: "For this very reason your Company, without waiting either for the actual realisation of the revised retention price or the assessment of proper work-loads, went ahead with the imple-

mentation of the Wage Board's recommendations at most of our Works and has already paid the new fair wage in consultation with the Unions at those Works. I am confident that, very soon, with the co-operation of the Unions concerned, we shall be in a position to implement the new wage scales at the remaining Works also.

"There are, however, certain aspects of this question to which, I feel, I must draw the pointed attention of the authorities. The Wage Board has for all practical purposes ignored the importance of fair work-loads as an essential element in any fair wage fixation. This was contrary to the positive stipulation of the Fair Wages Committee, the principles of which the Central Government desired the Wage Board to follow by making a specific provision to that effect in the Terms of Reference.

"I imagine that, by now, we have all come to realise that the productivity of our workers is very much lower than in other industrialised countries. For reasons beyond our control we have to engage a much larger manpower force than is the case elsewhere, even in plants of equal capacity, with identical equipment and the same degree of mechanisation. Raising the wages of workers in this context, unaccompanied by a corresponding assessment of fair work-loads or a rise in productivity, becomes a dubious and somewhat self-defeating device because, in our developing economy, its inflationary result detracts from the workers' real income on which alone their standard of living can depend.

"The relegation by Government of work-load studies to a stage of secondary importance is all the more difficult to understand when the Planning Commission as well as the Government have repeatedly made it clear that higher productivity is the only sure basis of prosperity and well-being of the workers.

"However, it is at least some gain that the need for undertaking work-load studies has been accepted in principle. And although we did not succeed in persuading the Central Government to entrust the task of scientific work-load assessment to expert independent agencies having specialised knowledge of this particular type of work, Government has asked the Chief Adviser (Factories) to initiate pilot projects for intensive studies in two or three units in this Industry. We are giving the fullest assistance and co-operation to this team to facilitate and expedite their work."

APPRECIATION

Despite the low level of profits the Chairman said the Directors have decided to maintain the rate of bonus to all the Company's employees at the same level as last year, and the large majority of the employees in the lower scales of pay would receive substantially higher amounts of bonus this year in view of the increase in their basic wages due to the implementation of the recommendations of the Central Wage Board for the Cement Industry.

Shri Khatau concluded with an expression of warm appreciation of the sustained hard work and whole-hearted co-operation of all the Company's employees.

NOTE: This does not purport to be a report of the proceedings of the annual general meeting which will be sent separately to shareholders on request.

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Food articles & Tobacco	Liquor	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures			All Comme- dities
					Inter- mediate Products	Finished Products	Total	
1953-54	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	102.3	84.3	104.2	115.0	110.9	105.5	106.3	105.3
1957-58	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	119.0	99.5	116.5	123.7	113.8	111.3	111.6	117.1
October 1959	123.8	101.4	117.6	122.6	114.4	110.4	111.1	119.3
November "	121.4	104.6	117.4	122.5	116.1	111.0	111.7	118.3
December "	118.2	103.7	117.3	127.2	118.0	112.6	113.4	117.9
October 1960	121.8	113.5	119.9	145.6	130.2	123.8	124.7	126.3
November "	120.2	116.8	120.1	143.0	131.6	124.7	125.7	126.0
December "	117.2	112.1	120.3	149.6	132.3	125.0	126.0	124.2
17-12-1960	117.0	112.3	120.3	148.1	131.9	124.5	125.5	124.3
24-12-1960	117.0	111.7	120.3	150.6	132.5	124.8	125.9	124.6
31-12-1960	115.3	111.7	120.4	152.0	133.0	125.7	126.8	124.4
7-1-1961	116.2	110.9	120.3	152.5	133.4	126.0	127.0	125.0

*Revised.

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

Period	Bombay		Delhi	Ben- gal	U.P.	Central Provinces		Madras	E.P.	Bihar	All India†
	Bombay	Bombay June 1934=100				Nagpur	Jubbulpur†				
1939 (Aug.-Dec.)	103	—	—	—	105	104	—	106	—	—	—
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	130	321	371	364	133	321	134	135
1956	336	352	244	142	347	424	397	151	358	152	146
1957	352	368	259	150	364	448	422	162	374	157	157
1958	376	394	274	150	384	468	447	165	401	157	169
1959	393	412	309	153	384	469	498	163	429	166	173*
1960	—	—	—	158*	—	—	—	—	—	—	—
1960 March	395	414	287	157	392	464	510	165	446	166	168
April	402	421	283	155	392	463	511	165*	446	162	163*
May	402	421	295*	153	396	461	510	165*	452	166	163*
June	403	422	297*	154	399	460	510	165*	462	167	164*
July	404	423	299*	160	406	484*	515	165*	467	169	164*
August	402	421	302*	160	410	484*	515	163	470	169	168*
September	399	418	—	161	403	489	520	163	472	167	168*
October	402	421	—	162	396	488	517	163	477	171	164*
November	404	423	—	159	392	489	509	163	—	171	168*
December	—	—	—	160	—	—	—	—	—	—	—

†Base 1944=100. *Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)
WEEK ENDED

	20-1-1961			13-1-1961			6-1-1961			30-12-1960		
	High	Low	Aver- age	High	Low	Aver- age	High	Low	Aver- age	High	Low	Aver- age
Gold (per 10 grams)	118.55	116.05	117.04	117.25	115.75	116.55	115.45	114.00	114.98	114.60	113.60	114.08
Silver (per kilogram)	204.60	201.05	202.59	202.05	197.95	200.13	197.60	194.75	196.01	194.90	193.50	194.17

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)
1952-53 ..	546.23	309.26	855.49	33.33	51.82	9.95	461.64	38.47	60.48	306.34
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	911.55	22.66	53.91	9.50	468.39	84.66	60.68	339.74
1955-56 ..	608.64	407.95	1,016.59	34.64	62.52	8.69	514.37	118.08	63.02	370.71
1956-57 ..	653.34	453.92	1,107.26	36.94	50.23	7.96	626.08	155.56†	71.39	359.35
1957-58 ..	723.89	619.19	1,343.08	39.34	77.55	8.72	723.79	167.32†	66.77	346.84
1958-59 ..	735.93	860.33	1,596.26	40.30	83.99	7.74	766.56	133.27†	56.37	565.14
1959-60 ..	745.83	1086.79	1,832.62	44.84	75.81	6.58	842.75	144.49†	53.87	725.20
Average of Fridays										
July 1960 ..	792.72	1215.71	2,008.43	48.19	112.01	7.98	979.13	147.95†	56.12	735.74
August ..	792.95	1212.04	2,004.98	46.35	110.46	7.82	966.68	149.15†	55.65	729.09
September ..	779.24	1188.44	1,967.68	46.46	102.53	7.57	980.18	146.48†	57.26	734.02
October ..	791.28	1155.68	1,946.95	48.25	101.04	7.67	985.97	150.43†	57.34	703.55
November ..	790.80	1141.27	1,932.07	46.65	97.56	7.46	954.21	153.78†	57.32	688.21
December ..	794.20	1128.10	1,922.30	45.61	91.21	7.12	991.46	155.21†	59.65	662.44
Week Ending										
16-12-1960 ..	790.99	1122.56	1,913.55	44.64	80.00	6.51	992.90	152.20†	59.84	659.40
23-12-1960 ..	794.36	1121.53	1,915.89	43.93	88.09	6.89	1002.24	154.00†	60.35	658.55
30-12-1960 ..	794.65	1124.56	1,919.21	49.90	112.15	8.44	1017.92	162.81†	61.52	633.76
6-1-1961 ..	792.78	1115.74	1,908.52	45.06	83.93	6.76	1032.09	167.76	62.87	643.31
13-1-1961 ..	787.73	1104.88	1,892.61	43.03	77.95	6.39	1040.62	168.28	63.87	625.01

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Lakhs of rupees.)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabi- lities of banks	Other deposits with Reserve Bank†	
(1)	(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1953-54 ..	1,793.97	1,229.43	564.54	549.83	14.71	+ 29.26
1954-55 ..	1,920.63	1,311.77	608.86	599.16	9.71	+ 126.65
1955-56 ..	2,184.32	1,565.09	679.23	667.22	12.01	+ 263.69
1956-57 ..	2,312.89	1,556.50	756.39	744.74	11.65	+ 128.57
1957-58 ..	2,384.83	1,606.60	782.22	762.36	19.87	+ 76.94
1958-59 ..	2,498.75	1,724.53	774.23	754.98	19.25	+ 109.92
1959-60 ..	2,702.19*	1,661.78*	840.41*	818.62*	21.79	+ 203.44*
June 1960 ..	2,702.31	1,869.02	833.28	810.37	22.92	- 22.66
July ..	2,670.79	1,827.19	843.60	813.42	30.18	- 31.52
August ..	2,658.92	1,807.02	851.90	819.26	32.63	- 11.67
September ..	2,630.66	1,719.65	810.91	791.63	19.28	- 98.36
October ..	2,640.82*	1,823.95*	839.87*	812.16*	27.71	+ 30.26*
November ..	2,669.48*	1,844.00*	825.48*	804.39*	21.09	+ 8.66*

* Provisional.

* Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

INDIA: FOOD STATISTICS

STATE-WISE PRODUCTION OF FOODGRAINS

(Achievements and Targets)

(Lakh tons)

State	1955-56	1960-61 (estimated)	Percentage increase	1965-66 target	Percentage increase
Andhra Pradesh	55.36	63.95	15.5	92.59	44.8
Assam	17.06	17.00	Nil	21.20	24.7
Bihar	51.84	60.00	15.7	80.50	34.2
Gujarat	...	...	...	29.16	37.8
Maharashtra	72.55	83.82	15.5	80.29	28.1
Kerala	8.87	10.42	17.5	14.42	38.4
Madhya Pradesh	76.17	90.74	19.1	107.42	18.4
Madras	45.38	51.72	14.0	68.26	32.0
Mysore	37.83	35.00	-7.5	45.00	28.6
Orissa	24.63	38.00*	N.P.	54.15	42.5
Punjab	47.85	60.00	25.4	78.00	30.9
Rajasthan	41.75	50.35	20.6	66.20	31.5
Uttar Pradesh	118.86	135.39	13.9	182.89	35.1
West Bengal	49.73	52.23	5.0	66.73	27.8
Jammu and Kashmir	4.74	4.83	2.7	5.87	20.5
Union Territories	5.54	7.15	29.1	8.20	14.7
Total (All-India)	658.16	760.64	15.6	1000.88	31.6

N.P.: Not applicable.

* Based on crop cutting experiments and are not comparable with figures for earlier years based on eye estimation.

NET AVAILABILITY OF RICE AND CEREALS FOR CONSUMPTION: 1950-59

(Million tons)

Year	Production		Net Production available for consumption**		Net Imports		Net availability for consumption†	
	Cereals	Rice	Cereals	Rice	Cereals	Rice	Cereals	Rice
1950	48.36	23.74	42.32	22.15	2.12	0.35	45.29	22.86
1951	43.74	20.86	38.27	19.46	4.72	0.75	42.41	20.14
1952	44.29	21.39	38.75	19.96	3.86	0.72	42.00	20.47
1953	49.47	22.98	43.29	21.44	2.00	0.18	45.77	21.73
1954	58.32	28.15	51.03	28.26	0.82	0.61	51.65	25.85
1955	56.38	25.11	49.33	23.43	0.59	0.16	50.65	24.45
1956	54.94	27.11	48.07	25.29	1.38	0.28	50.07	26.10
1957	57.38	28.58	50.21	26.67	3.59	0.74	52.94	27.26
1958	53.00	24.88	46.38	23.21	3.17	0.39	49.81	23.60
1959*	62.63	30.35	54.80	28.32	3.81	0.29	58.12	28.23

* Provisional.

** Net production represents production minus quantities accounted for by seed, feed and wastage, which form about 6.7 per cent of production in the case of rice and 12.5 per cent of production for cereals as a whole.

† Net availability for consumption represents net production, plus net imports, plus or minus changes in Government stocks.

INDEX NUMBERS OF SECURITY PRICES

(Base: 1952-53=100)

Average of weeks ended Saturday	Govt. & Deben- Semi- Govt. tures			Variable Dividend Industrial Securities							
	Govt.	Deben- Semi- Govt.	Prefe- rences shares	Total	Tea	Coal	Sugar	Cotton Tex- tiles	Jute Tex- tiles	Cement	Paper
1957-58†	98.3	99.6	88.0	125.4	143.5	89.1	159.7	119.9	63.4	125.2	159.6
1958-59	99.9	100.1	87.2	137.3	145.2	107.1	163.9	113.6	80.2	129.0	184.8
1959-60	101.2	101.8	92.2	155.3	160.1	113.7	178.6	129.2	96.6	136.0	208.9
January 1960	101.5	101.7	91.3	158.7	167.4	107.5	183.2	141.5	94.5	135.1	209.2
February "	101.4	101.7	91.2	158.3	165.7	111.2	178.9	139.9	92.9	134.7	206.9
March "	101.3	101.5	91.1	165.0	169.9	117.4	182.9	144.6	96.0	141.9	215.2
April "	101.3	101.3	90.8	166.5	168.4	119.5	184.9	144.5	95.1	142.8	222.6
May "	101.2	101.1	90.1	173.4	169.4	124.0	190.1	148.4	94.0	146.2	233.5
June "	101.1	101.0	89.4	175.3	172.8	122.9	195.3	152.2	94.7	146.1	234.6
July "	101.2	101.0	87.3	178.1	170.6	122.9	194.2	159.5	92.4	148.9	233.5
August "	101.2	100.9	86.9	179.8	170.9	123.3	193.3	161.3	96.8	149.6	236.1
Sept. "	101.2	100.8	86.9	173.6	161.8	119.7	192.5	155.3	92.5	145.5	226.5
October "	101.0	100.7	86.5	166.1	154.8	114.7	188.5	148.3	88.3	140.7	214.7
Nov. "	100.6	100.7	86.2	169.7	157.1	113.8	192.3	147.9	85.6	143.1	218.1
Dec. "	100.7	100.7	85.6	167.0	155.5	115.1	187.1	144.4	84.4	140.4	217.1
17-12-1960	100.7	100.6	85.7	166.6	155.6	116.0	188.6	143.8	83.9	139.9	217.1
24-12-1960	100.7	100.7	85.5	165.7	154.7	116.9	181.0	143.4	84.9	139.7	215.1
31-12-1960	100.7	100.6	85.5	165.4	154.0	117.4	181.3	143.1	84.7	139.8	215.2
7-1-1961	100.7	100.6	85.2	163.9	152.9	117.5	177.6	142.4	84.1	138.4	214.3
14-1-1961	100.7	100.7	85.1	163.3	151.6	117.1	173.4	142.6	83.8	136.5	213.4

†Average of 40 weeks.

Treasury Bills

GOVERNMENT OF INDIA TREASURY BILLS

(In lakhs of rupees)

Period	Transactions with the Public			Total			Sales of			Total		
	Amt. offered	Amt. tendered	Sales (4+5+6)	Against		Total	Intermediate		Total	Sold in		Total
				Against	Against		Treasury	discharged		favour of	Amount	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)			
1951-52	—	—	—	—	—	—	—	—	1,335.50	—	314.34	—
1952-53	42.00	65.60	42.00	1.17	40.83	—	30.00	—	1,233.09	—	315.29	—
1953-54	56.50	91.38	56.50	3.46	53.04	—	56.50	—	1,309.06	—	334.95	—
1954-55	23.50	37.97	23.50	38	23.12	—	23.50	—	1,523.81	—	471.87	—
1955-56	55.50	86.25	55.50	2.60	52.91	—	54.50	—	1,994.09	—	595.25	—
1956-57	1.00	1.03	1.00	—	1.00	—	14.00	—	2,737.58	—	835.70	—
1957-58	—	—	—	—	—	—	—	—	4,236.65	—	1,295.12	—
1958-59	81.00	122.06	86.79	4.01	76.99	5.79	61.29	—	4,644.56	—	1,225.32	—
1959-60	102.00	122.40	139.25	32	101.68	37.25	138.52	—	5,011.87	—	1,297.60	—
July 1959	9.00	13.90	18.20	—	9.00	9.20	10.00	—	726.44	—	1,305.32	—
August "	8.00	9.05	10.36	—	8.00	2.36	3.00	—	241.38	—	1,330.28	—
Sept. "	9.00	10.19	14.14	—	9.00	5.14	8.24	—	329.97	—	1,325.14	—
Oct. "	10.00	13.66	20.30	—	10.00	10.30	18.20	—	666.92	—	1,283.08	—
Nov. "	8.00	14.95	15.50	—	8.00	7.50	10.36	—	273.40	—	1,320.23	—
Dec. "	8.00	8.40	8.28	32	7.68	28	16.14	—	193.92	—	1,176.13	—
Jan. 1960	8.00	8.07	10.06	—	8.00	2.06	18.30	—	727.72	—	1,228.87	—
Feb. "	8.00	8.00	8.12	—	8.00	12	15.50	—	247.42	—	1,195.51	—
March "	8.00	8.00	8.05	—	8.00	5	8.28	—	300.24	—	1,297.60	—
April "	10.00	10.79	12.01	—	10.00	2.01	10.06	—	686.24	—	1,262.08	—
May "	8.00	9.12	9.30	—	8.00	1.30	8.00	—	277.72	—	1,293.56	—
June "	8.00	8.27	13.34	—	8.00	5.34	8.00	—	277.27	—	1,275.88	—
July "	8.00	8.02	8.00	—	8.00	—	10.00	—	617.42	—	1,181.52	—
August "	8.00	8.26	9.52	—	8.00	1.52	9.30	—	253.29	—	1,149.49	—
Sept. "	6.00	6.50	6.15	—	6.00	15	15.34	—	244.83	—	1,122.01	—
Oct. "	10.00	11.90	10.08	—	10.00	8	6.00	—	622.24	—	1,141.11	—
Nov. "	8.00	9.28	9.45	—	8.00	1.45	9.52	—	251.98	—	1,144.73	—

* At the end of the period.

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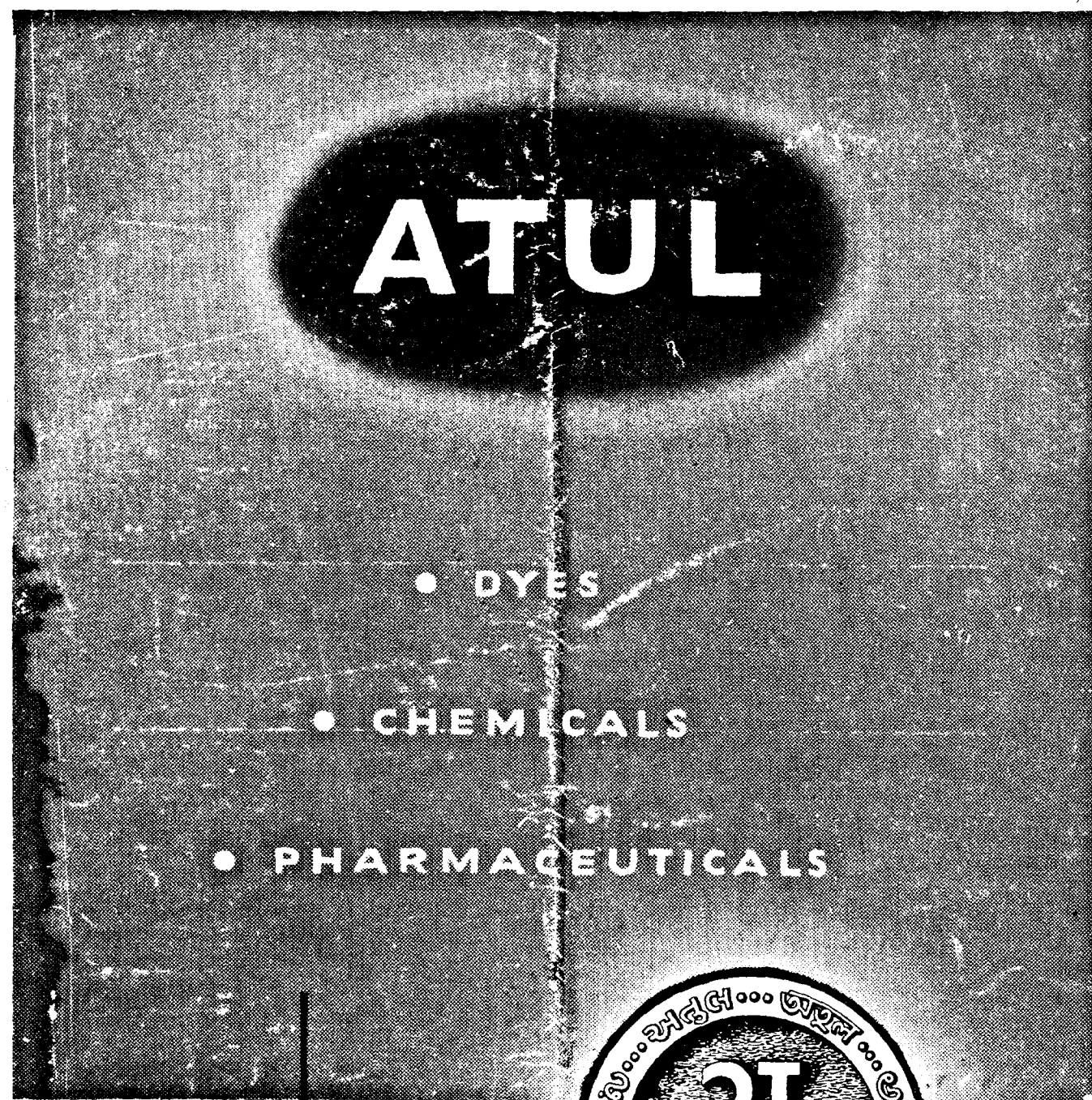
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ONE RUPEE

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The Eastern Economist

FEBRUARY 3, 1961.

India and the Queen

THE Queen's visit has gone according to the plan and the first leg of the tour has been successfully concluded with both political and social success—the Duke bagged his tiger in the Sawai Madhopur forests and there has been an ease of access which has taken some United Kingdom residents by surprise. Protocol has not always been easy, but the Queen and the Duke have given the impression that they were not bound by the rigid codes of Buckingham Palace. One of the immediate consequences of the visit has been, in fact, to create the feeling that the Queen and the Duke have been responsive to the growing mood for social equality which has been one of the most enduring marks of the Indian Revolution. Hopes have been expressed that some of this freedom of access might influence thinking in the United Kingdom where social barriers, inherited largely from the nineteenth century, are still in undue force.

This particular point, namely, that the Commonwealth is now changing more by the pressures of its new members than because of the initiative and the hard crust of tradition of the parent country, is significant, and, slowly, but surely, will make itself felt. The new countries of Africa which have joined the Commonwealth are one with India, and, perhaps, Ceylon in wishing the Commonwealth to be much more a family of equal societies than a family of hierarchies. It is doubtful if a better demonstration could have been found of the substance of this feeling of

equality anywhere else than in the two At-Homes of the President for which 14,000 invitations were issued and to which some very considerable number of persons, who had not previously been at Rashtrapati Bhavan, were admitted. There were criticisms in regard to some failures, but the spirit of the change, which was to demonstrate the absence of the old rules of privilege, was abundantly seen. It is difficult to conceive of a better occasion for this demonstration that the Indian Union is now a very different society from the one we inherited in 1947.

It is views such as these which should engage scholars of the changing Commonwealth. But there is also a possibility of official research to be conducted into changes in organisation which will enable the pattern of friendship between Commonwealth countries to be more fully exploited. At present there is an anomaly in that while the External Affairs Ministry has a Commonwealth Secretary, he does not function such: he does little forward-thinking on relations between India and the Commonwealth. An immediate suggestion made is that the Commonwealth External Affairs Ministry should be a Minister of State who should be what like a Secretary of State for Commonwealth Relations. Perhaps one of the results of the Queen's visit should be that the Commonwealth Department dedicate the fund of goodwill that it

Agriculture: Crossing the Hump

THERE is every likelihood of our foodgrains production this year going up to 77 million tons—an all-time peak. It will be an achievement to be justly proud of and an event the significance of which cannot be ignored. Grudging critics may deride this performance by invoking the theory of the quinquennial circle in Indian agriculture under which output every fifth year is expected to be a near-bumper one. They may also exaggerate the fact that there have been short-falls in respect of jute and cotton production. But this year can by no standard be described as an exceptionally good one; there was drought in the last monsoon season in Andhra Pradesh, while Orissa, West Bengal and Uttar Pradesh witnessed unprecedented floods in the wake of heavy downpour. To cap it all, the winter rains have also come late. But if in spite of all these setbacks, we are able to reap a record harvest, it should be a clear indication that our agrarian economy, under the impact of massive

investment in the first two Plans, has gained a measure of stability. A special article elsewhere in this issue examines this question of statistical analysis.

Indian agriculture, as the Prime Minister stated on the eve of the Republic Day, has crossed the hump. It augurs well for the next Plan which envisages raising of food grains output to over 100 million tons. Sceptics have all along voiced the opinion that this target, though only a modest one if viewed against the background of consumption standards obtaining in this country today, is not likely to be achieved. But the determination shown and the success achieved by the small man behind the plough during the past one decade should evoke optimism in his capacity of rising equal to the task; there can be little room for scepticism, much less for pessimism.

The programme drawn up for accomplishment by the agricultural sector of our economy

under the Third Five-Year Plan—it is envisaged to achieve by 1965-66 an annual output of 100 to 105 million tons of foodgrains, 9.2 to 9.5 million tons of oilseeds, 9.0 to 9.2 million tons of sugarcane (in terms of gur), 7.2 million bales of cotton and 6.5 million bales of jute, to mention only some of the major targets—is ambitious indeed, but it is by no means beyond our grasp, if we set about doing things in right earnest and plan our strategy boldly. The potential created in our agrarian economy by the massive investment under the first two Plans has yet to yield full results which may be forthcoming during the next five years in a spectacular manner.

The various factors that help to raise agricultural output are too well-known to be recounted. It is only a question of according them proper priorities in our developmental programmes. Doubting Thomases would do well to divert their energies to the solution of this crucial problem rather than washing them in a search of failings that have occurred intermittently.

The top priority in our short-term programme of agricultural development obviously must go to increasing the use of chemical fertilizers whose input-output ratio is unity. Stepping up of the use of improved seeds and farm implements comes next, followed by extension of irrigation facilities. Much useful results can be obtained by increasing the use of pesticides and insecticides and by

establishing more farms on the Suratgarh model. Irrigation has to occupy the third place in our order of priorities for the simple reason that the potential created during the Second Plan has not yet been fully utilized. Until the time this potential is exploited to the full, better results can be achieved by diverting resources for the supply of fertilizers, improved seeds and farm implements, for which there is great unsatisfied demand. As the package programme of intensive cultivation gathers momentum, the demand for them will grow at a much faster rate than the demand for water supplies, because the fifteen districts to be covered by this scheme are ideally placed in regard to rainfall and irrigation facilities. Any extension of irrigation facilities during the Third Plan should come from minor irrigation works which are easy to construct and would yield quick results.

It is a matter of gratification that an all-out effort is being made to increase indigenous output of chemical fertilisers. But the rate at which consumption of these fertilizers is going up warrants a reappraisal of the Third Plan target fixed for them. There is also need to expedite setting up of the fertilizer plants, both in the public and the private sectors. Side by side, of course, soil testing has to be carried out on an extensive scale to avoid their misapplication and consequent adverse repercussions.

Moratoria for Amalgamation

PROOF of the foresight with which Parliament acted in incorporating in the Banking Companies (Second Amendment) Act, 1960, direct powers for the Reserve Bank to obtain from the Union Government permission to place certain banks under moratoria, not exceeding six months in any one case, for the express purpose of bringing about reconstruction or amalgamation, has come to the fore in a short time. At present, 9 banks have been put under moratoria for a period of six months, but in one case the period is five months from the initial date of the moratoria intended for the bank. Five, or more than five, months are from Kerala, and the question is from Kerala, an element of some controversy as to the advisability of reconstruction. The very object of the amalgamation is indirectly being called into question.

In Kerala, the Pradesh Congress Committee has appointed a special committee to inquire into the situation created in that State by the moratoria to five banks, among others. It has been suggested that the action taken by the Reserve Bank has been rather drastic and somewhat in ignorance of the sensitive structure of banking in Kerala State, which has been evolved with a distinct personality of its own, with a pronounced bias to render intensive local service especially to the small trader. The existing mood in Kerala vis-à-vis the relatively large number of banks under moratoria is the result of inconvenience and hardship that are being caused, for the time being, to the depositor and the small trader.

The Banking Companies (Second Amendment) Act, 1960, does not introduce a novel principle as regards moratorium for a bank. Prior to the Amendment, a bank could obtain moratorium by approach to the High Court, which referred the applicant, in the first instance, to the

Reserve Bank for its technical opinion. This dilatory procedure has been cut short by vesting in the Reserve Bank the authority to take the initiative. Whether before or after the Amendment, it is the technical assessment made by the Reserve Bank which has a decisive influence on determining the propriety of moratorium. But some urgency appears to have been added to the Reserve Bank's vigilance to scrutinize whether schemes of reconstruction or amalgamation would be necessary in the interest of the banks, their depositors and clientele, and the banking system of the country at large. The failure of the Palai Central Bank is obviously responsible for a greater degree of vigilance which is evidenced by the application of moratoria to 9 banks.

The Reserve Bank has given proof that it is conscious that the powers which it can exercise in restraining erring banks are to be used with sympathy and drastic powers are to be used as a last resort. The Palai Bank crash conclusively shows that the Reserve Bank has been over-cautious and too conservative in making use of its authority and that it gave a long rope to the Palai Bank before it applied to the Kerala High Court for its compulsory liquidation. That tradition of caution and accommodation, along with continuous use of persuasion, is being adhered to. When passions ran high in the wake of the Palai crash and the Reserve Bank was under fire for acting tardily, Mr. Morarji Desai explained that the Reserve Bank's powers are not to be used as an instrument for bringing about the closure of banks following unsound policies and practices. A lease was to be granted to such banks to mend their ways. In the light of this sparing use of powers of intervention, it would be too much to infer that it has taken premature or hasty measures in applying moratoria to the nine banks.

The Eastern Economist has vigorously advocated the institution of a scheme of insurance

of bank deposits ever since the Palai Bank failure focused attention on some weak spots in a section of the banking system and brought to the fore the urgency of safeguarding the interests of depositors—the main providers of the resources of banks. But this is a matter in which bank managements will need to supply the motive force. Two factors which seem to be responsible for the absence of a prompt and enthusiastic response from them are that the large as well as the major among the medium banks do not feel a sense of urgency about the scheme and they will have to bear the brunt of raising the insurance fund. Insurance of bank deposits requires a radical departure from the universal principle of charging the rate of premium according to the nature of the risk. In America, where the Federal Deposit Insurance Corporation has given successful proof of the scheme, the premia are charged at a uniform rate of 1/12th of 1 per cent of the total deposits of the insured banks. The rate of premia is thus fixed according to capacity to pay

and not on the basis of risk which is normally high in the case of small banks. The element of time that will be required in evolving a sound scheme of insurance should not be underestimated.

It would appear that there has been much pre-occupation with the immediate repercussions of the moratoria. Even assuming that the powers of amalgamation or reconstruction are delegated to the Deposit Insurance Corporation, it will need to act very much in the manner in which the Reserve Bank is acting. In any situation, immediate hardship, anxiety and suspense would be unavoidable. The ideal course would be for banks, likely to benefit from amalgamation or reconstruction, to take the initiative in the matter. But, failing that, where a third agency is required to intervene, its assignment takes a different character and raises additional problems. The forthright action taken by the Reserve Bank demands rational appreciation.

Technical Education

ONE of the achievements of the Second Five-Year Plan, which has received inadequate attention, although it is of long-range importance, is that the country has crossed the hump in creating facilities for technical education. There was keen awareness of the great pressure which would be generated by the development of the economy in diverse directions on the demand for technical manpower. But progress in providing these facilities was slow until after the start of the present Plan. A survey of technical education and manpower requirements, recently brought out by the Ministry of Scientific Research, draws up a balance sheet of performance and shortfalls in this sphere. Credit, however, ought to be given for the manner in which the backlog is being cleared.

At the beginning of the Second Plan, the nature of the requirements of training institutions for degree and diploma courses appears to have been seriously under-estimated under the garb of tentative targets. The requirements of additional engineering colleges for degree courses were placed at 9 and those of polytechnics for diploma courses were placed at 21. But with the publication of the report of the Engineering Personnel Committee in May 1956, the gravity of the gap between the requirements and likely supply of manpower was forcefully brought home. This Committee estimated a supply of 26,500 engineering graduates in 1960-61, leaving a shortage of 1,800, and a supply of 50,000 diploma-holders, leaving a gap of 8,000, in spite of the establishment of additional institutions that would be necessary in excess of the original programme. The Committee undoubtedly served the purpose of creating a new sense of urgency in this specific sphere. There were radical revisions in the provision of institutional facilities and, by 1960, 32 additional engineering colleges and 83 additional polytechnics were established during the period of the current Plan. The scheme of the chain of four higher technological institutes which came to a halt after the opening of the Institute at Kharagpur in 1951 was vigorously pursued and the remaining three Institutes were established at Bombay in 1958, at Madras in 1959 and at Kanpur in 1960. Each of the four Institutes has been designed with a capacity to train 1,500 undergraduate students and 500 post-graduate research scholars.

This impressive start which was made in the Second Plan gives confidence that no serious shortages of technical personnel will arise in the Third Plan. Nevertheless, it is clear that expansion of these facilities suffers from a lack of balance. At the end of the Third Plan, the supply of degree holders in civil engineering will rise to 16,700, creating a grave redundancy of 33.5 per cent; the supply of degree-holders in mechanical engineering will be 13,000, giving a redundancy of 13 per cent and that of electrical engineers will be stepped up to 12,700, showing a surplus of over 15 per cent. This redundancy may be due partly to the compulsions of long-range planning; but, even so, the sin of turning out surplus technical graduates on such a high scale without any prospect of jobs is difficult to condone. The only course left open now that matters are beyond remedy is that further expansion of institutions in these courses should be suspended until there is a definite and reasonable assurance that the Fourth Plan really requires that expansion and a potential would be created to absorb them.

The imbalance is to be noted also in the reverse direction in the shortages of degree holders in technological courses which are of strategic importance. For instance, there will be a shortage of 9 per cent in metallurgical engineering personnel and of 17 per cent for mining engineers at the end of the Third Plan. These shortages cannot be brushed aside as "marginal", as the Draft of the Third Plan has done with an obvious sense of complacency. The disequilibrium is further vividly brought out by the shortages which will occur at all levels of diploma-holders except in the case of civil engineering and chemical technology personnel.

One school of thought has strongly advocated the view that the emphasis should be shifted on priority for diploma courses of medium duration. The need to create a strong force to man technical posts at the supervisory and the foreman level, it is argued, requires this shift. The anticipated shortfalls in the supply of technicians at the level of diploma-holders strengthens the case for this shift. Future expansion of facilities for technical education will need to take into careful consideration these disequilibria to prevent shortages of technical personnel in some spheres and their oppressive redundancy in others.

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THE WEEK'S NOTES

Cold War

THE FRESH THAW

THE SOVIET UNION'S gesture to the new President of the United States expressed in terms of the release of the two survivors of the American RB-47 aircraft, shot down over the Barents Sea in July last, and President Kennedy's assurance that there are to be no more U-2 flights over the Russian territory are perhaps signs of the new wind that might create a thaw in the cold war. Not indeed that these two acts in themselves are of great consequence; U-2 flights have all along been suspended since the crash of the Summit meet and Russia has not been able to justify her action in shooting down the RB-47 aircraft over the high seas. But their significance lies in the fact that they evince a desire on the part of both the United States and the Soviet Union to reduce tension.

President Kennedy's first Press Conference after assuming office and his "State of the Union Message" give enough inkling into his mind and the means he intends to adopt to lessen tension in the world. Though he has asked his Defence Secretary to reappraise the entire defence strategy of the U.S.A. and to take prompt action to step up Polaris submarine and missiles production programme, he has repeatedly stated that his fight against Communism would be waged on the economic front and not on any battle-field. To counteract Communist influence in the under-developed countries, he is asking for larger appropriations from Congress for economic aid. This new emphasis on assistance to under-developed countries from the United States and other prosperous nations will be widely welcomed.

Of course, Mr. Kennedy cannot take chances with the security of his country and, in the larger context, of the free world. His directive to the Defence Secretary to strengthen the defence system is born out of plain strategy. But he has uttered no investive even when referring to China which poses the greatest threat to peace in South-East Asia. His call to all the nations of the world to support the U.N. with a view to ending the cold war is timely and deserves response, especially from the Soviet Union whom he invites to join the United States in a programme of application of science for peaceful purposes and not for the manufacture of weapons of destruction. One hopes this will prove a prelude to an agreement on disarmament which would release resources for building a better world.

Portugal

SANTA MARIA AND SALAZAR

LAST WEEK Portuguese revolutionaries, under the leadership of Captain Henrique Malta Galvao, seized the 20,900 tons liner "Santa Maria" — "in the name", they said, "of the International Junta of Liberals presided over by General Humberto Delgado, the President-elect of the Portuguese Republic, fraudulently deprived of his rights by the Salazar Government."

In Sao Paulo, Brazil, General Delgado, Dr. Salazar's unsuccessful opponent in the Portuguese presidential

election of 1958, said that he had personally given the order for the takeover of the ship. The seizure of the Santa Maria has given the opposition movement in Portugal the most needed publicity abroad and with spectacular effect. Captain Galvao maintains that the first objective of the Portuguese Opposition would be to overthrow Dr. Salazar's administration, which, he argues, is strangling Portuguese life and expression. The ship's wireless vociferously exchanging messages with the world press, has called General Delgado "Portugal's President-elect". What Captain Galvao does with the Santa Maria in the end, nobody knows. But it appears that he has some further revolutionary action in mind, perhaps starting in a Portuguese territory in, or off, Africa. Or, he may proclaim the establishment of a provisional Government in exile abroad the Santa Maria and may seek recognition of his Government by friendly countries like Brazil, Cuba, and the Soviet Union.

In the meantime, a storm is raging in the international scene whether the seizure of Santa Maria by force amounts to "piracy". The word "pirates" can only be applied to this remarkable Portuguese eccentric and his political friends if the purpose of the seizure was "private gains". Captain Galvao and his political friends are no pirates out for gain, but honest men seeking to establish the existence of Portuguese Opposition, that cannot, in Portugal, express itself in regular ways.

Just how the American and British Governments, whose ships have been searching for the Santa Maria in the Caribbean and the Atlantic in response to a request from the Portuguese Government to help find the ship and restore her and her crew to the rightful owners, should act in such a case is difficult for them to decide. Naval powers are policemen on the high seas and they cannot be expected to approve of violent and arbitrary actions (including the killing of a ship's officer) there. The question is: Would the Navy be equally at the disposal of the Russian or Hungarian Governments if one of their crews made a "dash for liberty"? The Navy had been too quick to act. The Governments concerned should have taken a long, cool look at Portuguese internal politics before sending off American and British ships to hunt for the Santa Maria. The U.S. and British action has raised the question of political asylum and an assurance is called for that there would be no question of handing over these Portuguese citizens to Dr. Salazar's Government. If the United States and Britain accede to Dr. Salazar's request in toto, they would create a tradition of arresting those who are seeking to escape from a dictatorial regime. Dr. Salazar is not wholly blameless for the fact that his political opponents have no other alternative but to behave in this manner.

Poona Seminar

PATH OF ECONOMIC GROWTH

THE INTERNATIONAL SEMINAR on "Paths to Economic Growth" inaugurated on January 21 by the Chief Minister of Maharashtra, Mr. Y. B. Chavan, in Poona, concluded its deliberations on January 28. The Seminar, sponsored by the Congress for Cultural Freedom, Paris, and the Gokhale Institute of Politics and

Economics, Poona, was attended by 25 experts from Asia, Africa and Europe.

The central theme to which the members of the Seminar devoted their attention was how best the traditional society might be transformed to make possible the desired economic growth without, at the same time, disrupting the traditional values that are worth preserving. This was not only an economic problem but one that had sociological implications. Thus, the members of the Seminar agreed that the neutrality of the economist towards moral values was not a healthy development. Even the economic discourses of Adam Smith and Karl Marx had a moral purpose. Some of the formulations of Samuel Smiles may be derided today, but they embodied the spirit of a Victorian Age that was keen about values. The economists of today similarly cannot consider the so-called purely economic phenomena irrespective of social and moral values.

The introduction of a competitive psychology into Indian society, according to Prof. D. R. Gadgil, would be disastrous. He argued that while competition may work satisfactorily in a country with rich resources and an open frontier, it would lead to disaster in a country like India that was "poor, over-populated and burdened with a stratified society." While toning down of competition to some extent for the sake of social justice may be understandable, the outright denunciation of free enterprise and competition would deprive the free entrepreneur class from contributing their share towards India's economic development. In the industrialisation of all advanced countries of Europe and America, private enterprise and free competition played a major role in bringing about material pros-

perity and development. And there are reasons to believe that private enterprise has still to play some role in India's future economic development for some time.

Mr. Jai Prakash Narayan strongly advocated the view that redistribution of land through the Bhoodan Movement would go a long way to solve many of India's problems of growth. It is admitted that nothing would be better than Gramdan if it could be workable; but its practicability had never been put to proper trial, because of lack of disinclination to undertake the necessary organisational effort. Similarly, Mr. Narayan's Sarvodaya formulation suffered from the limitation that the notion of "Dan" and trusteeship adumbrated by self-constituted trustees were not easily acceptable by others. Prof. Gadgil advocated the philosophy of the co-operative system. He argued that if there was a discipline that was prescribed for the "Sadhu", there could also be discipline for the layman that called for a lower level of imposition of self-restraint on his wants and desires. The basic framework of Indian society, according to Prof. Gadgil, should comprise of a decentralised, dispersed units in which the small independent rural dweller feels that he is able to order his own affairs. It will be obvious from what Prof. Gadgil said that he was advocating some amount of competition and free enterprise; but he wanted all this within the framework of co-operatives. Prof. Gadgil, however, did not bring out the practical difficulties of setting up co-operative institutions at India's present stage of growth. The thing that is needed is avoiding dogmatic approach in dealing with problems of growth. What is required is a discerning understanding of the process of growth involved in individual cases, and a considerate treatment of the sufferers in the process.

The World Abroad

IS MR. NEHRU A SOCIALIST?

By ODYSSEUS

IS Mr. Nehru a Socialist? In reply to this question, put to him by Mr. R. K. Karanjia ("The Mind of Mr. Nehru". Allen & Unwin, London, 1960. Price 10sh. 6d.), Mr. Nehru says: "I have believed in Socialism for the past fifty years and until somebody convinces me to the contrary, I shall continue to believe in and work for Socialism..... Modern thinking all over the world is increasingly becoming Socialist and only people who have lost touch completely with contemporary trends can think otherwise." Well, that seems clear enough. So it next behoves us to ask what Socialism is. The thinkers who first thought it up should be able to supply the most authoritative answer: Saint-Simon, Fourier, Rober Owen, Karl Marx, and Friedrich Engels. To them, Socialism means the ownership and control of the means of production, capital, land, property, etc. by the state, and the distribution, exchange and administration of wealth by the state in the interests of all citizens.

But it is clear, not only from Mr. Nehru's talks with Mr. Karanjia, but from what goes on in India today that Mr. Nehru does not accept all this. India is a mixed economy, in which, although the public sector is allotted the "commanding heights," the private sector is left in possession of the greater part of the economy. The 1956 Industrial Policy Resolution laid down that only industries of basic and strategic importance, public utility services, and those which require investment on a scale which only the state can provide, are reserved to the state. What is more, while the private sector was barely tolerated in 1947, the passage of time and events has led the government to recognise that to discourage private enterprise is to slow down the development of the greater part of the economy. The anxiety of Mr. Nehru, and even of the leader of the Praja Socialist Party, to encourage the habit of investment among low income groups suggests that they both believe that a mixed economy cannot progress without constantly increasing private investment.

Mr. Nehru himself, while insisting that he is a Socialist, said to Mr. Karanjia: "At the same time, I refuse to accept any particular dogma of Socialism..... to be rigid about the form or pattern....."

I find it difficult to reconcile the facts (a) of a mixed economy in India, in which the greater part is controlled by private enterprise, and (b) of Mr. Nehru's rejection of any particular dogma, with the classical definition of Socialism.

Nor can I reconcile Mr. Nehru's statement that modern thinking all over the world is becoming increasingly Socialist, because in those parts of the Western world in which Socialism originated, and which have had actual experience of Socialist governments, it is in full retreat. Look at the German and the British Socialist parties—the prototypes of all other Socialist parties. On December 16 last, I quoted here a lengthy extract from the official German Socialist manifesto, which included the following:

"The free choice of a place to work, free initiative for employers are decisive foundations, and free competition an important element, of a free economic policy. The autonomy of employee and employer associations in the conclusion of wage contracts is an important part of the free order. Totalitarian control of the economy destroys freedom. The Social Democratic Party therefore favours a free market, wherever free competition really exists. Where markets come under the domi-

nation of individuals or groups, however, manifold measures are necessary to preserve the freedom of the economy. As much competition as possible—as much as necessary." When I commented to a German Socialist leader that this implied that the SPD believed in planning after all, he replied: "Not as an end in itself, but backed by all the qualifications we've previously mentioned, the answer is Yes." As for the "Socialism" of the British Labour party, it would be kinder to draw a veil over its present disarray.

R. H. S. CROSSMAN'S "SOCIALISM"

Let me, however, offer one quotation from "Socialism and the New Despotism", a Fabian pamphlet by Mr. R. H. S. Crossman, the leader of the orthodox Left: "More and more serious minded people are having second thoughts about what once seemed to them the obvious advantages of central planning and the extension of State ownership." He goes on to explain that "the discovery that the Labour government's 'Socialism' meant the establishment of vast bureaucratic corporations," of "a vast centralized State bureaucracy which constitutes a grave potential threat to democracy" had created a situation in which "the main task of Socialists today is to convince the nation that its liberties are threatened by this new feudalism..." Surely an extraordinary task to fall to the lot of Socialists!

Mr. Nehru told Mr. Karanjia that he rejects Capitalism ("although it is changing all the time"), because "it sticks to its basic grab instinct and tends to monopolies and aggregation of economic power." Yet it is the Socialist Mr. Crossman, who finds it necessary to attack state-ownership and bureaucracy for aggregating economic power into a new feudalism! Certainly the concentration of economic power in private hands is dangerous, but the problem of power is not solved by concentrating it under one all-embracing power—the state. The problem of power is solved when the state ensures (1) a stable currency, and (2) the fullest play of competition—the grab instinct—between individuals, firms, and industries. But, objects the Socialist, mass production requires huge combines. Not so, modern technology, with its constant new discoveries and techniques, proliferates ever wider and keener competition. Why is it that Imperial Chemical Industries, the biggest single industrial unit in the UK, is always seeking to cut production costs and reduce prices? Because its directors are alive to its vulnerability to competition from substitutes. Then, again, that the existence of assembly lines does not kill the small firm is spectacularly demonstrated in the USA—home of giant mass producers—where some 4,000,000 (repeat: four million) small firms, employing less than 100 persons each, do not merely survive but flourish, constituting 96 per cent of all US firms.

It is significant that, although their language may differ, both Mr. Crossman and Mr. Nehru, whose bona fides as Socialist leaders and democratic parliamentarians are beyond question, join in rejecting (a) "Socialism" as defined in the dictionary, and (b) totalitarianism. Both insist on the need to preserve individual freedom, and ethical and spiritual values.

THE KEY TO THE RIDDLE

I believe the key to the riddle is that whereas, on the one hand, being intelligent, clear-thinking, and devoted democrats, they perceive the evils that follow from 'doctrinaire' Socialism, and are seeking means to avoid them, on the other hand, they are the prisoners

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of their intellectual inheritance and cannot get away from the terminology that they absorbed in their student days. The fact is that if "Socialism" means anything, neither are Socialists. The more that they insist that they are Socialists the more am I reminded of the famous passage in Lewis Carol's "Alice Through the Looking Glass":

"There's glory for you!" "I don't know what you mean by 'glory'", Alice said. "I meant, 'there's a nice knock-down argument for you!'" "But 'glory' doesn't mean 'a nice knock-down argument'", Alice objected. "When I use a word," Humpty Dumpty said, in a rather scornful tone, "it means just what I choose it to mean—neither more nor less....The question is which is to be master—that's all."

I have a profound admiration for Mr. Nehru as (what he calls) a "pragmatic Socialist", because this means (from my side of Alice's looking glass) that he is no Socialist but that rare person, an honest man who does not flinch from following the argument to whatever logical conclusion it leads, irrespective of the position from which he started. But I suggest that it would be a great help to final clarification of thought, if he dropped the title "Pragmatic Socialist" and called himself a democratic Liberal.

I suppose that in the light of all that I have written up to this point, I will arouse a gale of Homeric laughter when I go on to say that in the circumstances of a developing economy, like India, private enterprise alone is insufficiently advanced to shoulder the task of boosting India into Rostov's "take-off" phase within a reasonably short period, and that a Central Planning Commission, and substantial state economic initiative and enterprise are essential.

But on this point, I take my stand with Dr. Raja J. Chelliah (See this column for November 11 and 18, 1960), who, in effect, pleads that the public and private sectors of the economy should be treated not as enemies or rivals but as friends, fulfilling complementary roles, in a great national crusade. Because private investment is low, the inferences too often drawn hitherto by official spokesmen are that (a) public investment must be stepped up, even at the expense of private investment, and (b) compulsory savings and public investment are needed to reduce inequalities of income. But the fundamental need is to raise the rate of saving. If you put the cart of compulsory collective savings before the horse of raising the savings rate, you risk replacing private by public investment, whereas the need is to raise the total of BOTH. Public investment itself cannot hope to reach the very high level necessary if private investment is not actively encouraged. I refer you to Dr. Chelliah's excellent little book "Fiscal Policy in Underdeveloped Countries" for an authoritative elaboration of this theme.

My conclusion is that Mr. Nehru, Mr. Crossman, and I, as good Liberals, humanitarians, and democrats, are all in broad agreement. Where we disagree is in the words that we use to describe what we want. This difference in vocabularies is, however, unfortunate because it means that we waste a lot of energy in disputing with each other, which could be better employed in promoting understanding and co-operation between the public and private sectors.

In a final article next week, I will offer some reflections of Mr. Nehru's political and philosophical (as opposed to economic) views, as reported by Mr. Karanjia.

The European Scene

SOME ANOMALIES OF PRIVATE INVESTMENT

From Our Special West European Correspondent

PARIS, January 28.

ATTACHMENT to a cause which one believes to be, on the whole, a good one should not detract attention from its vices and limitations, for even the best cause has its faults and even the wisest policy produces unexpected and unwelcome consequences. Current events in West Europe and the USA invite us to apply this generality to the case of foreign private investment, which the present writer, like probably every financial journalist in the non-Communist world, has long regarded as one of the most important ways of stimulating development and boosting international trade. Naturally, few people outside Washington shared the view that Republican experts put into the mouth of President Eisenhower, that private investment was the one and only way of assisting foreign economies. Just as few would share the opinion of some US labour leaders at this moment, that private investment abroad is a disgraceful swindle whereby American employers ensure an unemployment pool at home of six million men. Any review of the results of foreign investment by private firms over the last 15 years would show that it has had, on balance, welcome consequences for all concerned; and one could conclude that there is not too much such investment but too little even now.

Yet the same review would reveal that foreign private investment, particularly as practised by US capital, has had many absurd and even harmful consequences—and that these are not accidental, but connected with the very fact that it is private investment. Some attention to the negative side of the account would suggest ways of controlling the flow of private capital overseas so as to increase its usefulness. Closer study would reveal (I believe, though I have not the space to establish it here) that the ideal form of private foreign investment is that which now flows from Britain to India, for reasons that are to the credit of both the Indians and the British, private investors as well as governments in each case. Alternatively, one could say that the best use of private investment will be found in international co-operation between several lending countries and one or more receiving countries, where the object is to combine the virtues of purely private programmes such as are implemented by US firms with the virtues of one-sided public aid programmes, such as constitute most French aid to Africa. The ideal suggested by either comparison is the same: a movement of private capital accompanied by public aid toward a country where the use of both is determined by a rational plan in which local private enterprise co-operates with its government, both having in view—not the import needs or cost-cutting of the investing country, but—the development of the receiving economy and the reward of the risk-taking investor.

Today, when the new US Government is rethinking its policy on foreign investment and when West European industry is becoming anxious about some forms of US enterprise abroad, is a suitable time to recall certain striking facts about private overseas investment since the war. Where has most of it gone? There is no difficulty about answering that because far and away the bulk of it has come from Western oil firms and it has gone to developing oilfields around the world. Yet the situation today is that the main lending country, the USA, has banned the import of oil from abroad; there is a world oil glut; prices of crude and incidentally of oil

shares have fallen without notable benefit to petrol consumers; and all the oil-producing countries are bitterly discontent, are as underdeveloped as ever they were and as politically unstable, and feel that they are being exploited by Western Government. They are too, in the sense that they receive only a fraction of what the ultimate consumer pays for petrol, the lion's share being confiscated by Western Governments in tax. If "exploitation" has any meaning at all, it must describe the situation where an idle intermediary claims most of the selling price for himself; and that is what is happening with petrol. One can well understand the impatience of the oil-producing governments who have just held a conference in Caracas when they are told demand for oil is behind supply—naturally demand for anything will fall below supply if taxes raise prices too far.

The private oil investors deplore that as much as anyone, but they would have to admit ruefully that much of their capital outlay in recent years has been, commercially, a poor investment. It was so partly for reasons beyond their control (Russian exports) or beyond their foreseeing (the coal glut); but also partly because of their own anarchic competition, especially the guerilla war between the big cartels and the "independents", and because of rivalry between supposedly allied governments (Italy, France, Canada and others). No one may be to blame, but the fact stands that most foreign private investment has gone to an industry where there has been no effort to co-ordinate energy policies, and where nationalist rivalries and short-sighted competition have annulled many of the benefits of that investment. As for the gains that the receiving countries have drawn from this investment, it makes a lot of noughts on paper but is hard to find in solid economic advance. The multiplier effect of oil investment has been virtually zero, and one of the main recipients, Venezuela, is not only as poor as ever but is enforcing exchange controls while its first democratic government struggles against subversion by Fidelists and Communists.

Oil, I will be told, is a special case and foreign private investment in general cannot be judged on the disappointing results of that one curious industry. Leave oil aside then (whereupon the total of such investment becomes much less impressive) and you will still find that much the same situation obtains in the mining industry, which has been the second biggest claimant of foreign capital. Vast sums were sunk in mines in developing countries with the objectives set out in the Paley Report: to guarantee U.S. supplies of strategic minerals rather than to develop those backward economies. Today there is a surplus of almost all minerals, prices are at their lowest in years, mining shares are out of favour, the producing countries have received precious little economic stimulation from the activity of their mines (which is anyhow being cut back now to combat the slump) and they feel that they are at the mercy of variations in Western industrial activity more than in the past. Oil and minerals have exploded the theory of the multiplier effect of foreign investment in export industries, and taken us back to what John Stuart Mill said a century ago: such industries are branches of the economy of the mother country, not of the developing country.



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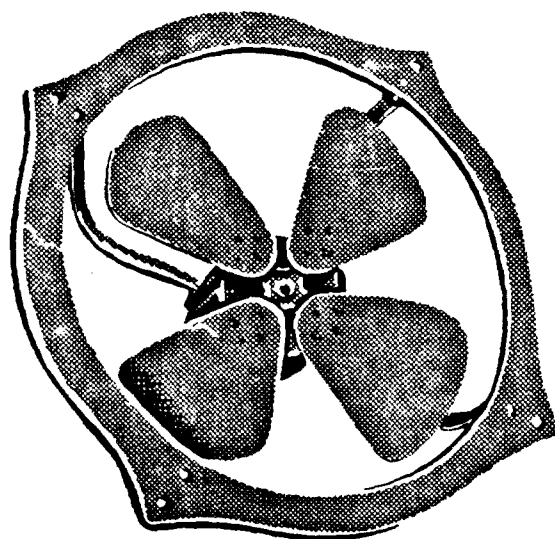
Turn now to U.S. investment in manufacturing industry. This has gone, not to the industrialising countries, but to those already fully industrialised, and its preference for the latter is increasing yearly: private U.S. capital outlays in the Common Market region will this year be \$355 million, well over double of the \$157 million of 1959, and about a quarter of total investments abroad this year. Since U.S. investment in other West European countries this year will be \$295 million, Europe will get just half of the American capital going abroad. This choice is economically rational on the part of U.S. investors, because West Europe is the most promising economic unit in the world today. But it looks less rational on other than commercial considerations: developing countries will point out that Europe has no capital shortage as they have, and U.S. labour will remind us that many of the goods produced by American enterprise over here will be re-exported to the U.S.A. or at least replace U.S. exports to Europe. Thus there is little or no net contribution to development or world trade.

U.S. unions are calling for a boycott of American movies made in Italy, where Hollywood is spending up to \$30 million a year for reasons that an accountant can easily justify but an economist less easily; and they are whipping up a nationalist campaign against foreign motor cars and against U.S. typewriters, outboard motors, electronic machines etc. that are made with "cheap European labour." Whether or not this sort of thing is responsible for the six million unemployed in the U.S.A., one understands why Washington has just withdrawn the incentives offered to American firms investing in West Europe.

The rush of American capital to West Europe looks even odder when we ask what it is going to produce there—because the answer often is, something that West Europe is already producing enough of: such as motor cars, or something of which there is an existing or prospective surplus such as synthetic rubber, or things that restrict the market for raw materials exported by developing countries, such as synthetics in general. To note

these facts does not entail concluding that competition should be curtailed or that technological progress should be restrained—but it does make us question the dogma that foreign private investment is the best way to promote development and world trade. In the case of the automobile industry, those ends might be better encompassed by specialising production between West Europe and the U.S.A., whereas the present crazy competition between producers on each side of the Atlantic makes no sense, and is highly dangerous to boot. Europe is already producing more cars than it can use and is faced with a period of acute competition as the Common Market is built—and yet Detroit has decided (a) to make the same sort of cars as the Europeans, and (b) to invest vast sums in Europe itself: \$500 million in three years for General Motors and \$358 million for Ford. Motor cars are only the most striking instance: there are numerous other industries where one could show that the main result of vast foreign private investment will be to transfer profits from one firm to another without any net expansion of total output.

Meantime developing countries, hungry for capital, are neglected. Sometimes private enterprise shirks investment responsibilities there that are clearly its concern. Last year, for example, Tunisia got governmental loan to build an international airport at Tunis when it is plain that, if Mr. Bourguiba really had to have a superb aerodrome in his poor country, then it should have been financed, not by the U.S. taxpayer, but by the international airline companies that will use it. One could multiply examples of such anomalies. It is better to hasten to our conclusion which is this. The doctrine of free private enterprise, as understood in the Western neo-liberal welfare economies, is easily defensible inside one national economy, but when applied to the task of promoting development of foreign countries it leads to absurd and wasteful results if not supplemented three times over: by public aid from advanced countries, by national planning in the developing country and by international co-ordination among all Western Governments and investors.



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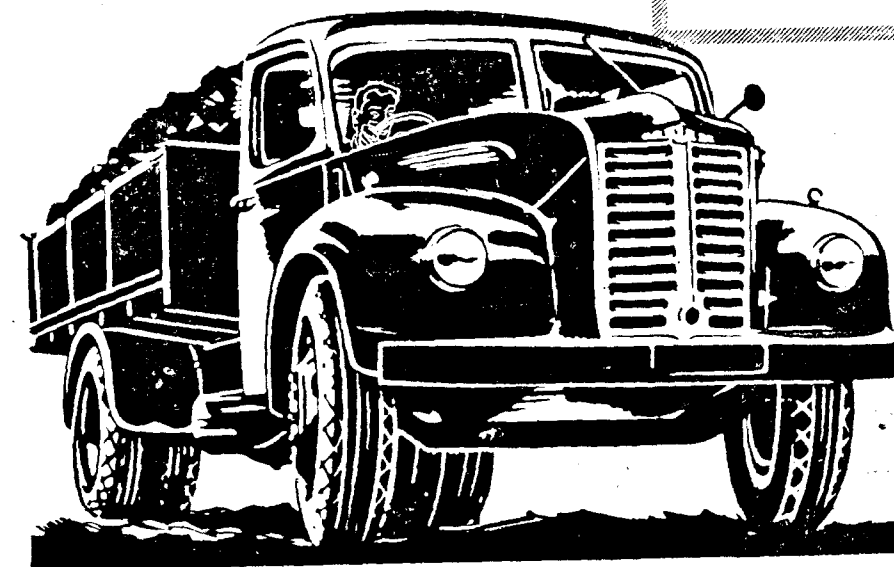
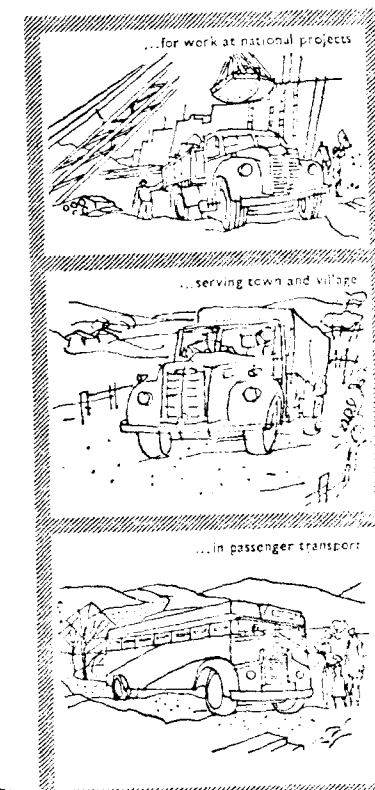
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*Economic Report from the U.S.***REPORT ON FOREIGN TRADE**

By GUY SIMS FITCH

WASHINGTON, Jan. 25.

THE United States Senate's Committee on inter-State and foreign commerce has issued recently one of the most forceful trade documents Washington has seen in a long time. Prepared by the Committee's Foreign Commerce Study Staff, it was made public by Committee Chairman Warren G. Magnuson at the express request of President John F. Kennedy. The document, a 3,000-word summary of a longer and more detailed report which has not yet been published, represents a vigorous affirmation of strong and enlightened policies at home and abroad, recognizing the inter-relationship between foreign and domestic economic programmes. Beyond that—and this is where its chief significance may well lie—it recommends important advances to strengthen further the already liberal base of US foreign trade policy. The essence of the report may be found in this succinct paragraph: "We believe our national trade policy should reflect our confidence in the power, the resiliency, the ingenuity and creative capacity of the American economy. It should leave no doubt that our own confidence in the dollar is unshaken. It should assert that we fear honest competition from no quarter on earth. It should serve notice that we intend to use all means at our command to expand world markets for our products, and that we intend to keep our own market open to all who want to do business with us on a fair and reciprocal basis". Within this context, the report argues in favour of "continuing effort to lower or remove barriers to the exchange of goods and services among the nations of the world".

In the process, the report sets forth a number of far-reaching recommendations. Many of them are admittedly controversial, but all are keyed to the "liberal trade" approach. One, for instance, would add a new dimension to US foreign trade policy, looking to ways other than import protection to assist industries hampered by foreign trade competition. "The resources of government should be brought into play", the report says, "to assist an affected industry to improve productivity, move into new and more competitive lines, or otherwise adapt to the competitive situation without undue hardship". Other recommendations involve such matters as broadened tariff-cutting authority for the President, modification of "buy American" procedures,

and strengthening of the multi-national General Agreement on Tariffs and Trade (GATT). Even in the matter of safeguarding national defence interests, the report urges that import curbs "be the last rather than the first remedy available". No one can say how many or which of the dozens of recommendations in the report will be adopted officially by the Kennedy Administration, nor can anyone say how many or which of those that do win official endorsement will find favour with the Congress. The circumstances surrounding publication of the Committee document are not being overlooked. However, the fact that it was issued at the request of the President seems to suggest, if nothing else, the new Administration's concern with forward-looking programmes, and its willingness to explore new ground in meeting international economic problems—including the vexing problem of the US balance of payments.

C. Douglas Dillon, who is the new Secretary of the Treasury and was the old Under-Secretary of State, has already indicated in Congressional testimony that the United States will be examining new approaches to its balance of payments difficulties. Some of those being mentioned—unofficially, it should be stressed—fall in line with the tenor of the Senate Commerce Committee's report. They include a liberal trade policy, a fair sharing of international aid responsibilities with Western Europe, and an attempt to achieve closer conformity among the domestic policies of the industrial nations. Underlying all these, of course, is the evident Kennedy determination to expand US economic activity, so that higher productivity and increased technology can further strengthen the US balance of payments. Among these lines, Mr. Kennedy, Mr. Dillon and other members of the new Administration have consistently ruled out any increase in the price the United States pays for gold. Indeed, most experts take a dim view of such a suggested increase, viewing it as not only unnecessary and fruitless, but as potentially disruptive to the entire fabric of international commerce. The broader and more constructive approach of the Kennedy Administration seems to be a multi-pronged effort that would set in motion increased growth for the US economy, expand the opportunities for world trade, and develop new and meaningful forms of international co-operation.

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WORLDGRAM

India

The Enfield India Ltd.: The Enfield India Ltd. came into being late in 1955. A licence under the Industries (Development and Regulation) Act was originally given to the Madras Motor Private Ltd. who entered into a technical collaboration agreement with the Enfield Cycle Company Ltd., U.K., the world famous organisation manufacturing Royal Enfield Motor Cycles. Later, the Madras Motor Private Ltd. transferred this technical collaboration agreement and licence to the newly formed Enfield India Ltd. The licence granted by the Government of India under the Industries (Development and Regulation) Act was for a phased programme of 5 years during which the indigenous content was to increase gradually, ultimately reaching 75 to 80 per cent. Though, strictly speaking, this phased programme commenced only by the end of 1956, roughly in about four years' time, an indigenous content of about 80 per cent has been reached.

The company has also been licenced for the production of 6,000 scooters per year and also Villiers engines. The industry is at present licenced to produce 5,000 motor cycles per annum. The scooter project for which the Villiers 173 c.c. engine will be used is in collaboration with M/s. Phellon and Moore, who are making the "Panther" scooter for which also the Villiers engine is used. The trade-name will be "Royal Enfield". Their collaborators' design has been developed further by them to suit the conditions obtaining in India. The scooter will be introduced into the market during the second half of 1961. The price of the scooter will be around the price of any other scooter available in India today. M/s. Villiers Engineering Co. Ltd., Wolverhampton, U.K., are the manufacturers of the world famous Villiers engines. Their engines are used by a number of manufacturers of motor cycles and scooters in U.K. They also manufacture engines for industrial and agricultural applications and will be taking up these things for manufacture shortly. There are innumerable usages for these engines. They are used as prime movers in pumping sets, domestic illuminating generators, concrete vibrators, agricultural tractors, fork lifts, inboard and outboard motors, compressors, insecticide spraying equipments, railway trolleys and any other application which needs a compact and efficient power unit developing upto-5 h.p.

Process on Para-Aminophenol and 2:4 Diaminophenol: A process on para-aminophenol and 2:4 diaminophenol has been developed at Central Electro-Chemical Research Institute Karaikudi. The electrolytical reduction of nitrobenzene and m-dinitrobenzene gives corresponding aminophenol directly and is thus more advantageous than ordinary chemical methods. Working in these lines know-how for the electrolytic production of p-aminophenol and 2:4-diaminophenol from nitrobenzene and m-dinitrobenzene respectively has been developed. The process consists in reducing a suspension of the corresponding nitrobenzene in dilute sulphuric acid in an electrolytic cell. The same cell can be used for the manufacture of both aminophenols. In one cell amalgamated copper or monel rotating cathodes and perforated lead sheets anodes with porous pot diaphragms are used.

For the manufacture of p-aminophenol, cell voltage is maintained at 3.8 — 4.6 volts, bath temperature

at 80-85° C and current density at 20 amp./dm². Under these conditions yields of 65-73 per cent are possible. Optimum conditions for 2:4 diaminophenol are current density of 30 amp./dm², cell voltage of 3.8-4.8 volts and bath temperature of 100° C. Yields of 50-58 per cent can be obtained.

*

Interim Relief for Workers in Jute Industry: The Government of India has accepted the unanimous recommendation of the Central Wage Board for the Jute Industry regarding the grant of interim relief for workers. They have accordingly decided to request the jute mills to implement the recommendation as soon as possible. The following is the recommendation of the Jute Wage Board. Every worker — whether permanent, temporary or badli—shall be paid interim relief at the rate of Rs. 2.85 per month from 1-10-60 to 31-12-60 and at the rate of Rs. 3.42 from 1-1-1961. The arrears of interim relief from 1-10-60 to 31-12-60 will be paid to the respective workers on or before 15-2-1961. The amount of interim relief from 1-1-1961 onwards will be paid each month in one lump sum on the first pay day of the next month. In case of workers who did not or do not work for the entire month, or for calculating wages due for any broken part of a month e.g., by going on leave or sick leave etc., the amount of interim relief payable to them will be worked out on the same principles as govern dearness allowance. The amount of interim relief shall be paid as a separate item till the final award of the Wage Board and would be adjusted according to that award. The above recommendations apply to all jute mills in all parts of India, except that the Katihar Jute Mill will pay interim relief at the rate of Rs. 3.42 with effect from 1-9-1961.

United Kingdom

Manufacture of British Tool Grinder in India: Under an agreement signed between Praga Tools Corporation Ltd. of Hyderabad and A. Jones and Shipman Ltd., of Leicester, England, Praga is to manufacture in India one of Jones and Shipman range of precision grinding machines. The machine to be manufactured in India is a cutter and tool grinder — a versatile model which has been installed in factories in most parts of the world. A compactly designed machine having universal operating positions, it has a rising and falling swivelling wheelhead which enables all types of milling cutters to be ground in the shortest possible time. The accuracy and efficiency to which these are ground ensures that the machine tools on which they are used give maximum performance. Numerous attachments are available to cover a wide range of cutter and tool grinding operations. The licensed agreement allows Praga to manufacture the machine for sale in India and other territories. British made models of the machine have been sold in India for a number of years.

United States

Loan for an Indian Firm: The United States Government has announced the authorisation of a loan of \$18.5 million (Rs. 9 crores) to the Orient Paper Mills Ltd. a private firm, with its Head Office in Calcutta. The loan, channeled through the U.S. Export-Import Bank, will be utilized for the purchase of pulp and

paper making machinery for a big paper mill to be built at Amlai in Madhya Pradesh. Using bamboo as raw material, the mill will produce over 50,000 tons of paper annually. India's needs for paper have greatly increased in recent years. Beloit Iron Works of Beloit, Wisconsin, a well-known American firm, will manufacture or procure the machinery and equipment for the mill. The Eastern Engineering Company of Atlanta, Georgia, another prominent American Company, will provide technical and engineering services for the overall project. The loan is repayable over a period of 10 years, with the first payment due in 1964. The new loan brings the total of U.S. financial assistance to India to \$3,765 million (Rs. 1,792 crores).

Norway

Britain Still Norway's Largest Export Market: Norway's export to EFTA countries has considerably increased recently. While the increase in value of the total export during January-October last year amounted to 7.7 per cent over the previous year, the export to the EFTA area went up by 22 per cent. During the first 10 months of 1959 EFTA countries received 39.1 per cent of Norway's export, whereas in 1960 this figure rose to 44.2 per cent. Export to "The Six" went up by 5.8 per cent which is less than the average increase, and there was a drop in export to America by as much as 29 per cent. Statistics show that Britain was further consolidated as Norway's most important export market, and export went up by over £10,500,000 to £58,330,000 which is a 22 per cent increase. There was also a remarkable increase in export to Sweden by as much as 33 per cent to a total value of £28,855,000.

Yugoslavia

Investments According to the Five-Year Plan: The new Five-Year Plan of Yugoslavia calls for a vigorous rate of investments in the economy. The distribution of investments between the individual spheres and sectors of production should assure the optimum and harmonious development of the economy as a whole. Due attention will be given to assure the most adequate investments into expanded production and capital formation, thus enabling the investments to yield the best possible results with regard to the growth of production and national income at the end of the five-year period. The faster development of the productive forces will be based primarily on the growth of productivity in all spheres of the economy. As distinct from the previous years, productivity will become more important factor than employment in the increase of production and national income, this being one of the essential characteristics of the new Five-Year Plan. Total gross investments in fixed and working assets for the entire five-year period planned will amount to 8,015 billion dinars or an average 1,600 billion annually.

Holland

Projects for A-ships: Along with a number of other European countries Holland has submitted to the Uratum commission a project for nuclear reaction for ship propulsion. The project originates from the Reactor Centrum Nederland (RCN) and ship builders co-operated. The Dutch Project concerns an advanced boiling-water reactor. It is one of the most specific plans.

U.A.R.

Foreign Loans Exempted from Taxes to Encourage Investments: With a view to open up wide vistas for foreign investments in UAR economic plans, all government foreign loans will be exempted from payment of taxes, declared the Executive Treasury Minister in a statement to the Press. He said such loans, credit facilities and current credit accounts have such a great importance that taxation burdens should not be allowed to constitute a bar to their importation since they are so essential for the financing of the country's development plans. On the other hand, current accounts between the Egyptian Region and other countries are aimed at the activation and diversification of our exports, the opening up of further foreign markets for goods, the provision of abundant supplies of essential commodities, and the import of more capital equipment and raw materials for development plans.

U.S.S.R.

Industrial Production: Industrial Production in the USSR has risen by 10 per cent in 1960 (the planned increase was 8.1 per cent) over the 1959 level. The output of means of production (Group A) increased by close to 11 per cent, according to preliminary estimates (the planned figure was 8.8 per cent) and that of consumer goods (Group B) by more than 7 per cent (the planned increase was 6.4 per cent). The Central Board of Statistics published a report on the results of the fulfilment of the 1960 plans of economic development of the USSR which says that the programme of the second year of the Seven-Year Plan (1959-1965) has been fulfilled ahead of time both with regard to gross output and with regard to the production of pig iron, steel, rolled sections, most important non-ferrous metals, electricity, oil, coal, textiles and other products. 6.6 billion roubles worth of manufactured goods were produced over and above the target figures of the Seven-Year Plan (all figures were given in new rouble).

Colombia

IMF Credits to Colombia: The International Monetary Fund granted Colombia recently a credit for \$75 million for a period of one year. During the past 12 months Colombia could have availed of an IMF line of credit amounting to 41.25 million dollars but did not find it necessary to do so. Further, the country gave 47 million dollars on short-term debts without reducing its international reserve level. Colombia is endeavouring to continue its policy of achieving a balance of payments surplus without recourse to import restrictions.

France

Automobile Industry in 1960: A new production record was established in 1960 by the French automobile industry. A figure of 1,360,000 vehicles is estimated for 1960 compared with 1,283,000 vehicles in 1959. However, it is noted that the increase in production which had been 15 per cent between 1958 and 1959 will be only approximately 6 per cent between 1959 and 1960. Automobile production has undergone a slack period since July 1960. Two producers, Renault and Simca which were foremost French producers because of an increase in their production and their export were the first to slow their production rate. A decline in the exports to the United States is the principal factor in this production decrease.

NEWS IN BRIEF

INDIAN

One thousand three hundred and ninety-nine tons of ingot steel was produced in the L. D. Steel melting shop at Rourkela Steel Plant on January 29, which is the maximum production on a single day so far.

The Textile Commissioner recently assured the weaving industry that the supply of worsted woollen yarn would not be affected by the withdrawal of the order fixing a flat pattern of production for weaving, hosiery and knitting yarns for all the worsted spinning mills in the country.

The Tariff Commission has issued a questionnaire on the revision of the sugar price linking formula for determining the amount to be paid by the industry to the cane growers. The Government of India had referred the matter to the Tariff Commission in October last.

Farmers' schools are being set up in Jammu and Kashmir to give practical training in farming and to inculcate enthusiasm for agriculture among the children of farmers.

The output of cotton textile mills in December, 1960, is provisionally placed at 150 million lbs. of cotton yarn and 447 million yards of cotton cloth, according to a Press Note issued by the Textile Commissioner.

According to preliminary estimates based on house-listing figures, 18 to 20 per cent increase in India's population was expected in the next census.

The Rajasthan main canal will have double-tile lining on sides and the bed in those reaches where the soil conditions are bad or the embankments are such as to allow seepage of water due to high filling.

The Government of India have authorised the State Governments to relax the provision of rule 11(2) of the Minerals Concession Rules, 1960, for renewal of the prospecting licenses.

Afsons Industrial Corporation Private Ltd., which has been promoted by Abdulabbai Fidaali and Co. of Bombay, is being converted into a public limited company with an authorised capital of Rs. 1 crore. The public company will establish a paper and board mill at Khopoli.

It is reported the Rajasthan Government proposes to set up industrial estates at Tonk, Beawar, Bundi, Dungarpur, Sikar and Churu, in 1961-62.

Of the eleven countries which provided training facilities to their Colombo Plan partners in 1959-60, India comes fifth after the United States, United Kingdom, Canada and Australia. India's contribution under the Colombo Plan has been in both capital aid and technical assistance. During the year 1959-60, she offered capital aid of the value of Rs. 180 million to Nepal.

FOREIGN

Shell Oil Company is completing a programme increasing its benzene producing capacity. At the same time Pure Oil Company and Atlantic Refining Company announced plans to construct facilities for producing benzene, toluene and xylene.

It is reported in the Manyoni district of Tanganyika 82 peasant farmers will plant a total of 20 acres of Turkish tobacco in the 1960-61 season following a successful experiment carried out by the Agriculture Department during the 1959-60 season.

A record number 3,300,000 jobless Americans claimed unemployment benefits in the first week of 1961. This was an increase of 225,000 during the seven-day period, and represents 8.1 per cent of those covered by unemployment insurance.

One of the biggest trade export promotion ventures undertaken for Australian industry will leave for a four-month tour of South-East Asia in May. The motor vessel *Strait Banker* is being converted to carry a floating mission which will display every aspect of primary and secondary industry.

Some of the individual projects included in the £130 million five-year expansion programme to be launched by 34 Mexican companies have now been announced. They include a project by Telefonos de Mexico to double its capacity at a cost of about £43 million, a £16 million expansion programme to be undertaken by a consortium of three leading steel companies, and a project for a new zinc mine, expected to cost £8.6 million.

Pechiney announces that it is negotiating with the Argentine Government with a view to the possible construction in Argentina of an aluminium plant with a capacity of 25,000 tons per year. Kaiser Aluminium is also taking part in the negotiations.

The economic upswing in Switzerland is reflected in her foreign trade figures for 1960, both exports and imports showing a marked increase. Imports rose 15.7 per cent to Swiss Frs. 9,648 million and exports 20.5 per cent to Swiss Frs. 8,131 million resulting in a deficit of Swiss Frs. 1,517 million.

Signor Mattei, Chairman of Italian Oil Company E.N.I. which is to build a £9m. refinery in Ghana stated recently that he hoped E.N.I. would be able to supply all the necessary crude. Work on the refinery would start at once.

In spite of efforts by the authorities to rectify the imbalance, in the destinations of Egyptians cotton, 69 per cent of exports this season have so far gone to Communist countries against only 37 per cent to Western countries, USA, India and Japan. To UK only 2,704 bales had been exported by January 4, against 13,523 bales for the same period last year.

A detailed report prepared by Russian experts on the Rs. 41 million rubber tyre and tube factory proposed to be established by the Ceylon Government with Soviet aid has been handed to the Minister of Industries. After the Ceylon Government has approved the report an agreement will be signed and work on the factory will commence.

Special Article

PLANNING AND AGRICULTURAL PRODUCTION

PRELIMINARY estimates of foodgrains production in the Indian Union for the year 1960-61 indicate an all-time peak at 77 million tons as against 65.8 million tons in 1955-56 (last year of the First Plan) and 54.0 million tons in 1949-50. The First Plan agricultural targets were based in relation to the actual production in 1949-50, which was a moderately good year and not in relation to 1950-51, which, for technical reasons, ought to have been the real base of the First Plan, but in the agricultural sphere it was a lean year. These figures demonstrate a rise of 23 million tons in foodgrains output over a decade or an average rise of about 4.3 per cent per year. The performance in the agricultural sector is encouraging, though it has become a fashion with

the commentators to attempt to discount these encouraging results as a gamble of the monsoons. It goes without saying that not all the increase which has occurred is through fortuitous circumstances. During the last decade, systematic efforts have been made in various fields in order to raise the production of foodgrains. It is the purpose of this Special Article to analyse the factors on the credit side of the national balance sheet in so far as agricultural production is concerned.

In order to impart stability to the agricultural sector, attempts have been made to increase the size of irrigated area. Table I below sets out, since 1947-48, a balance sheet of the gross as well as the net

TABLE I
BALANCE SHEET OF GROSS IRRIGATED AREA

(In million acres)

Period	Area Irrigated Under						Gross Irrigated Area	Net Irrigated Area
	Foodgrains	Sugarcane	Other Food Crops	Total Food Crops	Cotton	Other non-Food Crops		
1947-48	40.7	2.9	2.4	46.0	0.7	3.4	50.1	46.6
1948-49	41.0	2.6	2.1	45.7	0.7	3.6	50.0	46.9
1949-50	44.2	2.5	2.4	49.1	1.0	3.6	53.7	49.8
1950-51	45.4	2.9	2.2	50.5	1.1	4.2	55.8	51.5
1951-52	45.9	3.4	2.6	51.9	1.4	4.0	57.3	52.0
1952-53	46.9	2.9	2.6	52.4	1.3	3.7	57.4	52.1
1953-54	49.3	2.4	2.9	54.6	1.5	4.0	60.1	53.8
1954-55	49.4	2.8	2.9	55.1	1.9	4.3	61.3	54.3
1955-56	50.9	3.1	2.9	56.9	2.1	4.3	63.3	56.2
1960-61	63.0	3.4	3.6	70.0	2.5	5.5	78.0	70.0
(Anticipated)								
1965-66 (Target)	89.0	3.9	4.6	97.5	4.6	7.9	110.0	90.0

area under irrigation. It will be seen that between 1950-51 and 1960-61, the area irrigated under foodgrains has shown hopeful signs of a steady increase from 45 million acres to about 63 million acres. For all the agricultural crops, the increase in net irrigated area is of the same order, from 51.5 million acres in 1950-51 to 70.0 million acres in 1960-61. This is a significant achievement and it has imparted stability to the agricultural economy, thus reducing the monsoon-gamble-element considerably. These figures also indicate that the rise in irrigated area has been much faster in the Second Plan than in the First Plan. The Third Plan contemplates a much faster rate of rise in irrigation, and in fact attempts to increase the area under irrigation in five years by as much as what was accomplished during the last decade.

Table II alongside, shows the relative share of major and minor irrigation schemes in extending the total area under irrigation. It is seen that the increase in minor irrigation is slightly greater than the increase registered under major and medium irrigation schemes. The current line of thought is in favour of minor irrigation, because of the speed with which the results can be attained. Major irrigation projects have an honourable place in Indian agricultural planning, but the experience of the two Plans has shown that they are slow

in yielding results and demand large resources. In the Third and the subsequent Plans attention is to be directed much more on minor irrigation schemes so as to accelerate the supply of agricultural crops.

The consumption of chemical fertilizers also has shown a spectacular rise during the last decade. The total consumption of fertilizers in 1950-51 was less than 70,000 tons. By 1960-61, it is likely to reach somewhere

TABLE II

(In million acres)

	Major and Medium Irrigation	Minor Irrigation and other Sources	Area Irrigated (Net Total)
1950-51	22.0	29.5	51.5
1955-56	24.9	31.3	56.2
1960-61	31.0	39.0	70.0

* Irrigation projects costing more than Rs. 5 crores are classed as major schemes and those costing between Rs. 10 lakhs and Rs. 5 crores as medium schemes.

near 5,00,000 tons, showing a rise of about 600 per cent in ten years or roughly 60 per cent per year. How could such a voluminous investment in the shape of chemical fertilizers fail to yield fruits? In fact, this particular factor has been instrumental to a large degree in raising agricultural production in this country. The need for expanding the supply of fertilisers through indigenous sources has already been underlined, and it is certain that the contribution of chemical fertilizers will continue to rise. The pattern of consumption of chemical fertilizers during the last decade and the target of consumption for 1965-66 (which is about four times the estimated consumption in 1960-61) are set out in the Table below.

TABLE III
CONSUMPTION OF CHEMICAL FERTILIZERS
('000 tons)

Period	Nitrogenous Fertilizers (In terms of N)	Phosphatic Fertilizers (In terms of P ₂ O ₅)	Potash Fertilizers (In terms of K ₂ O)
1951-52	57.9	6.9	7.7
1952-53	56.7	4.6	3.1
1953-54	67.2	8.1	8.5
1954-55	94.7	14.8	14.2
1955-56	105.6	12.8	10.8
1956-57	131.3	15.6	10.9
1958-59	164.0	27.2	16.5
1959-60	231.0	38.9	29.0
1960-61	360.0	67.0	N.A.
(Anticipated)			
1965-66	1,000.0	500.0	200.0
(Target)			

The total cropped area has also steadily increased since Independence and has also been a major factor in imparting confidence to the agricultural sector. On the eve of Independence, the total cropped area was hardly 278 million acres and showed a rise of 50 million acres before the commencement of the First Plan. The first two Plans show an increase of about 60 million acres in the cropped area and within the Third Plan period another increase of 30 million acres is envisaged, thus rising the total of additional cropped area to 90 million acres in the three Plans.

TABLE IV
MULTIPLE CROPPING

(In million acres)

Period	Net Area Sown	Area Sown more than Once	Total Cropped Area
1947-48	245.5	32.6	278.2
1948-49	243.2	33.4	276.6
1949-50	283.2	38.1	321.3
1950-51	293.4	32.5	325.9
1951-52	295.0	34.6	329.2
1952-53	304.9	35.1	340.0
1953-54	313.3	38.7	352.0
1954-55	315.8	40.1	355.9
1955-56	318.2	44.3	362.6
1960-61	323.0	62.0	385.0
(Anticipated)			
1965-66	327.0	88.0	415.0
(Target)			

The increase of 23 million tons of foodgrains in the last decade is equally distributed between the first two Plans. A factorial analysis of the sources of this increase in food production is set out in the Table V. It shows that out of a rise of about 11.2 million tons in the Second Plan, fertilisers (both organic and non-

organic) were responsible for about 4.6 million tons. Major and minor irrigation was also responsible for nearly three million tons, while double cropping, im-

TABLE V
COMPARISON OF THE BREAK-UP OF ADDITIONAL PRODUCTION IN SECOND AND THIRD PLANS
(Million tons)

Schemes	End of Second Plan	End of Third Plan
1. Major Irrigation	1.52	4.25
2. Minor Irrigation	1.54	3.00
3. Double Cropping	1.08	2.50
4. Improved Seeds	1.50	4.50
5. By application of		
(a) Nitrogenous Fertilizers	3.30	5.00
(b) Phosphatic Fertilizers	0.60	1.20
(c) Organic manures and green manuring	0.70	4.00
6. Land reclamation, improved practices and Plant Protection	1.00	3.77
Total	11.24	28.22

proved seeds, land reclamation and other improved practices yielded more than 1 million tons under each category. Thus, the contribution of chemical fertilizers in giving a healthy tone to the increase in food production is a basic factor in India's agricultural scene. In the Third Plan also, the fertilizers (both organic and non-organic) promise to yield nearly 40 per cent of the total increment of about 28 million tons in food. The irrigation projects are likely to occupy a second place, followed by improved seeds, land reclamation and other improved practices, and double cropping.

The picture of Indian agricultural growth during the last decade as shown by the index of agricultural production is really encouraging (Vide Table VI) and one of which any country can be proud of. A rise of nearly 40 per cent in ten years confirms the picture already indicated above on the basis of the trend in

TABLE VI
INDEX OF AGRICULTURAL PRODUCTION
(Base: 1949-50 = 100)

Period	General Index	Food Crops	Other Crops
1950-51	95.6	90.5	105.9
1951-52	97.5	91.1	110.5
1952-53	102.0	101.1	103.8
1953-54	114.3	119.1	104.7
1954-55	117.0	115.0	120.9
1955-56	116.8	115.3	119.9
1956-57	124.0	120.5	130.6
1957-58	114.6	107.9	128.1
1958-59	132.3	130.1	136.7
1959-60	127.2	124.3	133.1
1960-61	135.0	131.0	143.0

food production. The critics, it seems, have been extremely severe and sometimes unjust in painting a gloomy picture of agricultural growth in the country under the two Plans. There are positive optimistic signs on the credit side of the balance sheet which should not be ignored. The problem, no doubt, is immense and also pressing, due to the fast rise in population. Because we have had a major failure in not taking up the family planning programme in earnest and we failed to keep our rise in population according to the estimates made in the Plans, it does not follow that this failure should be twisted to discount the achievements in the agricultural sector under the two Plans.

THE BUSINESS WORLD

The Gold and Silver Ferment

By PAUL BAREAU

THE London bullion market continues to be exceptionally active. The interest, which until recently was largely centred on gold, has now spread to silver the turnover in which has in recent weeks assumed large proportions.

The flurry in gold has failed to maintain the heights of excitement and activity that became apparent last October and November. On one recent day, however, the Friday which preceded President Kennedy's inauguration, the turnover of gold in the London market is estimated to have exceeded 15 tons which would make it the second largest day's business in recent years. That sudden spasm of excitement was caused by rumours that during the ensuing weekend the US authorities would take special measures to prevent further outflow of gold designed to feed what they regard as speculative demand in the London market.

These rumours proved unfounded and the temperature of the market has since fallen. There is, however, continuing concern about the next chapters in US economic policies and about the manner in which the "pump priming" experiments of the new administration will in the long run affect the US balance of payments and, therefore, the dollar.

Some substance was given to this concern by the surprising final move of the departing Eisenhower administration in the realm of gold policy. This was the order banning United States citizens and companies buying and holding gold outside the United States and, furthermore, requesting them to repatriate by the 1st June any gold so held. There is some logic in this move since citizens of the United States have been debarred from buying and holding gold in their own country since 1933. Its timing and psychology must, however, be open to grave question.

In the first place it must be regarded as an admission of concern about the recent loss of gold by the US Treasury, and more particularly about the extent to which the Americans themselves have contributed to it. It is a move that has behind it considerable powers of moral suasion, but little effective means of enforcement. The United States have not, and have never had, any exchange control. Any American citizen can, therefore, transfer dollars abroad. Once there these dollars can vanish into anonymous strong boxes containing gold or bearer gold certificates, which will be quite outside the machinery of supervision available to the authorities. It is significant that very little gold has been resold on American account since this order went forth. There has even been evidence that the Canadian markets, where much of the American buying has occurred, have been net buyers of gold in the last few weeks.

The amount of American gold held on private account outside the United States has been estimated at \$200 million, which is a mere trifle in relation to the gold which the United States have lost recently. It is also insignificant in relation to the amount of dollars deposited in the United States on foreign account and which could be induced by this kind of move to seek greater safety in gold.

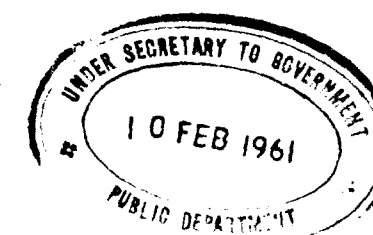
If, therefore, this step toward physical controls in the United States and towards further restriction on the free convertibility of the dollar is to be made fully effective, it may have to be followed up by similar measures. One set of controls tends to beget another.

The new administration have given all the necessary assurances that there will be no tampering with the dollar, and indeed the majority of informed opinion not only believes them but is convinced that they have the means to enforce this decision. This, however, can only apply to the immediate and medium term future. In the long run the reflation which the United States are about to attempt, and its impact on the rest of the world, must take us a step nearer the perhaps distant objective of a readjustment of all currencies in terms of gold, and incidentally towards a correction of some of the disparities and distortions which now mark the structure of international exchange rates.

It is not only gold that the US Treasury has been losing. Its stocks of available silver, not required as backing for silver certificates, fell during 1960 from 175,100,000 ounces to 123,500,000 ounces. This is, despite some receipts of silver from foreign countries, including the return of silver that was made available to India and others, by way of lend-lease during the war.

For some years past the demand for silver has considerably exceeded the supplies of newly mined metal. A number of countries are still faithful to silver for their token coinage, and recently France when introducing its new franc has decided to give it the dignity of a high grade silver content. The coinage demand for silver in the London market remains high and consistent.

The industrial demand for silver is also increasing. The photographic industry is still its main customer, but some new ores are appearing. These include the electrical and electronics industries whose appetites are growing fast. The gap between supply and demand has been covered by sales from the US reserve whose silver is being made available in the United States on the basis of a price of 91½ cents per ounce. That reserve of available silver is, however, dwindling fast. The other major source of supply has been the demo-



netised coin which has been laboriously refined in the U.K. and has been sold by the Bank of England, but recently in steadily dwindling quantities.

There is one large unknown and available stock of silver, namely the reserves of the metal that lie hidden in Asia and particularly in China which from time immemorial has been a veritable sink for the metal. The Chinese Communist authorities have secured part of these hoards and will no doubt obtain much of what is still left in private hands. The serious crop failures in China are compelling the Chinese authorities to buy foodstuffs in the world markets and the wherewithal to pay may well lead to substantially

larger exports of silver from China than have recently appeared on the world's markets.

In all these circumstances buyers of silver, whether they be governments or private industry, are beginning to indulge in some stock-piling which could rapidly exhaust what is left of the freely available reserves at the disposal of the US Treasury. Long before the point of exhaustion is reached, the United States will presumably stop their sales at the present fixed price, and the result will be a sharp bound in the world price of the metal. President Kennedy's inheritance of monetary problems may, therefore, be said to have a bi-metallic character.

Intransigence on Electricity Rates

By

CROESUS

IF the Federation of Electricity Undertakings of India had bargained for a change in the attitude of the Government towards the electric supply industry, especially the private-sector in the power sector, by wanting the Union Minister for Irrigation and Power, Mr. Hafiz Mohammed Ibrahim, himself to be present at its annual meeting — and this it has been trying for the past two years — I must say, it was sorely disappointed. For, on none of the three important questions raised by Mr. S. M. Zubair, Chairman of the Federation, the Minister had anything encouraging to say. On the other hand, notwithstanding his laborious efforts to convince Mr. Hafiz Mohammed, it seemed to me the latter simply refused to be convinced. Not only that, he went so far as to suggest, in case any unit of the private enterprise sector experienced difficulties, such as limited resources and others, it might as well integrate with the system of the Electricity Board in the area concerned. The point now, therefore, is whether the industry should give up its stand or continue to agitate, in order that its reasonable stand might be appreciated and acted upon, sooner than later, if only by reason of the ambitious power target fixed under the Third Five-Year Plan.

Let me refer to the three points made out by Mr. Zubair and the relevant replies of the Union Minister. The first demand of the Federation of Electricity Undertakings Chairman was that "the level of return now obtaining in the electric supply industry (official Bank Rate at 4 per cent plus 2 per cent) is grossly inadequate, and, if it remains unaltered any longer, it would tend to erode the capital invested in the industry". The reply to this of Mr. Hafiz Mohammed was categorical. He said: "I cannot agree with the view that the rates for power obtaining at present in most of the power systems are below cost and that there should be no reluctance in permitting an increase therein to enable the industry to earn a higher return." Of course, he added all those familiar clichés about electricity being "a basic industry," "a primary tool of production" and almost "a necessity, of present day life" and so on, and stressed the need for keeping a careful watch over power rates. He also raised the usual consumer canard when he maintained that the interests of the consumer required to be safeguarded.

Now, what passes my comprehension is how, with this attitude, the authorities propose to help the licensees to improve their financial operations to attract larger investments. In this connection, it is interesting to quote the considered opinion of a well-known house of share and stock brokers in Bombay — Messrs. Harkisondass Lakhmidoss. In their seventh annual report released recently, they say: "The situ-

ation in company-owned electricity industry became worse when the Finance Act of 1959 prevented grossing up of dividends as hitherto and, in addition, shareholders had to suffer a deduction of tax at the rate of 30 per cent from dividends paid to them. It has become difficult for the industry to expand, as the investment in electricity shares has become unattractive."

It is precisely this point that Mr. Zubair wanted to drive home, when he spoke of "investor confidence", inasmuch as investment is a pre-requisite to promote and sustain development. "The prime test," he said, "is the level of return necessary to attract investment and this is a focal point on which all problems of the industry converge." "That the level of return obtaining at present is insufficient," he went on to say, "is best witnessed in the price of equity shares in the electric supply industry. These shares were, at one stage, regarded as 'gilt-edged', but we now see the spectacle of such 'blue chips' being quoted at discount! The net result has been that expanding undertakings are unable to raise resources, as electric supply shares as media of investment have come to the suspect; indeed, there is large-scale disinvestment in the industry."

Other things remaining equal, as that accepted qualification for all economic laws goes, the electric supply industry would not have experienced much difficulty in raising finance. But, as in all other lines where we are blessed with parallel ownership of industries, in this industry also, the private sector has to contend with the pampered public sector units. When comparing the two in the electric supply industry, in particular, there is a tendency to ignore that the State Electricity Boards command decided advantages. Thus, they obtain finance from the State Governments at a privileged rate in interest, which means that the problem of financing for them has no relation whatsoever to the competitive tests of money or capital market. Secondly, whereas statutory corporations like the D.V.C. and the State Electricity Boards are specifically enjoined not to conduct their operations at a loss the reward of the licensees in the private sector is strictly limited to the so-called "reasonable return", which is anything but reasonable. What amounts to adding insult to injury in these circumstances is that, forgetting the definite advantages that they thus enjoy, the public sector projects should subject the private sector units of the industry to the odium of having to sustain a tempo of expansion without the means to draw resources from a competitive capital market. It is not conceivable why, when the public sector elec-

tric supply undertakings, on the one hand, and the other industries which benefit from the basic service provided by the private sector units of the electric supply industry, on the other, are allowed to operate at handsome profits, the private sector units of the electric supply industry alone should be indefinitely made to suffer from an inadequacy of return forced on it by the authorities, knowingly or unknowingly.

The second suggestion of the F.E.U. Chairman was that the new approach commended by the Federation for the consideration of the Central Board of Revenue "for licensees being exempt, at the time of the acquisition of their undertakings, from tax on that portion of the purchase price which could be related to unprovided deferred tax liability when individual licensees go out of business", should receive favourable consideration. And, thirdly, Mr. Zubair referred to the desirability of making a few changes in the existing electricity law with a view to making the profits of the electric supply licensees entirely independent of the tax pattern. Both of these suggestions were answered thus, briefly, if not curtly: "The Federation has already submitted to the Government detailed memoranda on these points. These and numerous other proposed amendments to the Act are being examined and whatever is found to be fair from the point of view of the licensees, as well as the consumers, will be done."

Of wider and more general interest, however, were the observations made by the Union Minister, and the words of caution uttered by the FEU Chairman, on the subject of power development in the Third Five-Year Plan. These are particularly appropriate, coming as they do on the eve of the conclusion of the Second Five-Year Plan and the commencement of the Third Five-Year Plan. As the Union Minister said, by the end of the Second Plan period, the generating capacity would rise to about 5.7 million KW (the Draft Outline of the Third Five-Year Plan had estimated this at 5.8 Million KW). In this connection, the FEU Chairman said that, "although development received sufficient priority in the Second Plan, a measure of setback had resulted in the power capacity actually commissioned during the period," and also added that "the pace of development in the economy has been such that time lag in sectors which are particularly capital-intensive (such as power projects) are inevitable." Mr. Hafiz Mohammed too admitted that the development programmes in the power sector in the Second Plan were "inhibited mainly by foreign exchange shortage, in-

adequacy of experience and trained technicians, and non-availability of plant and equipment". But, in the face of these difficulties, he claimed what has been achieved to be "quite substantial".

It is against this background and with the knowledge that most of these handicaps still continue that we must examine the proposed target in the Third Plan of 13.3 million KW (this is actually higher than the original estimate of 11.8 million KW). In absolute terms, the increase during the First Five-Year Plan amounted to 1.1 million KW, while that under the Second Plan is expected to be 2.3 or 2.4 million KW. But it is proposed to add, during the Third Five-Year Plan, about 7.6 million KW. In other words, between 1961 and 1966, it is proposed to more than treble the achievement during the Second Plan period. It is true, as the Planning Commission has opined, that, even with this addition, some parts of the country are bound to continue to suffer from paucity of power. Maybe, the country has also gained considerable experience during the two Plan periods which should go a long way towards facilitating the implementation of the power projects during the Third Plan period. Account could also be taken of the broader base on which the proposed expansion has been projected. Moreover, the country cannot but benefit from the proposed Power Research Institute in Bangalore, the Switchgear Testing Station in Bhopal and the specialised organisation for planning, designing and constructing large hydro and thermal stations, as also the increasing attention to be given to inter-connection of power grids. Even after making due allowances for all these, the authorities cannot afford to ignore the note of caution sounded by Mr. Zubair that, "in planning for accelerated power development, due regard should be given to all round co-ordination, so that, from the blue print stage to the pressing of the button commissioning plant capacity, there is awareness that even the smallest details receive as much attention as the grand concept reflected in the doubling (sic) of power capacity during the Third Five-Year Plan." Only if this is done is there reason to hope that at least the actual benefit to be derived during the Third Plan according to the draft outline, namely, 3.6 million KW from new schemes in the Third Plan, would materialise. Certainly the setting up of the proposed special high-powered division in the Central Water and Power Commission, as suggested by the Bangalore seminar, should help eliminate administrative bottlenecks and further facilitate the fulfilment of the Third Plan target.

Business Notes

Automobiles

ANCILLARY OR APPENDAGE ?

IT WOULD not be correct to think that the rather broad term "ancillary industry", which has followed in the wake of the advent of the automobile industry in this country, is just an appendage of the automobile industry and that it serves only the limited function of jobbing for automobile manufacturers or servicing old vehicles on the road. On the other hand, the scope of the ancillary industry encompasses the requirements of various other items of machinery, such as agricultural tractors, earth-moving machinery, road rollers, and stationary diesel engines, including those of automotive vehicles. While addressing the first annual general meeting of the All-India Automobile and Ancillary Industries' Association, in Bombay, last week, Mr. Manubhai Shah, Union Minister for Industry, did well, therefore, in debunking this wrong notion and underlining the vital importance of the ancillary industry

in the context of our steadily expanding commercial road transport.

The ancillary industry, the Minister said, had a dual role to play: first, to assist the main manufacturers to enable them to put more vehicles on the road by reducing their foreign exchange element for the imported components that could be supplied from the ancillary industry, and, secondly, to meet the demand for the service and maintenance of the growing fleet of vehicles on the roads. With the increase in the production of automobiles in the country (the total production in 1960, as given by Mr. Shah himself, was 52,115, as against 36,903 in 1959), the role of the ancillary industry assumes all the greater significance. It is heartening to note that the All-India Automobile and Ancillary Industries' Association, which has been in existence for only the past 14 months, is not only aware of this responsible role but is getting fully equipped to take on that role. That this has followed the more broad-based character of the Association's membership is just as well and quite encouraging too. In the year

1958, the Association had only about 45 units, accounting for a total output valued at Rs. five crores, but, since then, 45 more units have been licensed to produce additional items like starters, dynamos, electrical accessories, wheels and rims, dash board instruments, etc. The total value of production for the year 1959 and 1960 accordingly improved to Rs. 7.5 crores and Rs. 9 crores, respectively, (without taking into account the production of units producing batteries, tyres, tubes, and ball bearings). If the output in the small-scale sector is also taken into account, it is estimated that, last year, the entire ancillary industry accounted for a production worth some Rs. 13 to 14 crores. Mr. Manubhai Shah was apparently not content with this, so much so that he suggested a target of production for the ancillary industry of at least Rs. 20 crores per annum in the next two years. This should be possible, he thought, because of the increase in the allocation of the foreign exchange to the ancillary industry from Rs. 1.8 crores in 1959 to Rs. 2.8 crores in 1960. Conceding this to be a substantial improvement no doubt, the industry feels that even this higher allocation is not sufficient in the context of the steadily rising level of automobile production.

Earlier, Mr. Pranlal Patel, President of the All-India Automobile and Ancillary Industries' Association, had pleaded for a broad demarcation and bifurcation of functions as between the vehicle manufacturers and the ancillary producers. Such a demarcation, Mr. Patel felt, would do away with the uncertainties of the present situation by clearly defining the field available for specialisation by the ancillary manufacturers. He also complained that the automobile industry had so far developed on a vertical basis, in that each manufacturer was himself trying to produce all the components needed, including those which were normally expected to and could profitably be bought from the ancillary industry. Bifurcation of functions, he argued, would enable the ancillary manufacturers to enter the field with confidence and take up the manufacture of those items which, they could feel assured, were their own and legitimate responsibility to develop.

Mr. Manubhai Shah did not say whether he agreed with this view or not, but he discreetly advised the ancillary interests that it was a matter for mutual discussion and understanding as to what components the automobile manufacturers should produce and what components the ancillary industries should turn out. There is sense in this suggestion, and no one who has any experience of the differences and misunderstandings that have followed the demarcation of the respective lines of manufacture as between the handlooms and the mills will seriously put forward such a suggestion.

Scrap Export

GLOOMY OUTLOOK

THE ANNOUNCEMENT of the ferrous scrap export policy for the January-June 1961 period has not resulted in any significant improvement in the trade as was expected earlier. As a matter of fact, the trade view is that the current policy has not served to mitigate any of the long-standing grievances of the exporters with regard to the export of surplus scrap. Despite the Mysore Iron and Steel Works communicating to the Union Government its "no objection" for the unrestricted export of No. 1 bundles, which appeared to be the hurdle all along, the scrap interests point out, the new policy has not cared to remove the export ban on No. 1 bundles. While, on the one hand, the authorities have thus not done anything to mitigate the

already prevailing scrap surplus situation, on the other hand, they have, thanks to their policy of making mild steel sheets more freely available to the engineering units, contributed to augment this surplus. Their action in continuing the ban on export of No. 1 bundles is also bound to result in large-scale misuse of this surplus.

Another gloomy feature about scrap exports is the performance in respect of No. 2, 2a and 3 bundles permitted to be exported. Owing to the high incidence of the export levy, the export of these bundles also during the past few years has been distressingly disappointing. Thus, as against average annual exports in the three-year period 1957-60 of 75,000 tons, the average annual uncollected waste over the same period was of the order of 1.5 lakh tons. Since the burdensome export levy is still there, the trade does not expect any improvement in exports in 1961, although the raisings in these grades might aggregate as much as three lakh tons.

This apart, the other factors which might adversely affect the outlook for straight exports in 1961 are, according to the trade, low foreign market prices, high freight rate, severe competition from the US scrap exporters and growing dependence of the US scrap industry on exports owing to dearth of demand for scrap from domestic consumers. Notwithstanding all these adverse elements in the situation, there could still be a silver lining to the cloud, observes the trade, and that, it adds, lies in the immediate announcement of barter. Without even this gesture, it is convinced, the export trade in scrap cannot be kept going.

Watches

INDIA'S FIRST PROJECT

MR. MANUBHAI SHAH laid recently the foundation-stone of India's first watch factory at Jalahalli. It will be in the public sector and will function under the aegis of the Hindustan Machine Tools. The factory is being started in collaboration with a leading Japanese firm, Messrs. Citizens Watch Co. Ltd. This Rs. 2.5-crore project envisages the establishment of a watch manufacturing plant with a capacity of 2.4 lakh watches per annum — both 'ladies' and 'gents' — in a single shift. The selling price, though not yet estimated, is expected to be around Rs. 100 a piece. Construction of the factory building with necessary facilities will take sometime and it is expected that actual production will start by the end of 1962.

Speaking on the occasion Mr. Manubhai Shah referred to the working of the public sector industries and pointed out that he looked upon the watch project not merely as one to produce commercial items, but as a project of "high social content" which would develop the precision skill of the men of this country. One would not differ with Mr. Manubhai Shah if he wanted us to believe that the project was in line with the Government of India's policy to expand the public sector in whatever way it suited it. But there is little in the claim that it is only in the public sector that precision skill has been developed. The private sector is much ahead in this regard and that apart, the priority given to the establishment of the watch factory is yet another telling instance of the unprincipled manner in which limited resources are being looked up in non-essential items. In view of the serious shortage of resources — both in rupees as well as foreign exchange terms — there is no justification for the State sector to take up the production of a luxury consumer good. Since there will be greatest need to conserve financial resources in the years to come, this practice of wayward allocations ought to be stopped with a firm hand.

FROM THE CAPITAL'S CORRIDORS

FERTILIZERS FACTORY IN MYSORE STATE

THE Kane Committee has selected Mangalore as the site for locating a fertilizer factory in Mysore State. "Mangalore", the Committee thinks, "is not only the most suitable, but also the only location worthy of serious consideration for a fertilizer factory in this State."

This conclusion of the Committee, however, is contingent on the development of a deep water all-weather port at Mangalore, extension of the metre-gauge railway system from Hassan to Mangalore and availability of adequate power supply. The Committee recommends that the setting up of this factory should go on simultaneously with the development of the port.

The capacity proposed for this factory, on the basis of 330 production days in a year, is as follows:

(i) Total capacity of the factory in terms of final products indicated as N/Year, including requirements of ammonia for industrial purposes ..	70,000 tons.
(ii) Ammonia	85,000 tons per annum (Equivalent to 70,000 tons N) (78,540 tons for the production of fertilisers and 6,460 tons for outside consumers).
(iii) Urea (complete re-cycle process) ..	32,500 tons per annum (Equivalent to 37,950 tons N)
(iv) Ammonium Phosphate (16 N: O2P2 O5)	132,000 tons per annum (Equivalent to 21,120 tons N)

RAW MATERIALS TO BE USED

The raw materials proposed to be used at this factory are indigenous petroleum naptha (for the production of ammonia), sulphur pyrites from Ingaldahl (for production of sulphuric acid) and rock phosphate (to be imported from abroad). The Committee recommends the installation of an oil terminal at this place in the port development programme.

The overall cost of the project is estimated at Rs. 22 crores, including a foreign exchange component of nearly Rs. 10 crores. This estimate is, however, exclusive of financing and interest charges for the import of plant and equipment on deferred payment basis.

ELECTROLYTIC HYDROGEN TOO EXPENSIVE

The Committee has examined the State Government's proposal that ammonia production at a fertilizer factory to be set up in Mysore should be based on electrolytic hydrogen and has found the proposition unfeasible in the present situation of acute shortage of power in the country in general and the Mysore State in particular. The Committee feels that it would not be prudent to utilize electricity for this purpose, especially when satisfactory and cheaper alternative processes are available for the production of hydrogen. The Committee opines that if electricity is to be competitive for the production of ammonia, it must be

available at a price not exceeding Rs. 22.20 per kilowatt year. This rate is substantially lower than the estimated cost of electricity generation at Jog or at any other power project in the country. Even if a fertilizer factory can be set up near the Jog generating station — at Talaguppa as suggested by the Mysore State Government — calculations show that cost of production of ammonia would be about Rs. 557 per ton, of which electricity cost would be Rs. 130 per kilowatt year. The corresponding figure based on oil gasification process using naptha as feed stock at a port site would be Rs. 370 per ton. The production of ammonia from electrolytic hydrogen, the Committee says, would also require higher investment on plant and equipment without any compensating advantage of lower cost of production. Further, when hydrogen is produced from naptha, large quantities of carbon dioxide gas are available as a by-product which can be utilised for the manufacture of urea. On these considerations, the Committee has ruled out Gersoppa, Bidare, Talaguppa and Bhadravati as possible sites for setting up a fertilizer manufacturing unit in Mysore State.

NAPTHA SUPPLIES FROM TROMBAY REFINERIES

Since there are no deposits of coal in Mysore and a fertilizer factory based on electrolytic hydrogen would not be an economic proposition, the Committee has suggested that the Mangalore factory should be based on petroleum naptha to be supplied by West Coast refineries. This consideration makes Mangalore an obvious choice for the site of this fertilizer manufacturing unit as it would facilitate easy transport of one of the most essential raw materials from Trombay refineries. A factory at the port would also be desirable as rock phosphate supplies are also to be obtained from abroad. Transport of the end-products of this factory to the coastal destinations would also be facilitated.

Ammonium sulphate at this factory will be produced by neutralising ammonia with phosphoric acid made by reacting imported rock phosphate with sulphuric acid. Sulphuric acid will have to be made either from imported sulphur or indigenous pyrites. The Committee points out that geological investigations carried out till now have proved the existence of nearly 1.5 million tons of these pyrites with a sulphur content of 25 to 30 per cent. There are indications that the deposits are more extensive. The Committee, therefore, has suggested extension of the programme of prospecting and providing pyrites deposits in various parts of the State on a top priority basis. It has also recommended finding out of whether it would be desirable to beneficiate these pyrites. This, it opines, may be done in the next two years by bulk trials of roasting the pyrites.

FOUR ZONES

The Kane Committee has divided India into four zones for the purpose of planning fertilizers production during the Third Plan period. In the first zone are included Punjab, North Rajasthan, Uttar Pradesh, Jammu and Kashmir, Delhi and Himachal Pradesh. The second zone includes Andhra Pradesh (Telangana area), Bombay, Madhya Pradesh, Mysore (Karnataka areas of former Hyderabad and Bombay States) and South Rajasthan. Orissa, Bihar, West Bengal, Assam, Manipur and Tirpura will form the third zone. In the fourth zone are included Andhra Pradesh (excluding Telangana area), Madras, Kerala and Mysore (excluding the areas included in zone II).

The total estimated demand for nitrogenous fertilizers by 1965-66, the production capacity already plan-

ned and the capacity to be planned in each of the four zones are as follows:

ZONE I		
Estimated demand	278,800 tons per year	
Production planned	90,000	-do-
Deficit	188,800	-do-
Production to be planned:		
Ammonium Sulphate	96,000	-do-
Ammonium Sulphate Nitrate	92,800	-do-
Total	188,800	-do-

ZONE II		
Estimated demand	246,000	-do-
Production planned	Nil	
Deficit	246,000	-do-
Production to be planned:		
Urea	90,000	-do-
Ammonium Sulphate Nitrate	82,000	-do-
Complex Fertilizer	74,000	-do-
Total	246,000	-do-

ZONE III		
Estimated demand	230,100 tons per year	
Production planned	213,000	-do-
Deficit	17,100	-do-
Production to be planned:		
Ammonium Sulphate	15,000	-do-
Urea	35,000	-do-
Total	50,000	-do-

The surplus of 32,900 tons is to be adjusted against requirements of Zone IV.

ZONE IV		
Estimated demand	256,400 tons per year	
Production planned	92,000	-do-
Deficit	164,400	-do-
Production to be planned:		
Ammonium Chloride	40,000	-do-
Diammonium Phosphate	62,000	-do-
Total	102,000	-do-

With 32,900 tons surplus available from Zone III, the deficit of this zone will be reduced to 29,500 tons. To meet this deficit possibilities will be explored to manufacture ammonium sulphate by setting up fertilizer factories adjacent to steel plants.

IRON ORE EXPORTS

West Germany, Italy and Yugoslavia, it is understood, are interested in entering into long-term agreements for import of iron ore from India. Jointly or severally they might extend aid to this country for the development of Mangalore port (through which these exports will be effected) and transport facilities linking this port with iron ore deposit areas on the West Coast and for the mining of the ore itself. As already reported in this column, an economic mission from Italy is expected here shortly. This mission is likely to discuss with the Union Government the prospects of iron ore exports to Italy. A similar mission from Yugoslavia is also expected here in the near future.

The Government of India is anxious to develop new sources of iron ore with a view to step up exports. Large deposits of iron ore have been located in the Tumkur and Chitaldurg districts of Mysore State. These deposits, estimated to be around 276 million tons, are believed to contain ore equal in quality, and in some cases even superior, to the iron ore deposits of Bellary-

Hospet region. Large deposits of low-grade iron ore, suitable for blast furnaces, are also known to be available in Babubudun area. These deposits will provide sufficient traffic through the port of Mangalore if Hassan-Mangalore rail link is established. The length of this railway line will be 122.6 miles to lay which nearly Rs. 10.24 crores would be required. Another Rs. 7 to 8 crores will be needed for the improvement of the capacity of the existing lines in the region and for providing rolling stock for handling a traffic of about 2 million tons of iron ore.

COAL OUTPUT

The public sector collieries, it is learnt, will shortly achieve an annual production rate of 12 million tons. In December, they attained an annual production rate of 8 million tons. In November, they produced 616,473 tons of coal, as against 560,154 tons in October. The annual production rate reached in November was 7.3 million tons.

Though the production of coal in the public sector has shown some improvement in the past three months, it is still appreciably below the revised monthly targets fixed in September last. This is evident from the following table:

		(In tons)		
Colliery		Production Target for November, 1960.	Actual Production in November, 1960.	Actual Production in October, 1960.
(A) New Collieries				
Katnara				
opencast	100,000	51,009	43,507	
Samida				
opencast	30,000	13,906	11,370	
underground	62,000	36,107	32,516	
Gidi—A				
opencast	65,000	26,293	18,200	
underground	55,000	24,396	18,559	
Gidi—C				
opencast	30,000	12,200	—	
Bachra				
underground	45,000	10,040	11,513	
Korba				
opencast	66,000	30,690	27,066	
underground	50,000	17,580	16,755	
Sayal—D				
underground	45,000	12,516	11,766	
Korea Block—1				
opencast	12,500	—	—	
underground	2,500	55	105	
(B) Old and New Collieries				
Bhurkunda				
opencast	60,000	32,999	38,246	
underground	40,000	27,408	26,169	
Kurasia				
opencast	75,000	66,045	61,548	
underground	24,000	16,050	17,731	
(C) Old Collieries (other than Bhurkunda and Kurasia)				
	262,000	239,179	224,803	
Total	1,024,000	616,473	560,154	

In December, production at the old collieries handled by National Coal Development Council is understood to have improved appreciably. In Kargali colliery, for instance, production increased from 57,183 tons in November to 60,127 tons in December. In Bokaro colliery, it went up from 85,040 tons to 100,690 tons. Non-availability of adequate number of railway wagons for transport of coal from these collieries to consuming areas is said to have been acting as a drag on production.

In the private sector, coal output has been more or less stationary during the months of October, Novem-

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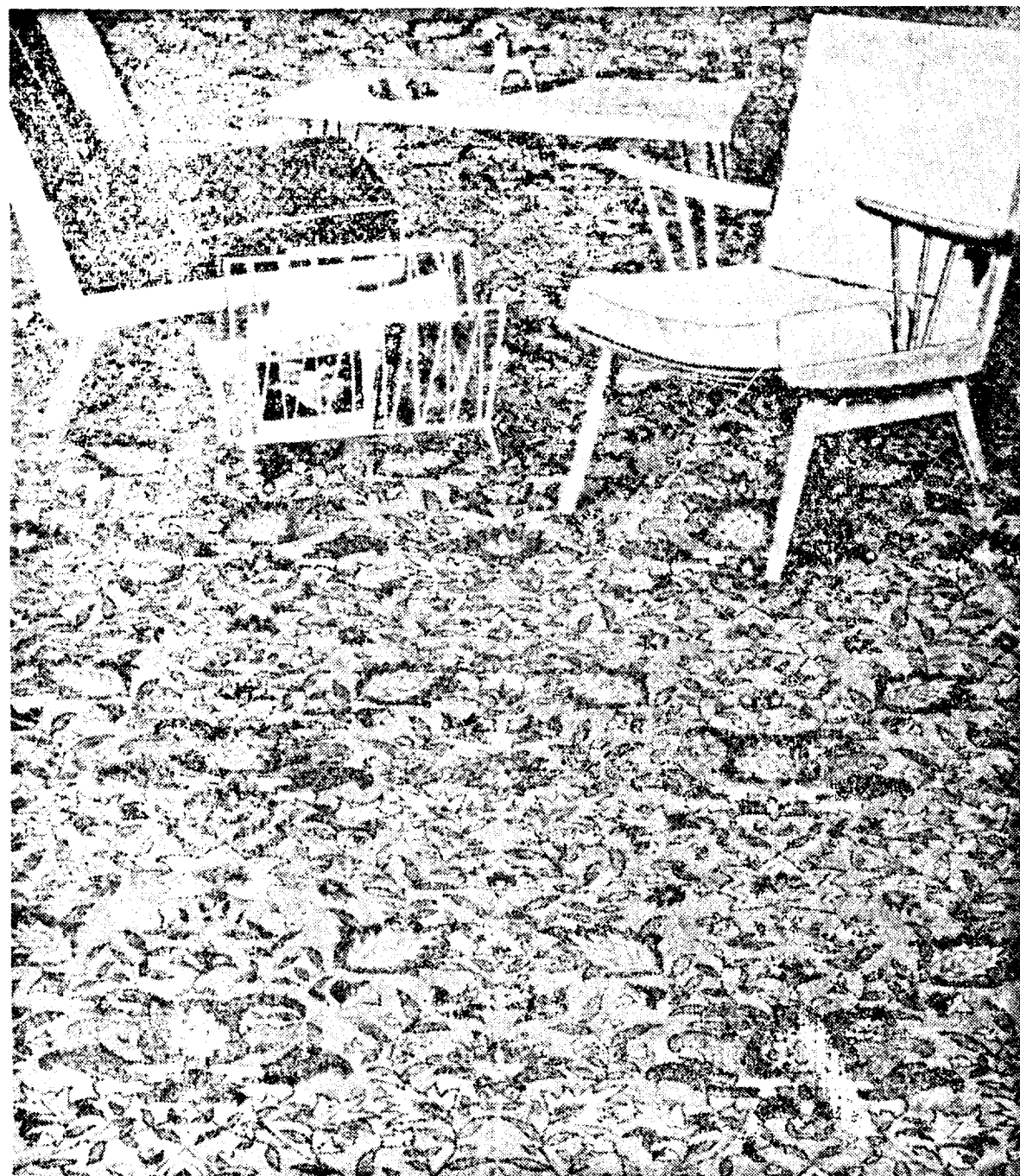
Perhaps you would like to know how rapidly the State Bank of India is expanding. On 1st July 1955, when the Imperial Bank of India was re-constituted into the State Bank of India, the Bank had only 243 branches. By August 1959, it had 555 fullfledged branches in urban and semi-urban areas. The rate of growth is now about 100 branches a year. The Bank has also 238 sub-offices.

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ber and December. In October, production amounted to 3.50 million tons. In November, it increased slightly to 3.74 million tons. In December, there was again a set-back and production declined to about 3.54 million tons. Compared to the corresponding months of previous year, output in November was higher by about 5.4 lakh tons, while in December it was lower by one lakh tons. Coking coal production figures for November and December are not yet available. In October, the private sector collieries produced 1.08 million tons of coking coal.

TECHNICAL EDUCATION

An inquiry conducted by the Union Ministry of Scientific Research into provision of facilities for education and research reveals that great progress can be achieved in this field by integration of the study of fundamental and applied sciences with engineering studies in technical institutions. Separate institutions for individual fields of studies are not only wasteful, but they also restrict their development. The move now is, therefore, to have composite institutions as far as possible, or to diversify and develop the activities of the existing institutions.

The Central Government in the recent past has taken steps to establish four higher technological institutes, one in each region of the country—East, West, North and South. The Indian Institute of Technology at Kharagpur, established in 1951, is the first of the series. The other three institutes are being set up at Bombay, Madras and Kanpur. The Bombay Institute started functioning in 1958 and the Madras Institute in 1959, when admissions were made in first degree courses. The Kanpur Institute started work this year. All these institutes are planned on the same comprehensive scale as the Kharagpur Institute and, when completed, will provide technical education on an appreciable scale. Each institute will provide facilities for the training of about 1,500 students in the under-graduate courses and 500 students in the post-graduate courses and research.

FOREIGN ASSISTANCE

The Bombay Institute is being assisted by the Soviet Union and the Madras Institute by West Germany. The assistance given by these countries consists of scientific and technical equipment, services of expert personnel for a period of 5 years and facilities for the training of Indian teachers at Universities and institutions in the Soviet Union and West Germany. The Kanpur Institute is expected to receive assistance from the United States.

The targets of imparting technical education have had to be revised thrice in the course of the Second Plan period. The original targets were creation of annual admission capacity by 1961 to the tune of 7,390 students for degree courses and 13,080 students for diploma courses. The finally revised targets are 13,500 students for degree courses and 27,000 for diploma courses. In 1960, the admission capacity available at various technical institutes reached 13,500 students for degree courses and 25,290 students for diploma courses.

ROLE OF PRIVATE AGENCIES

An important feature of technical education in India is the role played by private enterprise. Of the 275 institutions in the country at present for first degree and diploma courses, 158 have been established by the Central and the State Governments, 29 by universities and 88 by private agencies. Thus, technical institutions established by private agencies account for nearly 35 per cent of the total number. Private agencies established 9 engineering colleges and 25 polytechnics during the Second Plan period, as against 9 colleges and 45 polytechnics established by State Governments and universities.

AID FROM CANADA

Of the 25 million dollars aid available from Canada under the Colombo Plan during the current financial

year, 11.7 million dollars are meant for import of non-ferrous metals, 7 million dollars for the import of wheat, 3.5 million dollars for the Kundah Power Project and 600,000 dollars for the India-Canada Atomic Reactor. Negotiations are in progress for utilization of the remaining portion of the aid.

INTERIM RELIEF FOR JUTE WORKERS

The Government of India has accepted the unanimous recommendation of the Central Wage Board for Jute Industry regarding the grant of interim relief for workers. It has asked the jute mills to implement the recommendation as soon as possible.

The Board has recommended that (1) every worker—whether permanent, temporary or badli—shall be paid interim relief at the rate of Rs. 2.85 per month from 1.10.60 to 31.12.60, and at the rate of Rs. 3.42 from 1.1.1961; (2) the arrears of interim relief from 1.10.60 to 31.12.60 will be paid to the respective workers on or before 15.2.1961; (3) the amount of interim relief from 1.1.1961 onwards will be paid each month in one lump sum on the first pay day of the next month; (4) in case of workers who did not or do not work for the entire month, or for calculating wages due for any broken part of a month e.g., by going on leave or sick leave etc., the amount of interim relief payable to them will be worked out on the same principles as govern dearness allowance; (5) the amount of interim relief shall be paid as a separate item till the final award of the Wage Board and would be adjusted according to that award; (6) these recommendations apply to all jute mills in all parts of India, except that the Katihar Jute Mill will pay interim relief at the rate of Rs. 3.42 with effect from 1.9.1961.

JUTE INDUSTRY CAUSES ANXIETY

The future of jute industry is causing a great deal of anxiety here. The issue is a simple one. It is whether the industry should take advantage of the existing shortage of raw jute and push up prices of jute manufactures or to adjust the prices in a manner which would win the goodwill of the foreign buyer. As matters stand, the foreigner is at India's mercy and can be made to pay through his nose. It may, however, be added that India is not the only supplier of jute manufactures. Pakistan is India's next door competitor. It is true that there is shortage of raw jute even in Pakistan. But any wrong step by India may be to Pakistan's advantage. Then again, the monopoly in jute manufactures is losing its ground. The consumer countries have already developed substitutes and India's "make the foreign pay" drive may accentuate this process. Lastly, any undue increase in the price of jute manufactures will affect Indian trade and industry. In other words, over a long-term period, India should have a stable price policy for the marketing of jute. This aspect of the problem was emphasised by the U.S. buyers, when the trade delegation of Indian Jute Mills Association visited that country.

Raw jute trade, as it is well-known, has peculiarities of its own. Raw jute prices, unlike those of cotton, have neither a floor nor a ceiling. To make matters worse, some jute mills, according to New Delhi sources, have entered the speculation market.

The Jute Mills Association has a voluntary quota system. This system works as long as the members of the Association honour their self-imposed commitments. The Jute Mills Association has also sealed seventeen per cent of the looms to conserve the supply of raw jute and thereby maintain employment at a steady level. Side by side, the Forward Markets Commission has banned forward dealings in jute. These steps have had steadying effect on prices. The Government is carefully watching the situation and may take such action as is considered necessary in the interests of jute industry.

BOOK REVIEWS

THE POPULATION EXPLOSION

Three Essays on Population: By Thomas Malthus, Julian Huxley and Frederick Osborn: Published by New American Library of World Literature Inc., 501. Madison Avenue, New York 22, N.Y.: Available in India from India Book House, Bombay: Pp. 144: Price 50 cents.

MORE than a century ago Malthus drew the attention of the world to the fast rate of rise in population as compared to the slow rate of growth of food, and made the gloomy forecast that soon vast numbers in the world would be subjected to miserably low standards of living. He popularised the famous concept of "geometric progression" in population versus "arithmetic progression" in food production. Julian Huxley and Frederick Osborn both agree with Malthus in the sense that the excessive rate of rise in population continues to undermine the 20th century standards of living but there is no cause for pessimism. They have offered constructive suggestions for checking the fast increasing numbers, family planning has to be encouraged if the demon of "over-population" in the world is to be kept under control. A strong plea has been put in by Julian Huxley for intensifying the search for "what the laymen (much to the annoyance and distress of the experts) persist in calling "the pill" — cheap and harmless substance taken by mouth which would temporarily prevent conception, either by preventing evolution or by rendering the egg unfertilizable."

All the three essays make very provocative reading and focus attention on one of the burning problems of the day. They will be read with interest in the Indian Union because here also the latest estimates of rise in population have shown a steep up-turn, though they are still to be confirmed by the census which is scheduled to be started throughout the Indian Union on February 10, 1961.

MEN WITHOUT WORK

Unemployment, Full Employment and India: By Mr. Nabagopal Das: Published by Asia Publishing House, Bombay: Pp. 94: Price Rs. 8.

IN the brief compass of 94 pages, Dr. N. Das has presented a penetrating analysis of the unemployment problem in India. This is not his first attempt at this ticklish subject. In fact, he wrote a pamphlet for "The Eastern Economist" about eight years ago under the title "Men Without Work." In the present publication, he has carried the story of India's employment and unemployment a little further and has come out with a constructive programme for the future which needs to be actively considered by the Government of India.

The burden of Dr. Das's argument is that, according to the estimates made by the Planning Commission, the backlog of the unemployed at the end of the Second Plan is likely to be higher than the backlog of the unemployed at the beginning of the Second Plan. Similarly, according to the present indications, the backlog of the unemployed at the end of the Third Plan is likely to be higher than that at the beginning of the Third Plan despite the fact that the number of jobs created in the Plans continue to rise.

He has suggested that unemployment in the country should not be viewed as a "residual" problem but should be tackled as a "primary" problem. According to Dr. Das, "All the economic and social policies of Government, whether they are price policy, wage policy, trade policy or taxation policy, should have one main guiding principle, viz., whether they would create

the conditions necessary for an increase in employment". He has cited the example of Japan where this policy has already borne fruitful results. He is of the opinion that much of the money which is currently being wasted on table-talks and seminars could be profitably utilised on intensive work in the villages and research laboratories.

Dr. Das's provocative booklet has, however, ignored one vital aspect of the problem which relates to the pattern of unemployment at the regional or State level. All-India estimates of unemployment tend to cancel out pressures of employment and unemployment at the State level. This needs to be explained. If in zone 'A' the supply for a particular type of labour is short while in zone 'B' there is excess of labour skilled in another trade or industry, over-all estimates of the Indian Union tend to cancel out the harmful impact of these uneven pressures. This is a problem which has been brought into sharp focus in recent papers of the Planning Commission and it will be worthwhile for Dr. Das to introduce a separate chapter on this particular aspect in the next edition of this booklet.

LABOUR IN AFRICA

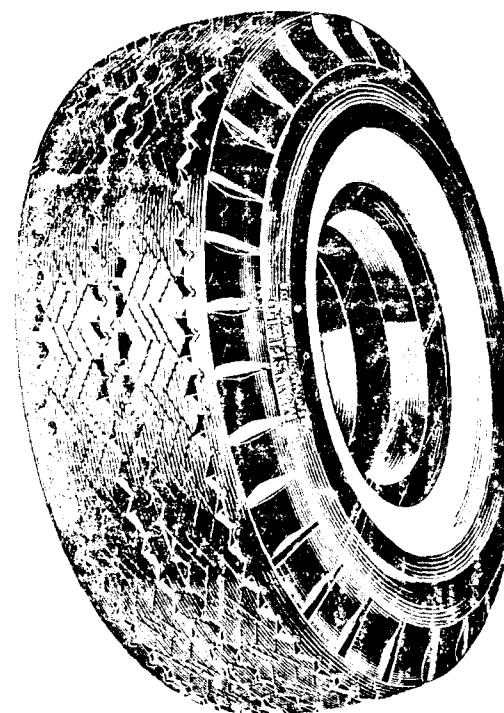
Labour Survey of North Africa: International Labour Office, Geneva, 1960: Price \$4.

EVER since the publication of "The Economic Survey of Africa" in 1950, there has been a general desire to know more of economic and social conditions in the African countries, particularly North Africa. Happily, Labour Survey of North Africa, issued by the International Labour Office fulfils that need to a great extent. It not only makes a comprehensive survey of labour conditions in that region, but also gives a clear idea of the social and economic conditions in that part of the world. The region covered by the survey includes all the countries and territories which border the Southern coast of the Mediterranean: Morocco, Algeria, Tunisia, Libya and the Southern Province of the U.A.R. Like many other surveys, its first chapter deals with the essential physical features of the region and the basic economic pattern, but in the second chapter a general account has been given of the natural conditions in which agriculture, the main stay of life in the area, is carried on, together with its organisational features, the problems of land tenure, of population pressure, and of living and working conditions of the various categories of agricultural workers. Chapters three to twelve cover successfully the following subjects: manpower and employment, technical and vocational training; freedom of association and industrial relations; wages and wage trends; conditions of work, social security; co-operation; handicrafts; labour administration and inspection; and the application of international labour standards.

The analysis of the extent of the application of the international labour standards in each of the countries given in the survey is quite interesting. For instance, it is to be noted that Libya has not so far ratified any International Labour Convention at all, which goes to show the social backwardness of this country.

The chief merit of this survey is that it provides a most up-to-date picture and a balanced view of labour conditions in the countries of North Africa. There are also provided three appendices which contain a reference list of the principal labour legislation, a list of additional tables and a short bibliography, all of which are highly useful. For students of international labour problems, the study of this survey is a "must".

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COMPANY AFFAIRS

THE CHAMPADY JUTE

The Directors of the company have reported that during the year to March 31, 1960, the trading conditions remained generally satisfactory. Owing to uncertainties about the availability in adequate quantities of raw jute during the current year, and having regard to the ever increasing competition from Pakistan mills, the outlook seemed obscure. The Directors had placed orders for machinery required to manufacture wide carpet backing and although there were certain difficulties in obtaining the necessary Import Licences the Directors hope that the plant will be in operation in about a year.

The profit for the year under review came to Rs. 8.18 lakhs which is lower than the previous year's Rs. 10.52 lakhs. This was essentially due to the fact that the sale proceeds during the year were lower at Rs. 2.65 crores against Rs. 3.05 crores last year. The Directors declared an interim dividend at the rate of Rs. 4 per share subject to taxation absorbing Rs. 2.37 lakhs. Now the Directors have recommended the payment of a final dividend at the rate of Rs. 6 per share subject to tax absorbing Rs. 3.55 lakhs.

THE CANARA BANKING

For the year 1960 the Canara Industrial and Banking Syndicate Ltd. has recorded a net profit of Rs. 25.54 lakhs inclusive of a sum of Rs. 29,000 brought forward from in previous year's account, as against Rs. 20.14 lakhs in 1959. Out of this, the Directors propose to transfer Rs. 7.50 lakhs to the Reserve Fund, bringing the total reserves inclusive of Share Premium of Rs. 1 lakh to Rs. 42.50 lakh. The balance of Rs. 18.04 lakhs is proposed to be appropriated as under:

Provision for dividend Rs. 6.36 lakhs
(Dividend maintained at the last year's level of 14 per cent tax-free net)

Provision for taxation Rs. 9.64 lakhs

Bonus to staff Rs. 1.75 lakhs

The total deposits of the Bank have increased to Rs. 18.80 crores during the year, as against Rs. 17.08 crores last year showing an increase of Rs. 1.72 crores.

THE INDIAN OVERSEAS BANK LIMITED

The net profit of the Indian Overseas Bank Ltd., subject to audit, for the year ended 31st December 1960, after providing for contingencies and expenses amounts to Rs. 45.92 lakhs including the sum of Rs. 1.26 lakhs brought forward from the previous year's account as against Rs. 35.64 lakhs for the year 1959.

Allocations for various items during 1960 as compared with the previous year are given below:

	1959	1960
Provision for taxation	Rs. 12.50 lakhs	Rs. 18.50 lakhs
Transfer to Reserves	Rs. 7.50 lakhs	Rs. 9.50 lakhs

Provision for bonus to staff Rs. 5.00 lakhs .. Rs. 5.50 lakhs

The Directors propose to recommend to the share-holders at the next General Meeting payment of dividend of 14% subject to tax some as last year .. Rs. 9.38 lakhs .. Rs. 10.50 lakhs

Carry forward Rs. 1.26 lakhs .. Rs. 1.92 lakhs
Rs. 35.64 lakhs .. Rs. 45.92 lakhs



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COMMODITY NEWS AND NOTES

PRODUCTION OF COPPER ORE IN INDIA

The production of copper ore during January-November 1960 was 407,854 tonnes, according to the Indian Bureau of Mines. This represents an increase of about 9 per cent as compared to the output of 373,078 tonnes in the corresponding period of the preceding year. The entire production was reported from Singhbhum district of Bihar State. The production of copper metal during January-November 1960 was 8,161 tonnes as compared to 7,303 tonnes in the corresponding period of 1959.

SUGAR PRODUCTION AND STOCKS

According to the Indian Sugar Mills' Association the sugar production during the month of December, 1960 was 4,78,000 tons as against 4,27,000 tons produced during the corresponding period last season. This brings the total production for the season 1960-61 up to 31-12-60 to 7,66,000 tons as against 6,42,000 tons produced last season by this date. The off-take of sugar from factories during the month of December, 1960, was 1,63,000 tons as against 1,71,000 tons during the corresponding period last season. The total despatches upto 31st December, 1960 was 3,14,000 tons as against 3,02,000 tons by the same date last season. The total closing stocks of sugar with factories on the 31st December, 1960, was 9,94,000 tons as against 4,82,000 tons on the same date last season.

EXPORT OF H.P.S. GROUNDNUTS

The Government of India have decided to release a further quota of 20,000 tons of H.P.S. groundnut for export in 1961. It has also been decided to release a quota of 20,000 tons of groundnut cake (expeller variety) for export in the half year, January-June, 1961. Export would be allowed by all shippers (including established shippers) on production of firm sale contracts in the form of cable offer and cable acceptance on first-come first-served basis. In order to ensure execution of contracts, the shippers would be required to furnish Bank guarantee equal to 10 per cent of the f.o.b. value in the case of H.P.S. groundnut and 5 per cent of the f.o.b. value in the case of groundnut expeller cake. An individual ceiling of 500 tons has also been fixed in the case of groundnut expeller cake exports. A quota of 20,000 tons of H.P.S. groundnut kernels had been released last month for export.

PRICES OF RAW WOOL

Despite unfavourable rates offered by most foreign buyers the prices of raw wool in the Indian markets remained steady last year. This was due to a sustained buying interest shown by the indigenous industry and a marked increase in Russian purchases. Position of Indian wool in the foreign market, however, has not been good. A steady rise in carpet exports through Government efforts in the past few years has led to a greater use of indigenous wools by the industry. Although figures of sales within the country are not available, the rising standard of living indicates that people are spending more on home furnishing — including carpets — than ever before. The handloom industry is also using more wool now. The introduction of a subsidy to the weavers and a rebate to buyers has helped to increase sales of hand-made woollens. The capacity of the wool-growers to hold their stocks

is another factor which has helped to maintain the price level. They have been selling most of their stocks in outlying markets to the cottage weavers. As a result exports up to September were 20 per cent less than a year earlier. Indian wools in the Liverpool market have not fared very well. Although the year opened with a brisk demand, the imposition of hire purchase restrictions followed by the increase of the Bank Rate to 6 per cent disturbed the optimistic tone of the market. Buying most part of the year was therefore confined to maintaining stocks at minimum levels.

A noticeable feature was the high price of Indian wools throughout the year as compared with wool from Pakistan. As a result the U.K. mills concentrated only on the best quality Indian wool and bought the bulk of their needs from Pakistan. Indian wools also have had to meet considerable competition from other sources, including China, Spain, Portugal, Syria, Morocco and North Africa generally, all of whose wools were relatively more attractively priced and often of excellent shade and quality. The New Year has now opened with a note of greater optimism and although the new business from foreign markets is generally quiet for the moment this is not unusual because at this time yellow wool season is on the turn to close whilst white wool arrivals are awaited. With wool prices on previous year's level and with the rate of carpet wool consumption increasing in several countries there is a general feeling of confidence that better conditions are on the way and the wool industry is poised for a forward move during 1961.

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Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Food articles & Tobacco	Liquor	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures			All Commo- dities
					Inter- mediate Products	Finished Products	Total	
1953-54	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	119.0	99.5	116.5	123.7	113.8	111.3	111.6	117.1
October 1959	123.8	101.4	117.0	122.6	114.4	110.4	111.1	119.3
November	121.4	104.6	117.4	122.5	116.1	111.0	111.7	118.3
December	118.2	103.7	117.0	127.2	118.0	112.6	113.4	117.9
October 1960	121.8	113.5	119.9	146.6	130.2	123.8	124.7	126.3
November	120.2	116.8	120.1	148.0	131.6	124.7	125.7	126.0
December	117.2	112.1	120.3	149.6	132.3	125.9	126.0	124.3
24-12-1960	117.0	111.7	120.3	150.6	132.5	124.8	125.9	124.6
31-12-1960	115.3	111.7	120.4	152.0	133.0	125.7	126.8	124.4
7-1-1961	116.2	110.9	120.3	152.5	133.4	126.0	127.0	125.0
14-1-1961	116.2	110.9	120.2	153.8	133.8	126.5	127.5	125.3

*Revised.

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

				Bombay			Delhi	Ben- gal	U.P.	Central Provinces			Madras	E.P.	Bihar
Period			Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi†	Calcutta	Kanpur	Nagpur	Jubbulpur†	Madras June 1926=100	Ludhiana‡	Jamshedpur†	All India †	
1939 (Aug. -Dec.)	..	..	103	—	—	—	—	105	104	—	106	—	—	—	
1954	..	..	342	359	244	138	327	408	373	139	341	148	140	138	
1955	..	..	322	338	218	130	321	371	364	133	321	134	135	132	
1956	..	..	336	352	244	142	347	424	397	151	253	152	146	145	
1957	..	..	352	368	259	150	364	448	422	162	374	157	157	152	
1958	..	..	376	394	274	150	384	468	447	165	401	157	169	161	
1959	..	..	393	412	309	158	384	469	498	163	429	166	173*	188*	
1960	..	..	401*	420*	—	158*	—	—	512*	—	—	—	—	—	
1960 March	..	..	395	414	287	157	392	464	510	165	446	166	168	167	
April	..	..	402	421	288	155	392	463	511	165*	446	162	163*	168	
May	..	..	402	421	295*	153	396	461	510	165*	452	166	163*	170	
June	..	..	403	422	297*	154	399	460	510	165*	462	167	164*	171	
July	..	..	404	423	299*	160	406	484*	515	165*	467	169	164*	174	
August	..	..	402	421	302*	160	410	484*	515	163	470	169	168*	174	
September	..	..	399	418	—	161	403	489	520	163	472	167	168*	173*	
October	..	..	402	421	—	162	396	488	517	163	477	171	164*	174*	
November	..	..	404	423	—	159	392	489	509	163	—	171	168*	173*	
December	..	..	400	419	—	160	—	—	507	—	—	—	—	—	

†Base 1944=100. *Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)
WEEK ENDED

	27-1-1961			20-1-1961			13-1-1961			6-1-1961		
	High	Low	Aver- age	High	Low	Aver- age	High	Low	Aver- age	High	Low	Aver- age
Gold (per 10 grams)	121.20	119.35	120.65	118.55	116.05	117.04	117.25	115.75	116.55	115.45	114.00	114.98
Silver (per kilogram)	208.60	204.40	206.91	204.60	201.05	202.59	202.05	197.95	200.13	197.60	194.75	196.01

INDIAN UNION

EXTERNAL ASSISTANCE
(As on December 31, 1960)

(Rs. lakhs)

Source	Authorised upto 31-3-56		Estimated utili- sation to end of 31-3-56		Balance of un- utilised aid as at the end of 31-3-56		Aid authorised from 1-4-56 to 31-3-60		Total avail- able for utiliza- tion during the Second Plan	
	Loan	Grant	Loan	Grant	Loan	Grant	Loan	Grant	Loan	Grant
I. U.S.A.										
(a) Wheat Loan	9031	—	9031	—	—	—	—	—	—	—
(b) T.C.A. Programme	3928	9075	229	4200	3699	4875	3215	4401	6914	9276
(c) P.L. 480	—	—	—	—	—	—	24212	10029	24212	10029
(d) Development Loan Fund	—	—	—	—	—	—	9285	—	9285	—
(e) U.S. Banks Credit	—	—	—	—	—	—	533	—	533	—
(f) Exim Bank	—	—	—	—	—	—	7143	—	7143	—
II. U.S.S.R.										
(a) Bhilai Steel Plant	6438	—	—	—	6438	—	—	—	6438	—
(b) Industrial Steel Projects	—	—	—	—	—	—	5953	—	5953	—
(c) Drugs Project	—	—	—	—	—	—	949	—	949	—
(d) Oil Refinery Barauni	—	—	—	—	—	—	1190	—	1190	—
(e) Grants for Machinery	—	—	—	—	—	—	—	115	—	115
(f) Credit for Third Plan	—	—	—	—	—	—	17858	—	17858	—
III. UNITED KINGDOM										
(a) Under Colombo Plan	—	39	—	3	—	36	—	8	—	44
(b) ECGD Credit for Durgapur Steel	—	—	—	—	—	—	2000	—	2000	—
(c) Lazard Credit for Durgapur Steel	—	—	—	—	—	—	1533	—	1533	—
(d) II ECGD Credit for Capital Goods	—	—	—	—	—	—	3800	—	3800	—
(e) III ECGD Credit for Oil Pipe Line	—	—	—	—	—	—	400	—	400	—
(f) IV ECGD Credit	—	—	—	—	—	—	2533	—	2533	—
IV. CANADA										
	—	3234	—	1970	—	1264	1571	4633	1571	5897
V. AUSTRALIA										
	—	1108	—	520	—	588	—	119	—	707
VI. NEW ZEALAND										
	—	172	—	33	—	139	—	171	—	310
VII. WEST GERMANY										
(a) Rourkela	—	—	—	—	—	—	7483	—	7483	—
(b) Other Credits	—	—	—	—	—	—	1905	—	1905	—
(c) Okhla and I.I.T. Madras	—	—	—	—	—	—	—	209	—	209
VIII. JAPAN										
	—	—	—	—	—	—	2761	—	2761	—
IX. CZECHOSLOVAKIA										
	—	—	—	—	—	—	2310	—	2310	—
X. RUMANIA										
	—	—	—	—	—	—	523	—	523	—
XI. YUGOSLAVIA										
	—	—	—	—	—	—	1905	—	1905	—
XII. NORWAY										
	—	66	—	66	—	—	—	153	—	153
XIII. POLAND										
	—	—	—	—	—	—	—	—	—	—
XIV. I.B.R.D.										
(a) Public Sector	3200	—	2900	—	300	—	15410	—	15710	—
(b) Private Sector	2570	—	480	—	2090	—	7014	—	9104	—
XV. FORD FOUNDATION										
	—	561	—	226	—	335	—	507	—	842
U.N. SPECIAL FUND										
	—	—	—	—	—	—	—	131	—	131
TOTAL	25167	14255	12640	7018	12527	7237	121486	20476	134013	27713

This statement excludes:—

(1) Assistance received in the form of suppliers' credit e.g., from Japan, France, Switzerland. (2) Rockefeller foundation (3) Gift Shipments from Private Voluntary Agencies in U.S.A. (4) Assistance under Titles II and III of P.L. 480. (5) Assistance from Netherlands being mostly in the nature of Technical Assistance. (6) Switzerland aid for Logging equipment valued at approximately Rs. 1.6 lakhs.

INDIAN UNION

EXTERNAL ASSISTANCE (Contd.)

(As on December 31, 1960)

(Rs. lakhs)

	Estimated utilisation from 1-4-56 to 31-3-60		Balance available at the end of 31-3-60		Authorisation after 31-3-60		Total authorisation from inception to December, 1960	
	Loan	Grant	Loan	Grant	Loan	Grant	Loan	Grant
I. U.S.A.								
(a) Wheat Loan	—	—	—	—	—	—	9031	—
(b) T.C.A. Programme	4542	6713	2372	2563	—	265	7143	13741*
(c) P.L. 480	2805	28	21407	10001	26798	26798	51010	36827**
(d) Development Loan Fund	4358	—	4927	—	10686	—	19971	—
(e) U.S. Banks Credit	533	—	—	—	57	—	590	—
(f) Exim Bank	1106	—	6037	—	2576	—	9719	—
							97464	50568
II. U.S.S.R.								
(a) Bhilai Steel Plant	6438	—	—	—	—	—	6438	—
(b) Industrial Steel Projects	128	—	5825	—	—	—	5953	—
(c) Drugs Project	—	—	949	—	—	—	949	—
(d) Oil Refinery Barauni	—	—	1190	—	—	—	1190	—
(e) Grants for Machinery	—	115	—	—	—	—	—	115
(f) Credit for Third Plan	—	—	17858	—	—	—	17858	—@
(g) Credit for Third Plan	—	—	—	—	5953	—	5953	—@
							38341	115
III. UNITED KINGDOM								
(a) Under Colombo Plan	—	41	—	3	—	—	—	47
(b) ECGD Credit for Durgapur Steel	2000	—	—	—	—	—	2000	—
(c) Lazard Credit for Durgapur Steel	1333	—	200	—	—	—	1533	—
(d) II ECGD Credit for Capital Goods	3800	—	—	—	—	—	3800	—
(e) III ECGD Credit for Oil Pipe Line	229	—	171	—	—	—	400	—
(f) IV ECGD Credit	880	—	1653	—	—	—	2533	—
(g) U.K. India (General) Credit	—	—	—	—	1333	—	1333	—
(h) New Loans for Import of Capital Goods	—	—	—	—	4667	—	4667	—@
							16266	47
IV. CANADA								
	1571	4802	—	1095	—	1190	1571	9057
V. AUSTRALIA								
	—	615	—	92	—	—	—	1227
VI. NEW ZEALAND								
	—	289	—	21	—	—	—	343
VII. WEST GERMANY								
(a) Rourkela	5367	—	2116	—	—	—	7483	—
(b) Other Credits	1897	—	8	—	—	—	1905	—
(c) Okhla and I.I.T. Madras	—	34	—	175	—	—	—	209
(d) First Credit D.M. 125.1 Million	—	—	—	—	1418	—	1418	—
(e) Second Credit	—	—	—	—	1418	—	1418	—
(f) Assistance for Third Plan	—	—	—	—	2834	—	2834	—@
							15058	209
VIII. JAPAN								
	397	—	2364	—	—	—	2761	—
IX. CZECHOSLOVAKIA								
	—	—	2310	—	—	—	2310	—@
X. RUMANIA								
	—	—	523	—	—	—	523	—
XI. YUGOSLAVIA								
	—	—	1905	—	—	—	1905	—@
XII. NORWAY								
	—	153	—	—	—	—	—	219
XIII. POLAND								
	—	—	—	—	1430	—	1430	—@
XIV. I.B.R.D.								
(a) Public Sector	10672	—	5038	—	3334	—	21944	—
(b) Private Sector	7932	—	1172	—	—	—	9584	—
XVI. FORD FOUNDATION								
	—	371	—	471	—	352	—	1420
U.N. SPECIAL FUND								
	—	—	—	131	—	285	—	416
TOTAL	55988	13161	78025	14552	62504	28890	209157	63621

* This includes:—

(1) The amount of Rs. 31.92 crores representing the rupees equivalent of the dollar value of Agricultural Commodities imported under P.L. 665. Out of this amount a sum of about Rs. 18.99 crores is expected to be received as a part of the three Development Assistance Loans, and the rest is to be received either in the form of grants for agreed projects or to be utilised by T.C.M. for meeting rupee expenditure on technicians and Participants etc. (2) \$20 million loan for Orissa Iron Ore Project. (3) Excludes amounts obligated towards U.S. Technicians, participants and miscellaneous.

** This excludes:— Cooley Funds and amounts retained by the U.S. Government. † This excludes amount of \$3.9 million granted direct to Ahmedabad Electricity Co., Ltd. @ Amount specially earmarked for Third Plan.

INDIAN UNION

PRICE TRENDS: 1950-60

INDEX NUMBERS

(Base: 1952-53=100)

Groups	1950	1955	1956	1957	1958	1959	1960	Percentage change of	
	Annual Averages							(2) over (1)	(7) over (2)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1. Food Articles	113.1	85.4	99.0	106.8	112.0	118.2	120.3	-24.5	+40.9
Cereals	93	73	92	102	105	104	105	-21.5	+43.8
Pulses	86	56	78	84	94	100	93	-34.9	+66.1
Fruits and vegetables	107	98	108	117	112	128	121	-8.4	+23.5
Milk and ghee	103	87	99	104	106	112	116	-15.5	+33.3
Edible oils	145	81	117	128	123	127	144	-44.1	+77.8
Fish, eggs and meat	98	96	97	97	107	110	121	-2.0	+26.0
Sugar and gur	181	88	97	105	123	143	139	-51.4	+58.0
Others	146	148	125	132	146	163	169	+1.4	+14.2
2. Liquor and Tobacco	96.1	82.3	82.3	91.8	93.7	100.7	106.4	-14.4	+29.3
3. Fuel, Power, Light and Lubricants	91.3	95.2	101.6	111.5	114.9	116.1	119.0	+4.3	+25.0
4. Industrial Raw Materials	123.8	97.3	113.2	118.1	114.7	119.7	138.8	-21.4	+42.7
Fibres	118	107	114	120	109	110	139	-9.3	+29.9
Oilseeds	138	79	115	122	124	130	145	-42.7	+83.5
Minerals	76	83	99	108	107	100	98	+9.21	+18.1
Others	112	114	110	107	109	117	129	+1.8	+13.2
5. Manufactured Articles	99.6	99.4	104.9	108.0	108.2	109.7	120.8	-0.2	+21.5
(a) Intermediate Products	105.5	97.6	110.0	108.5	109.4	111.1	127.1	-7.5	+30.2
(b) Finished Products	98.7	99.7	104.1	107.9	108.0	109.5	119.8	+1.0	+20.2
(i) Textiles	105	102	106	108	104	105	121	-2.9	+18.6
(ii) Metal Products	86	114	126	138	143	144	147	+32.6	+29.0
(iii) Chemicals	89	93	92	98	104	108	105	+4.5	+12.9
(iv) Oilcakes	113	79	103	115	129	144	140	-30.1	+77.2
(v) Machinery and Transport Equipment	80	97	98	101	103	106	111	+21.3	+14.4
(vi) Others	93	96	100	108	113	114	115	+3.2	+19.8
6. General Index (All commodities)	109.8	91.5	102.6	108.7	111.0	115.5	123.0	-16.7	+34.4

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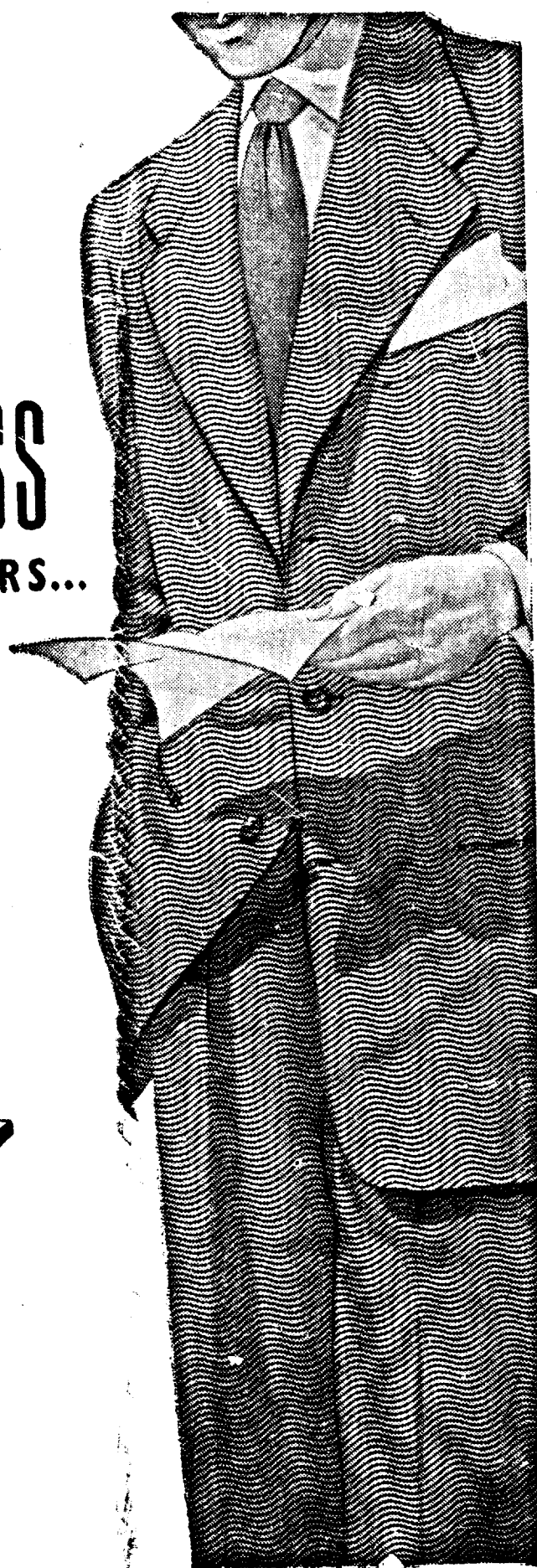
SMARTNESS THAT MATTERS...

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02/1/61-58

THE EASTERN ECONOMIST

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ONE RUPEE



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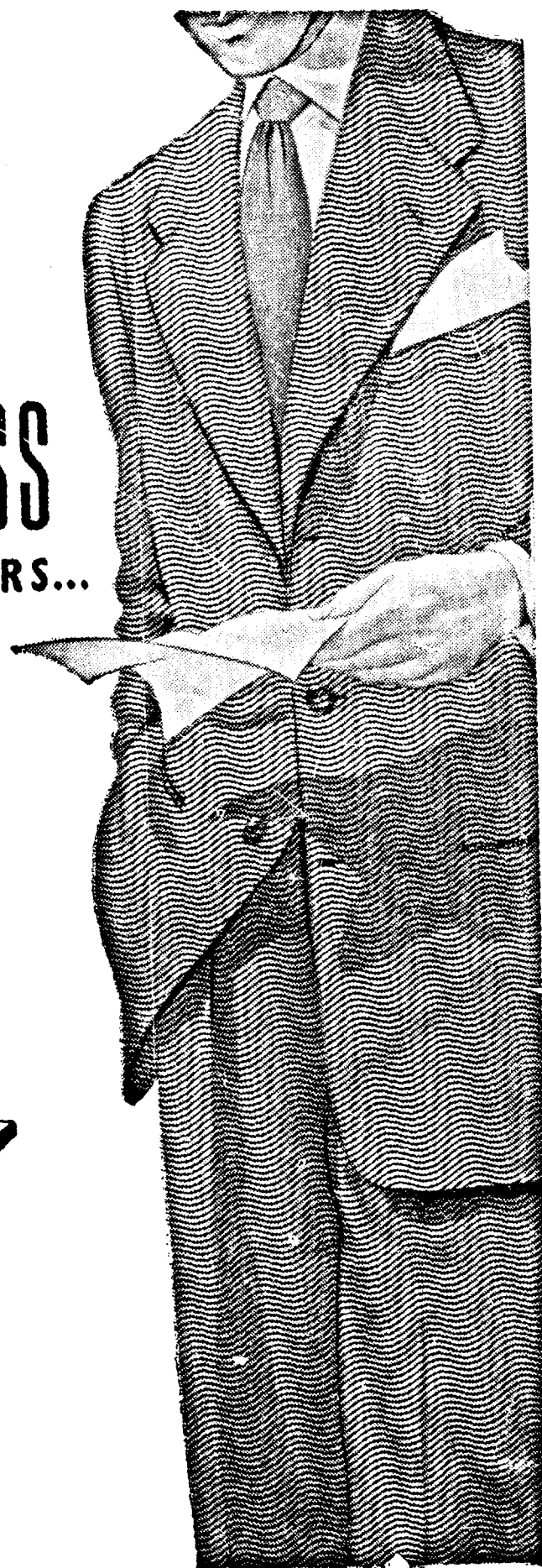
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The Eastern Economist

FEBRUARY 10, 1961.

The State of the National Exchequer

THE month of February in every year contains two 'D-Days', on which the Railway and Central Budgets are introduced. In the current year their significance has been much enhanced by the fact that the budgets are for the first year of the Third Plan, which have so raised the sights of the nation in terms of the financial expenditure—some times erroneously described as investment—that it is inevitable that excursions and alarms, before the dates of illumination, should run high. It is natural that some substantial arithmetic should be done on three factors which will help to cushion the blows that are certain to fall. The first of these has been the relatively happy yield of taxes on the major items of revenue, particularly Union excise duties, corporation taxes and income taxes for the year 1960-61 as compared to the previous year. Preliminary figures suggest that for the period from April to October 1961 revenue is running at a rate of Rs. 50 crores more than the previous year as against about half that sum expected. In other words, there might apparently appear to be a windfall of Rs. 25 crores in a half year and possibly between Rs. 30 to Rs. 40 crores in a full year on tax account.

As far as can be determined, the loan position is, by no means, as happy. While substantial loan floatations apparently according to plan have taken place, it is clear from the Reserve Bank of India's statements that a good deal of new loans have been taken up by the Reserve Bank which has, in the year, increased its investments from Rs. 1377 crores to Rs. 1562 crores—a matter of Rs. 185 crores. A good deal of this has been reflected in inflationary finance with the corresponding issue of notes in circulation which have risen by about Rs. 150 crores during the year. If, therefore, tax receipts suggest an abundance of new money in Government hands, the heavy loan liabilities of the Government of India to the Reserve Bank suggest a difficult 'ways and means' position. When one looks at the deposits of the Central Bank which are virtually stationary at Rs. 50 crores, one recognises that the ways and means position of the Government of India as a whole has by no means been solved by tax windfalls. In other words, expenditure has mounted up to absorb all the additional taxation receipts.

It is clear that there is nothing in this situation to warrant the belief which seems to have been

widely created that the Third Five-Year Plan can somehow or other be financed by good fortune overflowing from the last year of the Second. Undoubtedly, it is true that the pace of Indian industrial production is now much faster and with the rise in the national income in the year 1960-61, by possibly an average of 9 per cent over 1959-60, the country is in a better position to bear substantial excises. But this is quite a different thing from saying that, at this critical stage of development, taxation can somehow be bypassed with the investment and expenditure figure left unaffected. Indeed, with banking deposits declining in the month of January from Rs. 1,760 crores on December 30 to Rs. 1,738 crores on January 27, one might wonder whether a larger defensive operation is not necessary on another front. Institutional investment, far from gathering force, for reasons which are not entirely clear, is losing its buoyancy. Stringency in the banking system is intense as indicated by the fact that the ratio of advances and bills discounted to deposits is now nearly 67 per cent and will undoubtedly pass the 70 per cent mark before this busy season is over. The capacity of the Government of India, therefore, to force loans out of hard-pressed banking system will be much more limited in 1961-62 than in 1960-61.

Again, in spite of the fact that it is constantly claimed that we have reached a peak of agricultural production in the current year with food-grains production at 77 million tons, no wide deflationary factor is visible on the price front; apart from the marginal drop the upward trend is not merely to be sustained but would become dangerously sensitive to deficit financing. In other words, the volume of deficit financing, which the Finance Minister can maintain, cannot be as large as last year and should be significantly below—perhaps not more than Rs. 100 crores, or a little less than one-fifth of Rs. 550 crores included in the Third Five-Year Plan period as a whole. Thus the Finance Minister is on the horns of a dilemma both because the subscription for loans will not be supported to the same extent by institutional sources and, secondly, because deficit financing has to be considerably less than last year. Any relief given by increased yields in taxes will not offset

the fact that on both accounts he may have to make good a figure of about Rs. 150 crores on loans and deficit financing.

In the face of these factors there must be a massive taxation effort in the current year. Taxation must be conceived in a manner in which the revenue can be increased as far as possible without disorganising production. But it is doubtful if any scheme of taxation which the Railway Minister and the Finance Minister can jointly conceive can fail to have serious repercussions on industry. In the Leading Article which follows, it is suggested that the magnitude of increases in freights and fares over the Plan period should be about Rs. 275 crores. In spite of this effort, the Finance Minister will need attempt to reach in the current year a tax effort of Rs. 100 crores. If one allows for the inevitable paralysis of a year before the elections, one nevertheless arrives at a figure between Rs. 50 and Rs. 75 crores.

How much of this taxation will be direct and how much indirect? The view that the whole of this can be indirect is wishful. It is not likely that the rate of corporate taxation at 45 per cent, even though this was higher than the rate prevailing which it was deemed to replace on a neutral basis, will remain unaffected. If the rate of corporate taxation should be raised by 5 per centage points, the increased yield would be of the order of about Rs. 10 crores in a full year. The question is to be asked, however, whether this is absolutely necessary. The answer to this question depends very largely on the character of indirect taxation.

Railway Freights and Fares

WITH hardly a week left for the Railway Budget for the first year of the Third Five-Year Plan to be presented to the Lok Sabha, Press speculation has tended to be concentrated on the budget proposals in relation to freight rates and passenger fares. The trends in railway traffic during the first eight months of the current financial year show an increase of Rs. 21 crores above the same period in the preceding year. Considering the fact that at least 6 out of these 8 months were covered by the slack season, this increase is reassuring. During the rest of the financial year, which coincides with the busy season, gross earnings will have made a spectacular stride, surpassing the Budget Estimates of gross earnings of the order of Rs. 466 crores.

From this upward trend there has been a temptation to argue that increases in freights and fares, if levied, should be marginal. This view is totally erroneous and it appears to have been entertained in disregard of the hard straits in which railway finances are going to be caught up during the Third Plan. A bold and realistic policy of imparting minimum flexibility to railway finances is essential. The traditional resistance to increases in freight rates and fares has now become obsolete in our rapidly developing economy.

Elsewhere in the Statistical Section in this issue is reproduced in full a table, setting out the Railway Board's forecast of the financial working of the railways during the Third Five-Year Plan. It is the startling disclosures made in this forecast and not some marginal increases that are likely to be revealed in the Revised Estimates for the current year that ought to determine whether

Can we raise between Rs. 50 and Rs. 60 crores additional?

If one assumed that the growth factor in excises is the same as in the year between 1959-60 and 1960-61, Union excises might rise by Rs. 20 crores on their own account that is, without a change in rates. This would, however, still leave us with a need of 30 to 40 crores of rupees of indirect taxation. It would be impossible to impose a figure as large as Rs. 40 crores without impinging on items of necessity such as cloth, rayon, and perhaps paper and there is a good case (notwithstanding the political implications involved) of imposing a duty on salt and kerosene. All in all, one might argue that the issue is not whether or not Rs. 50 to 60 crores can be raised by indirect taxes; they certainly can be, but whether the Government of India will have the courage, in order to save the production system from disorganisation, of placing a good deal of burden on the consumer directly such as in the case of salt and kerosene. Salt and kerosene between them could produce Rs. 30 crores. But the chances are that this will not be done under current auspices. If so, it would seem tobacco, matches cannot, in spite of numerous levies in the past, be entirely excluded.

The general outlook on the situation presented by these comments cannot be anything but bearish. But it is well for this country to recognise that the economic development which it has spaciouly planned cannot be achieved with wishful thinking, and calls for real and immediate sacrifices.

railways should raise freight rates and fares. In terms of the new Railway Convention, to be operative during the Third Plan period, the net dividend to be received by the Central Exchequer from the railways will be reduced substantially from 0.83 per cent per annum on the capital-charge as at present to 0.67 per cent. Even so, the net surplus which the railways will have earned during the entire period of the Third Plan will be of the nominal order of Rs. 11.44 crores. This surplus will be all that the railway revenues will be able to earmark for allocation to the Development Fund, leaving the Revenue Reserve Fund high and dry as during the current plan period. This is not the only index of the gravity of the situation which railway finances will have to confront. Allocations to the Depreciation Reserve Fund (which has been reduced to the rock bottom of Rs. 17.75 crores now) will be at an annual average rate of Rs. 70 crores. This is on the assumption that the cost of replacements, as now estimated, will be Rs. 350 crores. In case prices of replaced assets go up, which is highly probable, the Depreciation Fund may prove unequal to the task of meeting the costs of replacements.

Yet another index of acute financial stringency is to be found in the critical condition of the Development Fund. This fund now owes a liability of the order of Rs. 33.46 crores by way of loans taken from the General Revenues. This liability is to be transferred partly by charge to capital and partly by debit to the Revenue Reserve Fund to enable the Development Fund to make a clean start. In spite of this device, it has a grim prospect to face in the Third Plan. Accretions to the fund during the Plan period cannot exceed Rs. 15

crores on a liberal estimate. In order to provide internal resources on a fractional scale for the Railway Development Plan, it will be required to raise loans of the order of something like Rs. 100 crores from Central Exchequer. The last four dollar loans of the railways raised from the World Bank will also fall due for repayment in semi-annual instalments in the Third Plan period. But it has not been feasible to build an amortization fund.

The official forecast of the trends of railway finances in the Third Plan is apparently based on conservative estimates to err on the safe side. The actual trends may show excesses practically under all the heads. In the result, the net surplus may increase marginally. But the overall position is unlikely to be changed appreciably inasmuch as control over expenses has always proved ineffective.

It is obvious that the status quo in rates and fares cannot be maintained. It is now a matter of common knowledge that several categories of goods which are transported by railways in bulk over long hauls do not bear rates sufficient to cover the actual cost of transport. They are pitched low for various social and economic considerations. Similarly, many other classes of goods are charged low rates relatively to those on foreign

railways. Now, when development finance is required on an unprecedented scale, the general outlook on railway freight rates and passenger fares ought to be reorientated. Refusal to face this plain obligation will only result in increasing the community's tax burden. There is no justification why the burden should be shifted from the transport user to the general tax-payer. Public sector undertakings, although some of them may partake of the partial character of public utilities, cannot escape their liability to find modest internal resources for expansion in an under-developed economy.

On a conservative estimate freights and fares ought to be increased during the Third Plan period so as to give railway finances a net surplus of about Rs. 275 crores. This would mean an aggregate increase of 10 per cent over the Railway Board's estimate of total gross earnings. But increases for individual freight rates in particular will need judicious assessment. The increase cannot be at a flat rate. This is undoubtedly an inflationary factor, but so is indirect taxation. If, as is argued, in the previous article, large doses of indirect taxation are inescapable, there is no reason why alarm should be taken at a rise in consumer costs and, therefore, producer prices. This is part of the price the country needs to pay for the spaciousness of the Third Plan.

Guest Editorial

Minding Other People's Business

By Andrew Boyd

GENERALLY speaking, "intervention" is a rude word in world politics. In part, this is just a reflection of a basic human attitude. Familiar maxims about minding one's own business, and pejorative words in common usage, such as busy-body and bully, reveal the normal—and healthy—antipathy to meddling in any form. In relations between sovereign States, moreover, there is also the legacy of dark suspicion left behind by many centuries during which strong nations have built up empires by skilfully taking a hand in the affairs of weaker ones.

Unfortunately, "hands off" is not by itself an adequate formula for international relations. If the scrupulous are content simply to apply this formula, they leave the way open for the unscrupulous to get their fingers well and truly into the pie. The British, for example, still remember the bitter failure of the attempt to apply "non-intervention" during the Spanish civil war; the effect was to give a free hand to Hitler, Mussolini and Stalin, and thus the democratic elements in Spain were the only ones that did not receive substantial aid from abroad.

If, on the other hand, every foreign intervention is met by an equal and opposite counter-intervention, what began as a small-scale local conflict may spread and become a very perilous threat to world peace. Laos has lately provided a warning example. Russia and China on one side, America on the other, have supplied and supported the warring contestants, each in turn accusing the other of assisting rebels against lawful authority, and defending its own actions with the argument that they were a necessary counter to intervention

from the other side. This is what the theorists of war and peace call the danger of "escalation"—a situation in which the great powers can become progressively more and more directly involved in a conflict that was originally local and limited.

International intervention is clearly not only better than individual foreign intervention—because it is disinterested—but also, in many cases, the best means of preventing or ending individual intervention. The right kind of meddling can, in fact, avert the wrong kind. That has been the theory behind the proposals for Laos. It was also theory behind the formation of a United Nations force in response to the Congo's appeal for aid last July. But the painful experience in the Congo since then has shown how difficult it can be to translate an apparently simple theory into successful practice. And failure in the Congo could mean that the kind of intervention attempted there by the United Nations will never be attempted again.

Accurate understanding of the Congo problem from the viewpoint of the world community is, therefore, essential, if the lessons are to be rightly learnt. While it may be too late to undo what has gone wrong in the Congo, it is not too late to avoid the ultimate failure—failure to learn from this first bold experiment, and to resolve to do better next time.

The Congo has presented the international community with a much more complex problem than Laos, an infinitely more complex one than did the Suez-Sinai conflict of 1956. The task for

the United Nations has not been the relatively simple one of manning an international frontier so as to interpose a shock-absorber between hostile armies or to prevent the introduction of foreign troops or military supplies. The mutiny of the infant republic's troops in July caused an immediate breakdown in administration. Secessionist movements developed in Katanga and elsewhere. In September the central government lost even the semblance of constitutional authority; a few days later the army seized power in the capital; by January there was a visible division of such effective authority as could be identified between no less than four self-proclaimed governments. But not one of these developments in itself provided a basis for United Nations intervention.

The basis for UN intervention in the Congo was provided by Belgium's action in sending troops there after the mutiny to rescue and protect Belgian citizens who had been attacked or threatened by the mutineers. The attacks and the threats were real enough, and the panic flight of Belgians that followed them intensified the Congo's difficulties. President Kasavubu and Prime Minister Lumumba appealed to the United Nations for aid the primary object of which was to get the Belgian troops out again. This aim was quickly achieved. As the UN force came in, the Belgian troops left.

But the United Nations had also been asked, and had undertaken, to provide temporary apparatus of internal security until the Congo's own forces could take over the duty again. This was an unprecedented task for the international organisation. The impressive unanimity among the member nations in favour of taking it on rested on the general belief that domestic chaos in the Congo would lead to further foreign intervention and involvement. Mr. Hammarskjöld's contention that the UN operation in the Congo ought to be mainly carried out by the African nations was also generally accepted.

If all member nations had loyally sustained this UN enterprise, it might have successfully survived even the subsequent more serious breakdown of constitutional government in the Congo. But the familiar temptations of separate intervention asserted themselves. Instead of co-operating with the United Nations in its efforts to restore peace and economic life in the Congo, the contending factions there, led by Mr. Lumumba, President Kasavubu, Colonel Mobutu, Mr. Tshombe and Mr. Kalonji, harassed its representatives with both physical and political attacks. Their respective champions in other countries followed suit. Mr. Khrushchev launched his campaign of abuse against the Secretary-General and his officials, blandly ignoring the fact that they were similarly being criticised by the very people, in Belgium and other western countries, whose "lackeys" he dubbed them. Mr. Eisenhower's Administration, after showing praiseworthy initial restraint, was eventually drawn into the partisan game, espousing Mr. Kasavubu's cause against Mr. Lumumba's. The rot spread to nations actually contributing to the UN force, with the well-known result: the decisions to withdraw their contingents taken by half a dozen of the contributing governments. Their presumably sincere belief that the UN intervention is doing more harm than good must be weighed against the argument, implicit in a co-operative enterprise of this kind, that individual states ought to accept the general will as prevailing over their private opinions.

But the point that surely needs emphasising is that, in the Congo, the whole great concept of co-operative international intervention as a means of protecting a "vacuum" area against the perils of individual interventions has been put to its first harsh test. If this experiment is to founder, not only will the Congo be left wide open to those perils, but there is unlikely to be much chance of using the world community's organisation to avert similar perils elsewhere. Or will the sombre lesson of the Congo in the end be learnt? One can only hope that it will.

A DELHI DIARY

ABSENCE BY DESIGN

BY a concatenation of circumstances—otherwise called historical chance—I was omitted from last week's issue, and I have been greatly flattered by two kind friends who have assured me that I was missed. In point of fact, a Delhi Diary which should have dealt with the Republic Day, Beating the Retreat, the Queen and, of course, the people—how can great events be presented without a massive popular stage these days?—was one which I might have anticipated would have been sought after. The fact of the matter was that I was in Calcutta on a "study tour." Convinced as I am now that Dr. B. C. Roy's great Calcutta expansion scheme is one of the most important projects ever to be conceived in the Indian Union, I had at least to visit its holy ground. I should say it is spacious and imaginative and, therefore, should attract a journalist on its own account. But it also has a powerful strategic component with political and economic consequences far in excess of any thing which inhabitants of Delhi, at whatever level of influence, have yet realised. Having visited Calcutta and looked over the area on which the scheme is to operate, I wonder how it encountered so many obstacles before it was agreed to in principle in the National Development Council meeting in January. It has now been accepted in principle, but I have no doubt that it is very far from being accepted as a top priority for India's Third Five-Year Plan. Rumour tells me that "The Eastern Economist" has now suddenly convinced itself that its destiny is linked up with the propagation of the Greater Calcutta Project and, not very far from now in time, a whole Blue Supplement is to be committed to its explanation. If so, I can well reserve my comment on the project for another issue and concentrate upon its main architect.

BHARAT RATNA B.C. ROY

A nice debate has been going on in Calcutta as to how Dr. B. C. Roy should be addressed after he received in the Republic Day honours the title of Bharat Ratna. Some people think he should be addressed as Bharat Ratna B. C. Roy; others say that he should be called B. C. Roy Bharat Ratna and some others opine that he should be just Dr. B. C. Roy with Bharat Ratna nowhere in the picture. I cannot see that Indian decorations of any order have been used in forms of address. Neither the Prime Minister nor Pandit Pant uses his Bharat Ratna, and I cannot see why this nice debate should have arisen only in Calcutta. Perhaps as in the French Assembly, it was important that there should be an issue for discussion, not, of course, that every discussion should be necessary. In any case, doubts have been set at rest by Dr. Roy himself who has indicated that he does not propose to use the title or advertise it in any way. Indeed, I might say, having seen Dr. B. C. Roy last week, that the title, while giving satisfaction to his followers, has not changed one bit of his down-to-earthiness in any way. The remarkable quality of the Chief Minister of West Bengal is that he is so intensely absorbed in his ruling passion, which is the solution of the problems of West Bengal, that he cannot be distracted by anything like an honour from outside or even by great popularity or unpopularity race. He stays at his post from early in the morning to late in the evening whilst the shafts fall thickly about him; he seems, as far as I can determine, to be almost unaffected by the virulence of the language used. Even in the West Bengal Assembly where decorum is not a habit, he wears a gay and cheerful demeanour—the result of

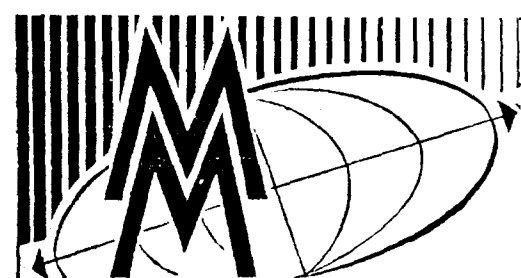
much assurance in himself and a wonderful protection of philosophy from the outside world. I need only add for those who think that Dr. B. C. Roy is tired at 78 (and that the Prime Minister also is aging rapidly) that they are talking through their non-existent hats. Talking to Dr. B. C. Roy, one is amazed at his command of detail about particular projects and his capacity to find time to explain in an unhurried way his great Calcutta scheme, the conception of which has been, in my opinion, one of his great contributions to the life of West Bengal. Greatly daring, I prophesy that he will, within a very short time, receive the Rs. 70 crores needed as a revolving fund to finance expenditure of about Rs. 220 crores in all, most of which will be forthcoming with the sale of reclaimed land; West Bengal might even cash in a profit of Rs. 20 crores. All of it shows that reclamation, rehabilitation, and realignment—the new three R's—are unlike the old ones productive in the relatively short period.

... AND P. D. TANDON

It is a natural transition from one Bharat Ratna to another. I cannot myself discover the basis on which Mr P. D. Tandon has received an honour equal to that of Dr. B. C. Roy. There has been some fairly querulous comment in Delhi and the assumption seems to be that when an eminent son of India from a non-Hindi area is honoured, it would be somewhat infradig for the hard core of both Hindi and Hindi civilisation if an equal honour were not conferred on someone from that central political citadel in the country. In the spirit of our age, Mr Tandon is somewhat ill at ease and unless we wish, in the new age, to have a throwback to ancient scholarship with ancient ways of life, the honour granted to him this year would appear to be an anomaly. Nevertheless, those who have respected Mr Tandon's independence of character and his great tradition of public service and integrity rejoice that he has been honoured on the advice of the Prime Minister with whom his relations have not always been cordial. One can record this display of cordiality without becoming enthusiastic about its substance. I am reminded of the old comment on the Anglo-French Alliance: Entente mais ne pas cordiale. I do not think the Prime Minister's relations with Mr Tandon have now entered into a phase of what may be called bi-partnership as distinguished from the non-biped variety.

Has Mr Tandon any role to play in the new difficulties of Uttar Pradesh? Can he be rewarded—as in British political practice—with a peerage for political service? I cannot find any evidence of this. Nor does it seem to me from the events of this week that the squabbles of Uttar Pradesh have been solved. Binar, indeed, has a Chief Minister unanimously elected, if not unanimously desired. If Mr. C. B. Gupta was unanimously elected by invoking the Prime Minister's prestige, events this week have shown that the election was not intended to seal an enduring agreement. Here again people are asking how long the pretence of a united Congress in the Uttar Pradesh, behind the High Command's directives, can be maintained. The question is being asked anxiously in Delhi and at the moment no reply has been received. In any case, the next move is not in Lucknow, but with the High Command which has been very much at it throughout the week. Next week something is to happen. What?

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THE WEEK'S NOTES

U.P. Congress

FIRM ACTION NEEDED

THE UTTAR PRADESH Legislative Assembly this week witnessed an unprecedented scene. Boycott of Governor's address to a State Legislature by the Opposition parties, though deplorable, has not been an uncommon occurrence in this country in the recent past. Never before, however, had members of the ruling party deliberately abstained from attending the House and refrained from hearing the Governor's inaugural address. When the daily press reported on the eve of the Budget Session of the U.P. Legislature that the dissident group under the leadership of the ex-Chief Minister of the State, Dr. Sampurnanand, would stay out of the inaugural proceedings of the Legislature, it was not apprehended that the matters would come to such a pass, especially when agreement had been reached between the two groups on the election of Mr. J. S. Negi as the new party chief in the State. But these expectations have been belied; as many as 144 Congress M.L.A.'s abstained from attending the House, along with the Opposition members, which reduced the number of those present to only 180 in a House of 431 members.

Whatever the grievances of Dr. Sampurnanand and his followers about the foisting of Mr. C. B. Gupta as the Chief Minister of the State, they have indeed adopted a highly questionable way of ventilating their differences with the ruling group. The proper forum for airing such grievances is the party meetings. The dissidents, instead of adopting this course, presumably due to the fact that the followers of Mr. C. B. Gupta outnumber them, have chosen to wash the dirty linen in the public. This is most reprehensible.

The Opposition cannot be blamed if it exploits rift in the U.P. Congress Legislative Party. It may table a no-confidence motion against Mr. Gupta's Ministry. It is time the Congress High Command takes energetic action to set matters right. The dissidents have made a mockery of party discipline; their conduct has to be seriously dealt with lest it gives free handle to recalcitrant elements in the legislative parties of other States. Party decisions can be challenged inside the party machinery. But once issues are settled, compliance with party discipline is absolutely necessary. Any soft-paddling at the present juncture will only spell disaster for the U.P. Congress at the next General Elections.

Police

POLICE IN WELFARE STATE

THE DECISION to appoint a high level commission with a former Chief Justice of the Supreme Court, Mr. Mehar Chand Mahajan, as Chairman, to make recommendations to the Punjab Government for making the Police force more suited to the present democratic set-up is welcome. This is specially so in view of the public criticism in recent times against various excesses by the police. The state of respect for the rule of law and self discipline in general has not been such as to reduce the strain on the police. Rather, the police is sometimes put into a delicate position vis-a-vis the people. With the change of country's political set-up some change in the operational techniques of the police in using lathis, tear-gas, firearms, etc., is called for. But what those changes will be can only be decided after a thorough examination of people's changed attitude towards Government on the one hand, and the increasing need for controlling the people by the police on the other. In this connection, the Commission's term of reference whether improvements are needed or can be made in the general supervision exercis-

ed by the Magistracy over the police, specially in view of the separation of the judiciary from the executive, and the supervision exercised by senior police officers themselves, is relevant.

The Commission has also been asked to consider possible steps for improving public co-operation with the police in preventing and investigating crime, "keeping in view the rule of law, the free exercise of civil liberties and political rights and public aspirations in the light of the directive principles of the Constitution." Connected with the new role of the police force is the question of organization, training and strength of the different ranks of the police force. Much of the oft-recurring mob violence and defiance of law can be averted by tactful handling of the situation by the police officials. This emphasises the need for training.

Atomic Energy

A PROPER CASE STUDY NEEDED

INDIA IS embarking upon an atomic energy programme at considerable cost. No one disagrees with the fact that atomic energy can go a long way in bridging the gap between India's future demand and supply of electric power. It is estimated that total energy requirements (installed capacity) of the country in 1986 will be somewhere between 50 to 60 million kwts. Out of this, the hydro capacity is likely to supply 25 million kwts. and thermal (coal) capacity another 15 million kwts. The balance of 10 to 20 million kwts. of electric supply may very usefully be contributed by non-conventional sources, such as the atomic power. Thus, India has decided to construct the first atomic power station at Tarapur, about 60 miles north of Bombay with an installed capacity of 300,000 kwts.

The Government of India has shown foresight and courage to introduce nuclear power in the country quite early, but the economic considerations behind undertaking such costly projects at the present juncture should be clearly brought out. The question that needs to be seriously considered refers to the precise estimates of relative costs of power from conventional and nuclear stations. Some estimates are being attempted; but such estimates of relative costs are beset with a number of ticklish problems. For example, a realistic rate of interest should be used in evaluating the economic performance of nuclear power stations, for capital costs of nuclear power stations are very high and can, therefore, make substantial difference in the estimates of relative costs. Secondly, forward estimates of availability of materials and resources as well as of the course of prices are notoriously unreliable. In the third place, it is equally difficult at the initial stages to assess the performance of a nuclear power station, and any statement on the future cost of this type of power involves a complicated judgment of the out-turn. And, lastly, other estimates, which affect the valuation of the cost of power, are the course of fuel prices and inflationary influences. There may also be important technical assumptions about the performance of a power station, for example, the thermal efficiency of a coal-fired station, or the fuel burn-up achieved in a nuclear station. Further, note has to be taken of the load factor and the life of the station. There is no doubt that a great deal of uncertainty and hazard lie in estimating the cost of power from a nuclear power station in India; still any sane policy of developing nuclear power should be based on realistic calculations of definite benefit-cost analysis. The fundamental principle of allocating scarce resources to the best possible use can never be ignored, if the maximum benefit is to be achieved for the nation.

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BY ODYSSEUS

AMONG THE CHARACTERISTICS whereby you can recognize whether a man is a genuine Marxist is his substitution of material for spiritual values, his rejection of God, and his conviction that no progress is possible unless the existing "archaic" structures of a society are overthrown by violent revolution. Constitutional evolution is scorned as crypto-Capitalism.

It clearly emerges from that excellent little book "The Mind of Mr. Nehru" (Allen & Unwin, London, 1960), containing the text of tape-recorded talks that Mr. R. K. Karanjia had with Mr. Nehru, that our Prime Minister is no Marxist, because he unhesitatingly proclaims his faith in spiritual values and rejects violent revolution.

When Mr. Karanjia challenges Mr. Nehru's references to spiritual solutions with the remark "What you say raises visions of Mr. Nehru in search of God in the evening of his life!" (the exclamation mark is Mr. Karanjia's) Mr. Nehru replies "... Yes... the human mind is hungry for something deeper in terms of moral and spiritual development, without which all the material advance may not be worth while... The old Hindu idea that there is a divine essence in the world, and every individual possesses something of it and can develop it, appeals to me... I do not happen to be a religious man, but I do believe in something—call it religion or anything you like, which raises man above his normal level and gives the human personality a new dimension of spiritual quality and moral depth. Now whatever helps to raise a man above himself, be it some god or even a stone image, is good... and must not be discouraged..." There are other similar passages, which show that Mr. Nehru, whether conscious of it or not, is abreast of contemporary philosophical thought, but what is striking is that there seems to lurk in Mr. Nehru (unless I misread him) the feeling that Mr. Karanjia's exclamation mark, denoting the materialist viewpoint, is rational, and that his own belief in a divine essence is an eccentricity which needs to be defensively justified. But contemporary philosophers have left far behind the crude 19th century "cause and effect" materialism, which ignored the evidence, and indeed often the very existence, of feeling and intuition. Today the onus is on the Marxists to justify their values rather than on Mr. Nehru to justify his. This is not a minor academic point but is of practical, contemporary, political importance, because all who cherish individual liberty and true democracy should be at one with Mr. Nehru in defence of the spiritual, anti-rational viewpoint.

The development of a theory of liberty began in 18th century England (which enjoyed individual liberty) and France (which did not). That is why, as Professor F. A. Hayek points out in "The Constitution of Liberty" (Routledge & Kegan Paul, London 1960. Price 45 sh.), we have two traditions of liberty: (1) the English empirical, unsystematic, based on the interpretations of customs and institutions which had grown up spontaneously and were imperfectly understood; (2) the French speculative, rationalistic, critical of existing institutions, and aiming at the construction of an ideal system—a utopia, often tried, never successful. Nevertheless, it has been the rationalistic, and (apparently) logical French tradition, with its flattering assumption that the powers of human reason are unlimited, that has gained influence, and the pragmatic, English tradition which has, until the last ten years, lost ground. The French tradition leads to totalitarian "democracy," which sacrifices the individual to the good of society, as conceived by a ruling group; the English to liberal democracy, which respects the individual as an end

in himself, not to be sacrificed to the whims of a ruling group or a passing majority.

FRANCE'S EIGHT REVOLUTIONS

The French think that liberty can be found in the government, the English that that is the last place to find it. The consequence of the French view is to regard civilization as something imposed by organization, i.e., in unlimited interference by public authority. The French decide whether this interference is despotism or liberty solely by asking WHO interferes, for the benefit of what CLASS. The English consider that interference is always despotism. That French liberty expects everything from an ideal organization is one reason why between 1789 and 1871, there were eight revolutions accompanied by varying degrees of bloodshed in France, while before, during, and after the same 82 years, liberty in England broadened from precedent to precedent, retaining the form of ancient institutions but continuously modifying their content. That is why there has been, broadly, so little improvement and expansion of institutions in France and so many abolitions and new departures.

Any institution has good and bad elements. Improvements occur by attacking the bad, not turning out the good with the bad. Mr. J. L. Talmon, in his "Origins of Totalitarian Democracy" (London, 1952) says that the main contrast in the results of the English empiricist, and the French rationalist, traditions has been that the English finds freedom in spontaneity and the absence of coercion, the French in pursuing an absolute collective purpose; the English stands for organic, slow, half-conscious growth; the French for doctrinaire deliberateness; the English for trial and error; the French for an enforced, solely valid pattern, from which totalitarian "democracy" originates. Professor Hayek recalls that the Scottish philosophers, Adam Smith, David Hume, and Adam Ferguson, developed a body of social theory that showed how institutions (like parliaments, law courts, trade unions, etc.) grew up, not planned by individuals but aggregated from successive separate improvements of many men, out of whose individual contributions there grew an ever increasing cultural heritage. These contributions were fruitful because they assumed the moral value of the individual human personality. Without this, their tinkering with not wholly understood institutions would have ended in tyranny or anarchy. The organic growth of institutions corresponded to an organic growth in the human individual.

The revolutionary rationalists, like Rousseau and Karl Marx, flatter human pride by assuming that man's reason enables him to mould civilisation deliberately. The evolutionary empiricists (all the way from Adam Smith to Gandhiji and Jawaharlal Nehru) have shown that civilization is the accumulated, hard-earned result of trial and error, the sum of experience in part handed down from generation to generation but to a larger extent embodied in institutions, whose worth has been proved by their very survival, and which are capable of continuous adaptation by the constant chiseling of new generations of individuals.

THE VALUE OF CONTINUITY

For the revolutionary rationalist, freedom means chaos. For the evolutionary empiricist, the value of freedom lies in the opportunity for the growth of the undesigned. The fruitful working of a free society depends on maintaining spontaneously evolving institutions.

Mr. Karanjia quotes Professor Dumont (signifi-

cantly, in this connexion, a Frenchman) as saying that India cannot achieve a real social revolution, abolishing castes etc., without Communist methods. How profoundly right Mr. Nehru is to reply: "Tradition and customs here condition and limit one's activity, and slow progress. We don't want to destroy their past or uproot them from their social fabric. We have to balance the forces of continuity with those of change. It all takes time." Mr. Nehru points out that modifications in the caste system are going on all the time, and that the big landlord system has been abolished. "We try to do all this democratically and peacefully, by eliminating rather than aggravating the conflicts of caste and class..." Authoritarian and violent methods "might lead to disruption and violence." Mr. Nehru's methods help to unify India. As one who has lived for ten years in France, has visited it repeatedly throughout his life, and has made some study of French history, I can testify now profoundly France's eight violent revolutions have weakened her by setting Frenchman against Frenchman. The attitudes of innumerable Frenchmen are conditioned by conscious or unconscious memories of bloodshed, injustice, and resentment. Has there ever been any successful free society which has not revered its grown institutions and "all those securities of liberty which arise from regulation of long prescription and ancient ways"? And, to quote Professor Hayek again, "paradoxical as it may appear, it is probably true that a successful free society will always be a tradition-bound society."

It is this submission to undesigned institutions, this reverence for tradition, that exasperates the ra-

tionalist, who wants to sweep them all away — leaving what? An imperfectly planned new design, commanding no reverence, and standing alone in a spiritual void. The rationalist condemns religious observances as "superstition". But what is, or is not, "superstition" is not determined by any one group of rationalists, however intelligent, but by the clash of many reasoning minds in the sifting of argument and debating. "That we ought not to believe anything which has been shown to be false does not mean that we ought to believe only what has been demonstrated to be true." Human beings who were protected from microbes by being brought up in sterilized rooms, would perish as soon as they went outside, and human beings, who lived in a world of ideas, sterilized of all beliefs which could not be demonstrated to be true, would be helpless against vigorous neighbours who braved the challenge of all ideas as they came.

I am not arguing against reason. It is reason which distinguishes man from beast. I only suggest that reason is not all-powerful, that it cannot work safely, or at all, except in the cut and thrust of a free society, and that the spheres of feeling and intuition, which escape reason, are as important, and are ignored at man's peril.

Orthodox Socialists, who think that science has disproved religion, and reject God as "superstition" because contrary to "reason", are as quaintly archaic in their outlook as the American sect which insists that the earth is flat.

(This is the final article on Mr. Karanjia's "Mind of Mr. Nehru". — ED.)

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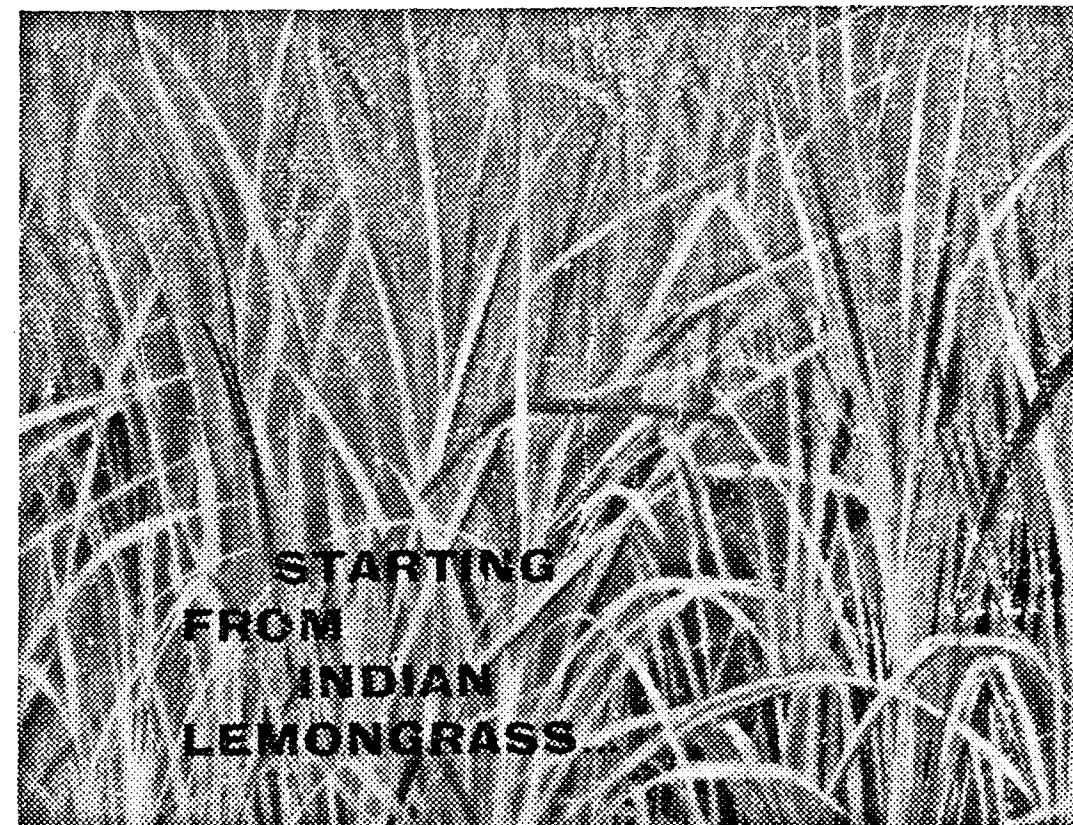
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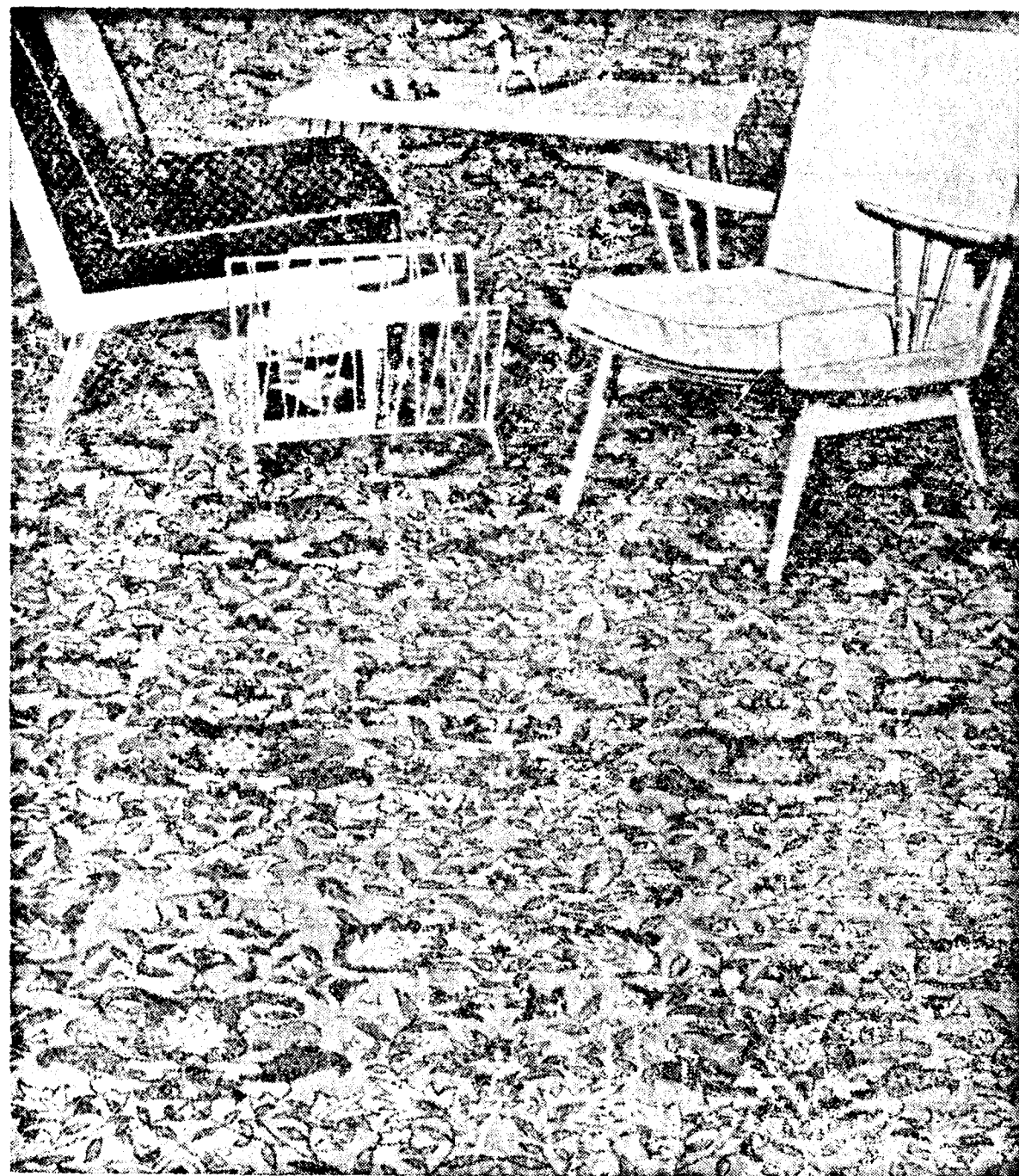
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The European Scene

WEST EUROPE'S 1961 BOOM

From Our Special West European Correspondent

PARIS, February 2.

THE Common Market continues to be an oasis of expansion in a non-Communist world that is in recession (as in the USA), or stagnating (as in Britain) or expanding with a painful slowness (as in the developing countries). The EEC Commission has, therefore, just warned the Six that this situation cannot continue indefinitely and that, although their near-term prospect is excellent, they must give more aid to developing nations and timely help to the USA, in order to ensure that demand for European goods will sustain their expansion in six or 12 months' time. The warning will be heeded only by those who look well beyond tomorrow, because at present the Six are managing very nicely without the stimulation of growing demand for their exports. The motor of their current boom is internal demand and this is expected to go on increasing, though at a slightly slower rate, through most of 1961.

The relative independence of the Common Market boom of external conditions is reflected in their trade figures for 1960. The internal trade of the region increased over the year by 28 per cent, their imports from outside increased by 23 per cent, while their exports rose by only 15 per cent. That latter figure disguises the slowdown in exports that took place in 1960: at the start of the year, exports overseas were running 31 per cent above a year before, and at the end of the year only 9 per cent. In other words, the region imported much more than it exported and its 1959 trade surplus gave way to a substantial trade deficit. It was internal demand that was supporting the boom (shown in the increase in imports and in internal trade), whereas export demand slowed down because less prosperous overseas countries could not keep expanding their imports from West Europe at an equivalent rate.

The big trade deficit mitigated the effects of the discrepancy between the growth rates of the Common Market and of its trading partners; by buying much more from them than it sold them, the region contributed to maintaining activity abroad. But not nearly to the extent it could have afforded—because despite the trade deficit, the region scored another immense payments surplus and entered the new year with gold and currency reserves bigger than ever before. The inflow of capital, which more than compensated for the trade deficit, was due to speculative movements of short-term money, to differences in interest rates between Europe and the USA, to repatriation of colonial capital from insecure or newly independent areas, and finally to substantial private investment in Common Market industries by American, Canadian and Swiss lenders. With all this cash in their coffers, the Six can well afford to go on running up trade deficits, to repay their loans to the USA and buy more US imports, and give more assistance to developing nations. If, by these means, they contribute to maintaining the level of activity abroad, prevent the US recession from hitting the raw-material exporters too hard, and give Washington a hand in restoring confidence in the dollar, then they will find later on—when their internal demand slows down or has to be slowed down deliberately—that demand for their exports will take up the slack.

They are in a better position to do this than Britain, who has felt the effects of the US recession more sharply and has not been able to compensate for them either with sufficiently bigger exports to regions that are still expanding (such as the Common Market), or with increased internal activity. True, British trade losses have been partly annulled in the payments account by an influx of short-term capital due to higher money rates in London compared with New York. Yet, given the stagnation of the British economy, these speculative investments are much more insecure: London has already had to reduce bank rate twice, partly in order to stimulate home demand, thus reducing the attractiveness of the British market to foreign funds. On the Continent, no such monetary-rate stimulation of domestic demand has been necessary. Interest rates are indeed falling gently here, because of the excessive liquidities resulting from the payments surplus; also because, in several countries, the boom has so far increased government tax revenues that the State has not had to borrow in the capital market. To the extent that lower money rates make Continental centres less attractive to purely "hot" money, the reasons for those lower rates—the industrial boom, healthy finances and a strong currency—make them more attractive to more permanent funds and to genuine investors.

The constituents of the internal demand that is carrying the Common Market boom are important, because they indicate which imports will be in demand in the months ahead. The reliance on this internal demand will become even more marked in 1961 because the prospect for European exports is not encouraging and only a slow rate of increase can be expected until the American economy recovers its vigour. At present, the major element in internal demand is fixed capital investment by industry. Industrial outlays were already high last year, but they are currently being further increased despite the uncertain outlook for exports. The order books of manufacturers of producer-goods are full for months ahead, and the applications for building permits for factories, offices and shops are much more numerous than a year ago. There are two main reasons: the acceleration of progress with the Common Market customs union, and the labour shortage.

Both these factors act in the same way: they stimulate efforts to increase productivity, both to save labour and to cut costs in a more competitive market. The need to save labour is felt most urgently in West Germany and Holland, where the supply of manpower has been strained to the limit. The need to cut costs is most urgently felt in the formerly high-tariff countries, France, and Italy, which must now renovate their protected industries in order to face the increasing competition of the Germans. In all countries, the prospect of a wider market as duties fall encourages manufacturers who hope to gain from it to reconvert, expand and modernise. Sustained industrial outlays will continue to be a positive factor throughout 1961. Even Belgium, the one member-country that has not (for evident reasons) been in an expansionist mood lately, will have to undertake extensive reconversion of her industrial plant in the near future.

The accumulation of stocks played a big role during 1960 in the level of demand; in fact off-take was so fast that many intermediaries could not stock all the steel and manufactures they would have liked. However, it is expected that a more cautious stock-building policy will be followed in the months ahead. The main interest will be in stocking manufactures, because, as will be mentioned later, an increase in private consumption is foreseen. There will be less concern to accumulate stocks of raw materials and semi-manufactures, because prices are still weak and there is no reason not to wait. Producers and intermediaries are left with big enough stocks of most raw materials, in the shape of large carry-forwards to the new season, so there is no call for industrial consumers to compete. Finally, the excellent 1960 harvests have left plentiful supplies of many agricultural products in West Europe itself. In sum, purchases abroad of commodities and semi-manufactures will be kept in line with the actual movement of industrial demand.

Public demand (purchases and investments by the State and public authorities) has been a supporting factor in West Germany, Italy and France in recent months, and to judge from current budgets it will increase in those same countries in 1961. Private consumption has been even more important: private revenues have increased with over-full employment in West Germany and Holland plus some competitive bidding for labour from employers, and with a gentler tendency to higher wages in France and Italy. Higher profits have everywhere contributed to increased personal expenditures, too. This trend will be accentuated between now and the summer. Sharp rises in wages, salaries, distributed profits and welfare payments are scheduled in West Germany, to the point where some price-inflation is inevitable. Rigid wage-pegging in Holland will perhaps avoid that sequence, while the trend to higher personal revenues will be less dan-

gerous but still marked in France and Italy. Given last year's excellent harvests and the present food surpluses, the pressure on prices from this development will be felt only in manufactures and tourism. The French and Italians expect to boost their sales of manufactures in West Germany as German prices rise, but substantial imports of manufactures from outside the region are also foreseen: the USA and the Free Trade Area will be the beneficiaries. It is notable that Common Market imports of US goods have been running 66 per cent above 1959 in recent months, and with further removal of restrictions on dollar purchases by Continental countries that expect to need more foreign manufactures, it is plain that the Americans do not have to worry their trade balance (whatever may be true of their payments balance).

On the contrary, imports from developing countries have been running only 10 per cent above 1959; the extra European demand has been for wood and minerals mainly, among the goods exported by those countries. Since, as has been shown, the motor of present European expansion is investment in capital goods, and since its principal result is increased demand for finished manufactures, the hope of greater European imports of food and raw materials from developing countries is not great. Such increase will be, in any case, less than the increase in industrial production. It must not be forgotten that much of the industrial investment is directed at technological progress, which not only cuts costs and saves labour but economises use of raw materials. This brings us back to where we started: to the EEC Commission's warning that the Common Market will have to increase its assistance to developing countries if their export earnings are not to fall so far behind West Europe's expansion that they will not be able to buy more European goods in late 1961 or 1962, when internal demand may no longer be sufficient to support the European boom.

Economic Report from the U.S.

STATE OF THE UNION MESSAGE

By GUY SIMS FITCH

WASHINGTON, Feb. 1.

IF there is one conclusion to be drawn from the message President Kennedy has presented to Congress on the "State of the Union"—that is, on the position of the United States at home and abroad—it is his abiding and unshaken confidence in the capacity of the US economy to meet whatever challenges may lie ahead. The address, delivered in person to the Congress this week, was firm and to the point. It spread few illusions in its realistic portrayal of the nation's economic shortcomings, as the President sees them. Yet running through it was the conviction, both explicit and implicit, that the economy is essentially sound and that conditions can and will improve.

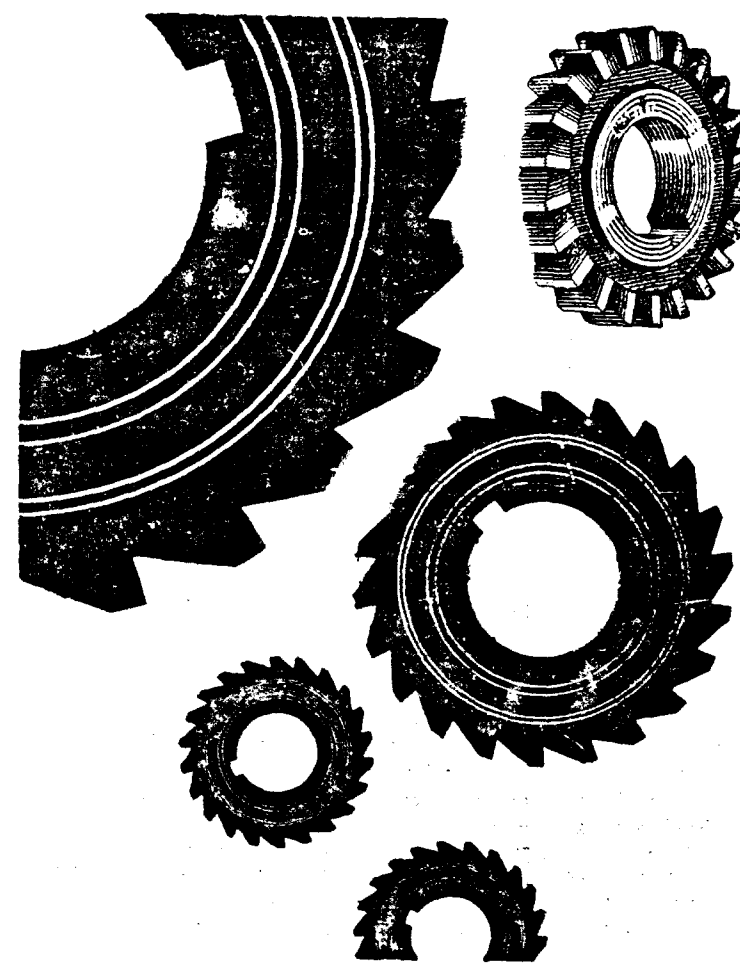
More than mere pious platitudes, Mr. Kennedy has offered specific proposals to promote the advances of both the domestic and foreign policies of the United States. These advances encompass virtually every aspect of the nation's socio-economic life, and are keyed not just to overcoming present difficulties, but also to fostering long-term progress at home and in US relations with the rest of the world. What is more, Mr. Kennedy sees domestic and foreign requirements as inextricably intertwined. Domestically, he wants to see the economy expanding again and accelerating its growth rates as soon and as rapidly as possible, within the limits of sound and prudent programmes. Involved in this are proposed steps both to counter the current recession and to lay a healthy foundation for continued gains. To these ends, he has recommended improvements in the nation's unemployment compensation system, tax incentives for sound plant investment by business, more relief for the unemployed and needy, moves to stimulating housing and construction, revamping of the Federal minimum-wage legislation to raise its wage "floor" and broaden its coverage, expanded development of natural resources, help for areas subject to chronic unemployment, stepped-up activities by US agencies which help the unemployed find new jobs.

To these essentially quantitative approaches to economic progress, Mr. Kennedy has added his concern with the qualitative criteria of American life. His State of the Union message, for instance, proposed a number of expanded Federal programmes in the general field of health and welfare. Among them were a new national housing programme, an expanded programme of Federal aid to education, a medical programme for the aged, financial help for hospitals and the training of doctors and dentists, a stepped-up programme to combat the threat of water pollution. In meeting these domestic problems, the US economy also would be enhancing its capacity to meet the challenges of the outside world. These include, as the President noted in his message, the need to maintain a strong defence, to enlarge the meaningful programme of economic assistance to developing lands, to support the constructive efforts of the United Nations, and generally to proceed along the path to international peace, freedom and economic well-being.

A particularly vexing problem that currently is affecting US relations with other lands is the continuing deficit in the nation's international balance of payments, despite the strong export trade position it currently enjoys. This problem, too, is seen by Mr. Kennedy as soluble over the long-run within the con-

text of a growing and productive US economy. Such an economy will not only be able to compete even more effectively in world markets, but can be counted on as a source of firm, continued and enduring confidence around the world in the economic and financial potential of the United States. Meanwhile, in his Congressional message, Mr. Kennedy has proposed some measures that can be undertaken now to protect the US balance of payments and stem the outflow of gold and dollars. First and foremost, he again has pledged no distortion in the value of the dollar, behind which there still stands the substantial sum of \$22,000 million in actual or potential gold reserves. Beyond that, the President spoke of efforts to attract more foreign investment and travel to the United States, to promote US exports at stable prices, to curb tax and custom loopholes that encourage undue spending of private dollars abroad, and to have other nations finance a larger share of the economic and technical aid for developing lands. There is no indication here of any US retreat from its international obligations. The contrary, in fact, is the case. Pre-occupation with the current recession in domestic economic activity clearly has not promoted the Kennedy administration to turn its attention inward. Rather, the administration obviously is prepared to have the United States assume a full measure of international responsibility, even while stressing the need for other countries to do the same. This is particularly evident in several specific recommendations Mr. Kennedy has advanced in the field of economic co-operation and assistance. For one thing, he strongly urged in his message that Congress quickly appropriate the \$500 million which has already been authorized for the new economic and social development programme in Latin America, so that the programme can go forward speedily and effectively. Along these lines, he indicated he was setting up a new inter-departmental "task force" in the US government to co-ordinate programmes for helping Latin America.

In addition, Mr. Kennedy recommended speedy Congressional approval of US participation in the Organization for Economic Co-operation and Development (OECD)—the new organization of Western European Nations, Canada and the United States, aimed at spurring world economic growth through enlarged aid and trade efforts. He also proposed that Congress make it easier for the President to extend aid to east European countries. Moreover, Mr. Kennedy spoke of expanding the food for peace programme, involving the use of US reserve farm stocks to help needy nations, and indicated his interest in a national peace corps of skilled young Americans—men and women both—to work in developing lands. Many of these Presidential proposals and legislative recommendations may be spelled out in greater detail in promised special messages to the Congress. Current estimates on the number of these messages range from about ten to twenty. At this writing, it appears that the first two will be coming up shortly—both of them deeply concerned with economic matters. One, on measures to stimulate the domestic economy, is scheduled for later this week, and another, on the balance of payments, is due early next week. In any case, the basic Kennedy approaches to national and international economic affairs have now been laid out. They envision a strong and sound United States, with its economy flourishing and contributing in full measure to the advancement and well-being of mankind.



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KENNEDY'S ECONOMIC MESSAGE

WASHINGTON, Feb. 2.

THE new administration of President John F. Kennedy has come out with a vigorous programme to stimulate the recovery and growth of the American economy. As revealed in the special economic message the President has sent to Congress, the scope of the programme is broad and its intent is clear: not merely to halt the present recession in business activity; but to set in motion a renewed upturn that will build a sound foundation for fuller use of the nation's resources and a more rapid rate of economic growth than has been evident in recent years. Behind a programme of this kind is the obvious conviction that the performance of the recent past has not been entirely satisfactory, even during periods of rising economic activity, and that the US economy has the resources, the strength and the resiliency to realize the great potential the Kennedy administration visualizes for it. That potential, the President notes in his message, is constantly expanding. Given the current annual rises in productivity and labour force, it is the view of the President and his advisers that the US economy could normally be expected to expand at a rate of about 3.5 per cent a year. But the economy has not maintained this rate in recent years. And even this rate is not high enough, in the President's view. With expanded investment in physical and human resources and the full use of the nation's productive facilities, the growth rate, he says, can and should be increased.

Along these lines, the message indicates clearly that the administration would not be satisfied merely with an upturn sometime during 1961, as is being widely predicted. It wants to see that upturn start as soon as possible, and move as rapidly as possible to meet the Kennedy criteria of a satisfactory economic growth situation. Just a cursory run down of only a relatively few of the President's proposals aimed at achieving these ends offers a revealing picture of the breadth of this economic message. It is concerned with a variety of recommendations in a dozen broad categories of governmental activity, from monetary policy to minimum wages, from housing to social security. For example, to stimulate residential construction, which has been lagging, the President suggests, among other proposals, reductions in interest rates on home mortgages and a speed-up of urban renewal projects. In other fields, the President proposes a temporary extension of benefits to the jobless under the nation's unemployment insurance system, distribution of surplus fund to needy areas of the country, special assistance to the dependent children of unemployed persons, improvements in the nation's social security system, increases in the minimum wage and expansion in its coverage, acceleration of government construction projects, and special assistance for those "distressed areas" of the country where economic growth has lagged and unemployment has been a chronic problem. Among the important problems governments face during a time of economic recession is in the field of monetary policy and debt management. Action in this field is made peculiarly difficult for the US at the present time because of the nation's balance of payments deficit, which has been aggravated by the outflow of short-term funds, partly in response to higher interests rates abroad. Thus, Mr. Kennedy and his advisers are faced with the twin tasks of keeping short-term rates from falling too far, while at the same time stimulating credit so as to bolster economic activity

at home. As a general principle, the administration is following a policy of letting long-term interest rates fall, while keeping a closer rein on short-term rates. This is a matter which may receive a fuller airing when the President sends his special balance of payments message to Congress early next week.

Proposals of the kind outlined can be categorized, for the most part, as anti-recessionist. But they still constitute only one element in President Kennedy's programme for the nation. The other element, which goes well beyond the anti-recession category, is dedicated to the long-term restoration of the US economy to its full potential and the acceleration of economic growth. To expand and modernize the nation's productive plant as an essential stimulant to long-term economic growth, the President is considering important reforms in the nation's tax system. These are income incentives for business investment in plant and equipment, measures to remove unwarranted special tax benefits, and steps to improve tax compliance and administration. In this way, it is believed, it should be possible to stimulate economic growth without reducing revenues and without violating the basic principle of fairness in taxation methods. These tax proposals will be the subjects of special recommendations of a later date. In addition, the President urges what he calls investment in human and natural resources. The human element, he notes, will be stressed in programmes to strengthen education, health, research and training. In the field of natural resources, the message talks of such moves as a new national minerals policy, improvement of forest and of water facilities, the accelerated development of energy sources. Finally, the President has indicated his intention to establish in the near future an advisory committee on labour management policy. It will examine the whole range of questions relating to such developments as price and wage policies, collective bargaining, automation, productivity and price stability. Its membership will be drawn from the ranks of labour, management, and the public, with the thinking now that two of the public members will be high-ranking government officials—the Secretary of Labour and the Secretary of Commerce. The committee's main emphasis would be on the actions labour management and other private groups could take to spur productivity and growth, rather than on governmental activities.

In retrospect, this Presidential economic message is essentially a takeoff from the State of the Union message, which Mr. Kennedy delivered to Congress earlier this week. Many of the points the President made then appear here in greater detail and with specific emphasis. And many of the proposals appearing in this economic message will, in turn, take on more concrete form in future legislative recommendations. Thus, bit by bit the Kennedy economic programme is taking shape. Perhaps the best summation of that programme's direction is found in this concluding section of the economic message: "I have sought in this message to propose a programme to restore momentum to the American economy. I have recommended measures designed to set US firmly on the road to full recovery and sustained growth." Furthermore, as Mr. Kennedy himself points out, he is prepared to submit further proposals to Congress "within the next 75 days" if the measures outlined in this economic message prove inadequate to the task. "We will do what needs to be done to fulfill the high promise of the American economy."

WORLDGRAM

India

Small Car: Standard Herald will be the Indian version of the already popular Triumph Herald of U.K. that will be put on the Indian market by the Standard Motor Products of India Ltd., Madras, by early May, 1961. For the time being Standard Motor Products will be giving the choice of the new model as well as the current four door model to the Indian buyer. Its main features are its very elegantly stream-lined look and it will be the first small car in the Indian market which will have independent suspension on all its four wheels. Because of this it can do a complete turn round in 25' diameter circle, which no other car can do today.

Export Risks Insurance Corporation Ltd: The Export Risks Insurance Corporation which commenced operations in October, 1957, closed its third accounting period on 31st December, 1960 and Directors Report to the members was finalised and the Revenue Account and Balance Sheet were signed by the Directors on 31st January 1961, i.e. within one month of the close of the year. In the third year of its working the Corporation issued 324 policies with a maximum liability of Rs. 8.14 crores as against 243 policies with a maximum liability of Rs. 7.87 crores in the year 1959. 40 per cent of the policies issued were those for which maximum liability was Rs. 50,000 or less. Shipments, contracts and credits insured during this year amounted to 6.96 crores as against 5.88 crores in 1959. Insured exports were of 69 commodities to 109 countries and amounted to about 1.1 per cent of total exports in 1959 and 3.48 per cent of the estimated insurable exports. In the case of 18 countries insured exports ranged from about 5 to 25 per cent of the total exports to those countries. Policies issued by the Corporation are treated as additional security by the banks. 94 policy holders obtained finance facilities in respect of shipments of the value of Rs. 2.37 crores by authorising the Corporation to pay in the event of a claim to the financing bank, as against Rs. 1.95 crores in 1959. The Corporation paid claims for Rs. 3,76,394 and made provision for Rs. 1,03,680 for meeting claims which may arise out of reported protracted defaults. Payments of a claim by a credit insurer is not its loss. When a claim is paid the insurer takes over the debt of the insured; loss is only to the extent a debt cannot be recovered. 64 insured exporters increased their exports after insurance. Of these 21 exporters increased their exports from 25 to 100%, 10 from 101 to 399% and 20 from 400 to over 1000%. The Corporation has decided to cover risks involved in packing credits given by banks to exporters to purchase and/or manufacture goods for exports.

Technical Assistance from France: Letters were exchanged recently between the Economic Counsellor of the French Embassy and the Joint Secretary of the Department of Economic Affairs, Ministry of Finance, to facilitate continued technical assistance from France. This programme which started in 1958 has already helped the training of 100 Indians in France in various technical fields and has also provided the services of about 50 French experts for development projects in India. It was also agreed that the programme will be subject to annual review so that the maximum benefit can be secured.

United States

Ford Foundation adds \$5 million to Overseas Grants: The Ford Foundation will increase by \$5 mil-

lion its 1961 appropriation for aid to less developed countries. The funds will support programmes, help meet needs for more skilled manpower and better education in Asia, the Near East, Africa and Latin America. The new appropriations announced recently, brings the total allotted to overseas development in 1961 to \$20 million. The Foundation also announced a series of grants and projects authorised from appropriations for its overseas development programme. Eleven countries received assistance, and regional grants were made for consultants to African countries and for studies of small industry and Latin American monetary problems. Among countries receiving Foundation grants were India, Pakistan, Iraq, Lebanon, Congo, Nigeria, Kenya, and Israel. Following are grants and projects for India: Carnegie Institute of Technology—\$181,000 grant, to continue a programme for training Indian engineers in management and production methods in the United States steel industry; \$30,000 to provide the services of a consultant for the development of a national science-talent search in India.

U.S.S.R.

164 projects to be built in 1961: Among the projects which are to be built or reconstructed in the Soviet Union in 1961 are 38 metallurgical plants, 68 enterprises of chemical industry, 26 installations in gas and oil industry and 32 factories of light industry. It is pointed out in a leading article in Pravda that the capital investments in iron and steel, chemical, oil and gas, engineering and power industries have increased by 28 per cent in comparison with the last year. Hundreds of major industrial enterprises, power stations, pits and mines will be built in the U.S.S.R.; over 6,500 kilometres of oil and gas pipelines will be laid and 96,200,000 sq. metres of living floor space will be provided in cities and workers estates. The builders of railroads will have to build 1,266 kilometres of new lines and electrify over 2,000 kilometres of railways.

Progressive methods of cotton growing in Uzbekistan: A programme has been outlined in Uzbekistan for increased application of progressive methods of cotton growing—the principal branch of agriculture in the Republic, which produces 2/3rds of the total Soviet cotton output. As early as 1961, one million 60 thousand hectares of the total area of one million 300 thousand hectares will be cultivated exclusively by machinery. Special machines, designed in Tashkent will do the chopping of the cotton plant for the first time on an area of 80,000 hectares. Sprinkling facilities and spongy pipelines will be tested on large tracts. Six hundred thousand tons of cotton are to be picked by machinery or 20 per cent more than last year.

United Kingdom

Further Rise in Sterling Area Reserves: The central gold and convertible currency reserves of the sterling area rose by £5 million in January and stood at £1,159 m. at the end of the month, the Treasury announced on February 2 in London. It is pointed out that there was a special payment during January of £4 m. in respect of European Payments Union bilateral debts, so that the true rise in the reserves was £9m. The reserves have been rising steadily since January 1960, and have now reached their highest point since September 1959. Although the rise in January was in

itself a modest one. It is a quite favourable result in view of various official commitments which generally have to be met at this time of the year.

British Yard to Build 8000-ton Cable-laying Ship:

An 8,000-ton (gross), Diesel-electric cable-laying ship costing £1,900,000 is to be built for Cable & Wireless Ltd. by the British firm of Cammell Laird & Co. (Shipbuilders & Engineers) Ltd. It will be the first British cable-laying ship originally designed to lay and handle modern deep-sea communications cables with repeaters, including the kind to be used in the 28,000-mile Commonwealth round-the-world telephone cable.

The new ship, with a maximum speed of 16 knots, a steaming range of 8,000 miles, and a sea endurance of 60 days, will have a carrying capacity of 1,200 miles of lightweight telephone cable with repeaters, or 1,500 miles of conventional telegraph cable. A distinctive feature will be two funnels abreast, needed to allow the extensive cable working spaces to run through the superstructure without obstruction, so that cable work can be carried out at either bow or stern. The vessel will be fully airconditioned for work in tropical waters as well as in colder climates.

Yugoslavia

Delivery of 40,000 tons of Rails to India: The Zenica Steel Works will deliver 40,000 tons of rails to India by April 1961. The contract was concluded recently by the techno-promet foreign trade enterprise of Beograd. The first shipment of 2,000 tons of rails was forwarded to India sometime back via the Ploce Port. The Technopromet enterprise is currently negotiating with the Indian Railway Board on the delivery of another 15,000 tons of rails valued at over 1.5 million dollars. The rails would again be supplied by Zenica. Agreement in principle has already been reached on the subject, only the terms of delivery remain to be fixed. The manufacture of rails for India will assure the far better utilisation of the heavy rolling mills in Zenica. This plant can roll about 70,000 tons of rails annually. The expansion of capacity of the heavy rolling mills which is currently underway will raise the capacity of the Zenica works to over 1,40,000 tons of rails annually, thus also increasing the export possibility appreciably. The Zenica steel works delivered 30,000 tons of rails to India through Technopromet in the course of 1957-58.

Exports of Furniture to the U.S.A.: The U.S. Department of Trade has announced that Yugoslavia has replaced Denmark as the foremost exporter of furniture to the U.S.A. U.S. furniture imports from Yugoslavia during June-January, 1960 were valued at 2.3 million dollars, 2.1 million dollars worth were imported from Chile, Denmark and Hongkong, 1.7 million dollars worth from Italy and Japan and 800,000 dollars worth from Sweden.

Norway

Norwegian Furniture Export Surging Ahead: Norwegian furniture export went up by leaps and bounds last year. Final figures are not yet out, but by the end of November, 1960, \$1 million worth of furniture had been exported which was twice as much as the total for 1959. Best customers were Germany, U.S.A., Sweden, Britain, France, Italy and the Netherlands, but Norwegian design is being exported as far as Australia. Producers are bustling with optimism as more than hundred of them are preparing for the great Furniture Fair in Stavanger, May 26 to 30, 1961 which buyers and design experts from many countries have given notice of attendance.

Japan

Personal consumption and fiscal 1961 forecast: The Economic Planning Agency reportedly forecasts that personal consumption will continue to rise in the coming fiscal year 1961 (April 1961 to March 1962). It puts personal consumption in fiscal 1961 at ten per cent above the fiscal 1960 level, or 9.5 per cent up, should consumer prices advance by 0.7 per cent during the year. As the new Ikeda administration aims at expanding the gross national product by 9 per cent in fiscal 1961, extension of the rising trend in personal consumption is now a feature of as great importance to the economy as a continued high level of business plant and equipment investment activity. In fact, personal consumption, which in fiscal 1959 increased by 8.6 per cent over the fiscal 1958 rate to provide a significant expansive influence on the economy, is estimated to grow 10.2 per cent in fiscal 1960 and, in the manner of the characteristic feature mentioned above, is playing as important a role as plant and equipment investment in sustaining the steady expansion of the country's gross national product.

Germany

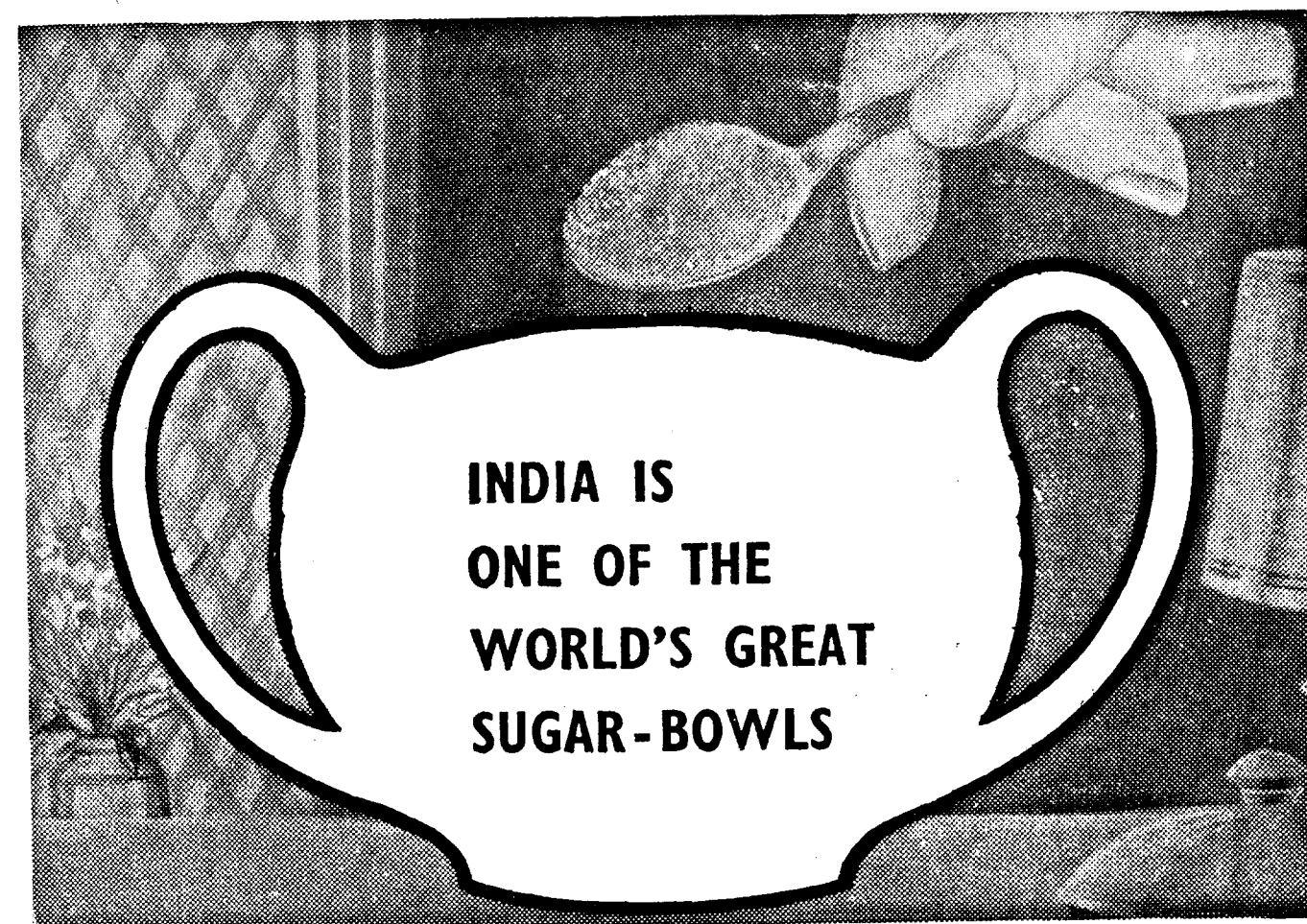
German Funds for World Bank: The Federal Republic of Germany, through its Central Bank has agreed to provide additional funds for the lending activities of the World Bank. An amount of \$196 million has been made available, at 3½ per cent a year, for an average period of three years and four months. West Germany's Central Bank has so far lent a total of 591 million in dollars and Deutsche Mark to the World Bank. This is about a quarter of the Bank's outstanding indebtedness. World Bank President Eugene R. Black hailed the recent transaction as a further indication of co-operation between the Federal Republic of Germany and the Bundesbank. In return for the \$196 million loan from West Germany, the World Bank will issue notes totalling 148 million in United States dollars and 200 million in Deutsche Mark. These notes will replace an equal amount of World Bank borrowings from the Bundesbank, which are due to mature during the next twelve months.

Libya

Tripoli International Fair: The Tripoli International Fair will be opened from the 20th February to the 20th March, 1962. The Fair terrain is situated in the centre of the town and can easily be reached from any part of Tripoli. It consists of open air spaces, halls and pavilions, the latter being rebuilt according to the most modern methods, surrounded by meridional gardens. This will be the first national Libyan exhibition but it already has a history; From 1929 to 1939 the Tripoli International Fair used to be a very well-known and important annual manifestation, governing the commerce in the African area, and now after the war this fair will be newly established as a meeting place between African commerce and the world trade. So far 16 nations have officially participated, not speaking of course, of the single companies and private participants from all parts of the world.

World Bank

Refunding of Notes Held by Deutsche Bundesbank: The World Bank has arranged to refund in advance of maturity notes totalling the equivalent of about \$158 million held by the Deutsche Bundesbank (the Central Bank of Germany). Involved are World Bank note issues aggregating U.S. \$110 million and D.M. 200m. (about \$48 million), which were due to mature over the 18 months beginning June 20, 1962.



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Today the industry is closely knit in the fabric of our national life and is the second largest industry in the country. To 1,90,000 factory workers and two million cultivators, it is the daily bread. To the nation, it is a "Kamadhenu" yielding the highest excise duty for any commodity—revenue for 1958-59 being Rs. 52.27 crores, Rs. 70.49 crores for 1959-60 and expected Rs. 78 crores for 1960-61.

Maharashtra Sugar Industry has no mean share.

Pioneers in twenties and early thirties founded this agro-industry with commendable foresight and effort. Its composite factory-farms revolutionised cane agriculture in Maharashtra and established suitable varieties and cultural practices. Today the industry is justifiably proud of its outstanding achievements on farms which hold their own with world figures. Average sugar-cane yield on these factory-farms is 53.5 tons/acre against all-India average of 14.5 tons/acre and against published world standards set by Java and Hawaii States respectively at 56.20 and 62.05. Maharashtra Sugar Mills and Godavari plantations are prouder still with their respective yields at 62.5 tons and 64.1 tons per acre this season. Yield of sugar per acre in Godavari Sugar Mills Farms 7.36 and Maharashtra Sugar Mills farms 7.80.

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NEWS IN BRIEF

INDIAN

It is reported the question of further streamlining the arrangements for adequate supply of raw materials like steel and non-ferrous metals for the small-scale industries will be considered at a two-day meeting of the Small Scale Industries Board to be held at Trivandrum on February 9 and 10 under the Chairmanship of Mr. Manubhai Shah, Union Minister of Industry.

The Central Board of Revenue has clarified that the newly introduced simplified procedure for determining the income-tax payable by persons who derive small incomes from business is applicable also to persons deriving income from a profession or vocation.

Recent mapping, structural interpretation and drilling work carried out by the Geological Survey of India have revealed the extension of two important coal seams in new areas of the Raniganj coalfield as potential sources of metallurgical coal.

With the total production of more than 10,35,000 tons of coal in January 1961 from the collieries under the National Coal Development Corporation, the rate of production has now exceeded 12.4 million tons per year.

The share capital of South India Viscose Ltd., is to be increased by the issue of rights shares. The existing shareholders of the company are offered two new shares at a premium of Rs. 5 per share for every five shares held.

The World Bank is likely to extend credits totalling 30 million dollars for the port development programme during the Third Plan. The programme embraces development and modernisation of the Calcutta and Bomhay ports and the establishment of a new port at Haldia as a subsidiary of Calcutta.

Austria has agreed to contribute credit worth nearly 28 million dollars to a World Bank consortium assisting India in the achievement of its Third Five-Year Plan.

The Union Government has extended the term of the Uppal Committee for the survey and reclamation of cultural wastelands in the country by three months till the end of March, 1961.

India-made clocks will be marketed for the first time in the country in March. Each clock will cost between Rs. 25 and Rs. 35. The factory has been set up by a Delhi firm in collaboration with a Japanese manufacturer at a place between Shahdara and Ghaziabad at a cost of Rs. 14 lakhs.

The Punjab Education Minister disclosed recently that after the introduction of free and compulsory education in the State (except Lahaul and Spiti) in April, the number of primary schools would increase from 12,000 to over 14,000 in five years. Six lakh children in the 6-11 age group would go to school and 12,600 more teachers would be employed during the Third Plan period.

The West Bengal Government's Rs. 25 crore Fertilizers Factory in Durgapore will be erected and initially operated in collaboration with a consortium of several U.S. firms, which will hold 51 per cent of the shares in the undertaking.

FOREIGN

It is reported Avro Aircraft, a subsidiary of A. V. Roe, Canada which, in turn, is controlled by the Hawker Siddeley Group, is entering a new industrial field — that of manufacturing automatic vending machines.

Philips' Incandescent Lamp Works of Eindhoven, is to issue a Sw. Frs. 50 million, 4½ per cent Bond Loan at par in Switzerland soon. Sole object is to pave the way into the Swiss capital market in case Philips needs to borrow a more substantial sum there later.

The Bundesbank is providing credits to the World Bank totalling \$158 million which would have fallen due in the 18 months beginning June 20, 1962.

The Krupp concern has arranged to borrow DM 30 million by the issue of notes at 99 per cent to a Cologne private bank, Sa. Oppenheim Jr. & Co. The loan will carry interest at 6½ per cent and redemption is to be complete in 15 years.

Canada has handed over to Pakistan a \$70 million multi-purpose hydro-electric project completed by it under the Colombo Plan. Canada has so far contributed \$98 million through the programme of which \$42.5 million have been spent on the completion of three power projects.

With an expected 1,327,000 tons of oil production this year, Yugoslavia will be able to meet current domestic requirements, says the Yugoslav news Agency, Tanjug. In 1960, output was 943,000 tons, 80 per cent up over 1959.

Practically all imports except essential foods and duty-free goods are affected by the heavier duties announced by the Ceylon Government. The minimum increase is 5 per cent ad valorem, but in some cases it is very much greater.

A project by Fiat to establish an assembly plant in Egypt to produce about 2,500 cars annually has been submitted to the State Council. The cars would have 1,100 and 1,400 c.c. engine capacity.

According to the Mines Department of Kuala Lumpur, the tin metal content of ore stocks in the Federation of Malaya fell from 7,866 tons to 2,378 tons in 1960.

Britain's home sales of cycles and motor cycles dropped last year, but exports of the two industries increased. Bicycle exports increased by 16 per cent, motorcycles and scooters by 3 per cent. Exporters had been most successful in the dollar markets.

The West German Government is quickly coming around to the view that it must commit itself to a regular annual contribution towards the Western effort for the poorer countries. An annual sum in the region of DM 2,500 million to DM 3,000 million for credits and grants is envisaged which would be somewhere around one per cent of the gross national product.

Special Article

THE "PERSONAL" DEMAND FOR SMALL CARS: 1960-65

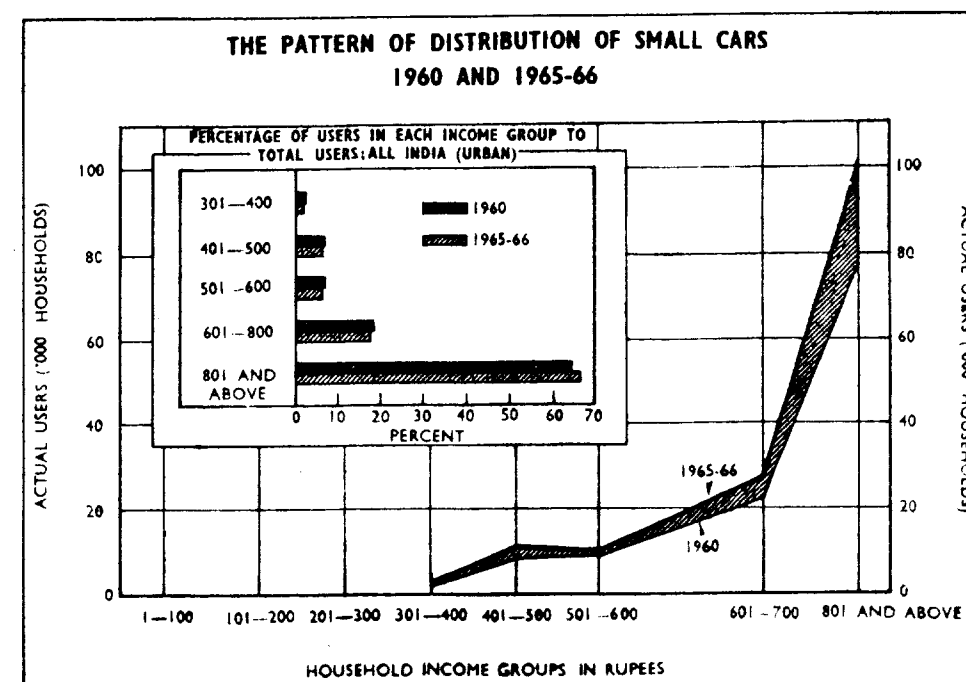
(Contributed by the Economic Intelligence Unit of The Indian Institute of Public Opinion)

THE most recent issue of 'Monthly Public Opinion Surveys' of the Indian Institute of Public Opinion contains an exercise in what is described as the "associated" demand of some products in relation to the "defined" market for radio receivers. The value of the exercise lies in the fact that the market for radio receivers is precise since receivers are completely licensed. It is, therefore, of value in determining the extent to which those who possess radio receivers are in the market for other electrical goods. What is not so evident is the relation between those possessing radio receivers and small cars and here, admittedly, there has been merely an addendum to a questionnaire to see to what extent a floor can be built into the assessment of the small car market by association with the motivation, assets, and income capacity of radio receiver owners.

Provided one looks upon the exercise as a limited attempt to define one particular component of the demand for small cars and not an answer to the question of total demand (which must be largely "corporate" as well as "personal") the result might be deemed to throw some light on matters of interest to those who have joined in the small car controversy. In the first place, it is interesting to observe that in this all-India random urban sample on which 1267 responded, about 25.1 per cent said that they intended to buy a small car costing about Rs. 8,000 in all, inclusive of taxes, 60.2 per cent answered in the negative and 14.7 were undecided. As it is natural to be expected, most of this demand, in fact 98 per cent, is to be found in income groups above Rs. 400 per month. About 50 per cent of those interviewed in the "upper class" wish to buy a car. But 5 per cent of the "working class" people and about 13 per cent in the "lower middle class", with incomes below Rs. 250 per month said they would like to buy a car mostly on a hire-purchase basis. There is also interest in the distribution of the desire to buy a car. Of

those wanting to buy a car only one-fourth wish to buy it within a year, 13.2 per cent wish to buy it in two years, 11.6 per cent in three years and so on. Of the 318 persons, out of a sample of 1267, who wish to buy cars, 54.7 per cent think they can save and finance the amount from their own bank accounts while 25.2 per cent will need to raise a loan. One is agreeably surprised by the fact that proposed sales of other property or insurance to finance this operation are small. In other words, one need not expect substantial paid-up insurance policies to follow on the decision to purchase a car. Again, motivations in respect of various factors which make the demand for the small car operative are of special interest. 27.9 per cent of those desiring to buy a car consider it will improve their "income," 18.6 per cent their "efficiency", 16.4 per cent their "social contacts", 14.8 per cent, their "social status" in their community, 8.8 per cent think it will improve their "career prospects", though not their income currently, and about 5 per cent wanted a car for no reason except for additional "domestic comfort." However, "domestic comfort" on a second rating receives a high place amongst all those responding.

There is a powerful social element in the small car and it is quite clear that the new class of "potential" buyers is ready to make adjustments in social life and in economies of operation to obtain its heart's desire. Thus, about half of those who wish to buy a car would gladly allow the ladies in the house to drive it. Self-driving is already marked. As a matter of fact, out of 112 who already possess a small car about 37 per cent drive themselves. The average expenditure on the maintenance of a car is estimated at Rs. 182, distributed somewhat unevenly between income groups. So far as "potential" buyers are concerned, the average expenditure per intending buyer is much less, namely Rs. 95. Practically all of them intend to do without chauffeurs, but those who wish to have a chauffeur are



THE ESTIMATED DEMAND FOR SMALL CARS IN DIFFERENT INCOME GROUPS:
ALL INDIA (URBAN): 1960 & 1965-66

Monthly Household Income Range (Rs.)	1960		1965-66		Deviations in 1965-66 from 1960	
	Actual Users ('000 Households)	Percentage Distribution	Actual Users ('000 Households)	Percentage Distribution	(4)-(2) ('000 Households)	(5)-(3) Percentage
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 — 100	—	—	—	—	—	—
101 — 200	—	—	—	—	—	—
201 — 300	—	—	—	—	—	—
301 — 400	22.3	1.8	26.3	1.7	4.0	-0.1
401 — 500	86.6	7.2	105.2	7.0	18.6	-0.2
501 — 600	87.3	7.2	95.9	6.3	8.6	-0.9
601 — 800	226.3	18.7	269.3	17.8	43.0	-0.9
Above 800	786.4	65.1	1,015.2	67.2	228.8	+2.1
Total	1,208.9	100.0	1,511.9	100.0	303.0	—

prepared to pay on an average only about Rs. 70 per month. It would appear, broadly there is an indication that the maintenance figure must have a ceiling of Rs. 100.

The Economic Intelligence Unit of the Indian Institute of Public Opinion working on the distribution of incomes, connected with previous studies, presents a current estimate of small cars in use at 1,20,000, a little less than half the total number of cars in use; 65 per cent are in use in households with an income above Rs. 800 per month. This last figure would go up slightly by 2 per cent in 1965-66 when the "personal" market for the small car is believed to rise to 1,50,000 providing additional demand, apart from replacement, of only 6,000 per year.

This figure is disappointingly low. If we assume replacement demand at 14,000 small cars a year and new cars at 6,000 perhaps the small car "personal" demand market might be only 20,000 a year. How large the corporate sector demand would be? The guess has been hazarded in this report that it will not be less than the "personal" sector as the temptation to use cars for official and business purposes is rapidly expanding. If so, the total demand for small cars might be of the order of 40,000 per year by 1965-66. That indeed would be a confirmation devoutly to be wished. The table and the graph, give the structure of the "personal" demand and the changes in income pattern likely to arise as a result of movements in income in the next five years. They are presented here for scrutiny. They seem to make the case for a new small car unit much more dubious than expected.

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THE BUSINESS WORLD

The Precarious Pattern of World Trade

By WILLIAM REES-MOGG

LAST year saw British trade with India more nearly in balance than for many years past. The English customs figures for 1960 show that British imports from India amounted to £149.3 million, while British exports to India were £150.2 million, an apparent trade gap of a mere £900,000 compared with the gap of £22.3 million in 1959, or £21.9 million in 1958.

Of course this achievement is not quite as good as it looks. Both imports and exports are valued at British ports, which means that the value of the imports is increased by freight and insurance, both of which would largely have been in British hands, while the Indian exports from Britain would also have had to meet these charges after leaving Britain. The comparable Indian returns will inevitably show a less favourable position.

From the Indian point of view this approach to a bilateral balance in trade with Britain is obviously a matter for self congratulation. In a period of considerable scarcity of foreign exchange Indian exports to Britain have been increased by £6.5 million, while British exports to India have been cut by nearly £21 million. Nor is it such a bad bargain from Britain's point of view; if the trade gap had been larger Britain would have been under a correspondingly greater pressure to cover the gap by loans.

This is, however, a rather disturbing reminder that the process of industrialisation tends in an early stage to reduce the value of any country as a trading partner. Before a country stands to industrialise itself the familiar pattern of exports of raw materials and food balanced by imports, in industrial goods can be carried on. When industrialisation has reached an advanced stage there is a much greater interchange of much more advanced products.

It does not follow, however, that the movement from the first stage to the second will be at all smooth. It is much more likely that there will be periods when the development programme itself calls for a drastic revision in imports. This can be tolerated with any one country or at any one time, but they could impose a considerable strain on world trade if they became the common form of all developing countries at the same time.

The risk of this is all the worse because world trade is already so far fragmented. In Africa trade has been dislocated by flights of capital, or, as in the Congo, by the breakdown of order. Trade between Communist and other countries is always precarious and is much smaller than it would be if political divisions did not exist. Many of the South American countries suffer from acute balance of payments problems and unstable currencies. If one adds the other developing countries to this list then the expansion of world export trade must depend very largely on Europe, North America and Japan.

Last year it was indeed the movement of the American economy which put the British balance of trade into jeopardy. Of the total decline in Britain's balance of trade in 1960, as against the previous year, the decline in trade with the United States accounted for two-thirds. If British trade with America had held up there would still have been a comfortable balance of payments surplus. The deterioration was partly the result of the introduction of the compact American car, partly of the recession in the American economy, and partly of the liberalisation of American exports to Britain.

The British economy is certainly not alone in its dependence on the expansion of trade by the United States. After the war there was too much anxiety, though it seemed very well justified at the time, about the prospect of a permanent dollar shortage. With the dollar now itself under pressure that no longer concerns people. It is, however, still broadly true that the American economy can provide a dynamic force to expand world trade which cannot be provided by anyone else.

With the Kennedy administration's evident determination to expand the American economy one can hope that the United States will in fact provide this impetus. A combination of the European expansion combined with a big revival in the United States would provide a splendid prospect for world trade as a whole. There will, however, remain a serious problem of the sound-barrier of expansion for the developing countries. It will be when the large developing countries are past that stage, which may take a generation, that the really enormous expansion in world trade can begin.

Kerala Calling

By CROESUS

A CORDIAL invitation to entrepreneurs, both within the State and outside, to exploit the vast potential resources of Kerala which await to be tapped was extended by Mr. V. V. Giri, the State Governor, when he inaugurated the Kerala Development Conference in Bombay, last week. It is a proof of his earnestness and his profound faith in the particular mission that notwithstanding the limitations of his position as a

constitutional Governor, he came down all the way from Trivandrum for this purpose. Not only he, but some State Ministers—though not all of them, including the Chief Minister and the Deputy Chief Minister, who were also scheduled to come—and the State's energetic and enthusiastic Industries Secretary—Mr. Abdus Salam—were present, doubtless to impress the industrialists of Bombay with their earnestness. Those

present could not possibly help contrasting this keen earnestness of the Kerala State with the seeming callousness of the Maharashtra State as evidenced in its Land Ceiling Bill which has sent joint-stock company sugar interests scampering around. The Keralites also seem to have shown a better sense of realism than the U.P. people did some time ago, when, led by Dr. Sampurnanand, the erstwhile Chief Minister of the State, they wanted to establish a high-powered U.P. Lobby in Delhi to ensure that their State's case for economic development did not go by default. Evidently Kerala believes in itself paving the way for the economic development of the State, rather than bring pressure to bear on the Centre to allot more industries to the State. This desire to stand on its own feet and the undiluted preference presumably for private enterprise from a State generally believed to be the central cell of the Communists in the country should carry a moral to other States.

The economic situation in Kerala, as the Kerala Governor said, is characterised by the paradox of unemployment and under-employment of manpower, on the one hand, and the unutilised natural resources, on the other. The problem of developing any such economy is primarily one of harnessing the unexploited resources available more effectively than has been possible so far. Accordingly, touching upon the broad opportunities that exist in the State for private industrialists, Mr. Giri particularly stressed two points which should interest every 'entrepreneur', namely, (i) the natural resources in the form of valuable and varied raw materials, mineral forest produce, and (ii) the abundant supply of electric power. Perhaps Kerala is among the few States which have a larger installed capacity of hydro-electric power than the present demand or potential load (as things stand today) seem to warrant.

On the specific question of assistance to private industrialists willing to set up industries in Kerala, Mr. Giri went on to recall how even the erstwhile State of Travancore had followed a progressive policy in the matter of development of large-scale industries by holding out incentives to stimulate capital formation and even participating liberally in the share capital structure of the concerns established. In some cases, he pointed out, the Government had not only provided a major portion of the share capital but also made power available at cheap rates, besides placing at the disposal of the concern large areas of reserve forest. But this is past history, it may be argued. So, turning to the industrial policy of the present Government, the Kerala Governor said: "The Industrial Policy Statement of the Government of Kerala dated 3-6-1960 is an important landmark. It underlines the two basic principles which inform the Industrial Policy of the State which are: maximum aid to industrialists and a fair deal to labour. The Policy Statement reiterates that the private sector has necessarily to play a vital role in the industrialisation of the State." Assistance to industries in a number of ways, such as acquisition of land, supply of cheap power, grant of industrial licence, provision of factory accommodation at concessional

rates in industrial estates, help in obtaining supply of machinery and marketing facilities, etc., has been offered by the Government of Kerala to prospective industrialists, who want to set up new industries in the State. Incidentally, the Kerala Government has proposed an outlay of Rs. 500 lakhs for share capital participation during the Third Plan period. In keeping with the policy of encouraging industries in the State, Mr. Giri disclosed that the State Government has been giving substantial concessions to products of indigenous industries in the matter of its store purchase. One such important concession specifically mentioned by him was the maximum rate of price preference allowable to local products over products from outside the State on a given scale, other things like quality, terms of delivery, etc. being equal: (a) 15 per cent, for the products of small-scale and cottage industries in which Government have taken shares; (b) 10 per cent for the production of other small-scale and cottage industries; and (c) 5 per cent for the products of medium and large-scale industries.

Being a veteran trade unionists himself, Mr. Giri did not forget to touch on the subject of labour situation in the State. Alluding to the understandable existence of considerable misapprehension about the labour situation in Kerala, he remarked that it looked as though the hackneyed proverb "give the dog a bad name and hang it" was being utilized to condemn labour in the State. In order to remove this impression, the Kerala Governor assured his Bombay audience that, unlike in some other parts of India, labour in Kerala was both organised and educated, and added that, as such, the workers were fully alive to their rights and responsibilities and looked to their unions invariably for the redress of their grievances. Lest this should be interpreted as anything in the nature of an unenviable prospect of endless wrangle between industry and labour, he hastened to quote what he described as "a spirited offer" of one of the foremost trade union leaders of the State made at a recent conference: "Truce is transient and smacks as though a perpetual war between labour and management is going on. What we want is peace, peace that can bring prosperity for the workers, profit for the employers, price-reduction for the consumer and the general welfare of all". Mr. Giri also quoted from a resolution of the Industrial Relations Board, adopted at about the same time at Travandrum, to give a correct picture of the prevailing climate, which many in the audience actually seemed to demand.

After listening to Mr. Giri and several other speakers who addressed the Conference, in particular the encouraging message of Mr. G. D. Birla in the course of which he disclosed that he undertook to do his best to contribute to providing employment to the people of Kerala—he had already embarked on a Rs. 7-crore project, he disclosed—many an industrialist must have left the Conference Hall seriously to consider if he should not respond to this stirring "Come to Kerala" call. Well done Keralites!

Business Notes

Agro-Industry

WHITHER MAHARASHTRA?

"THE GOVERNMENT'S aim is to transform the present agricultural economy into a dynamic agro-industrial economy resulting in more production, dispersal of industries against their present concentration in a few cities, more employment to the rural people and better living conditions and amenities for them." Thus reads

a passage in the address of the Governor of Maharashtra, Mr. Sri Prakasa, to the joint session of the Maharashtra State Legislature in Bombay, last week. Also among other things, Mr. Sri Prakasa said: "In agriculture, apart from improving agricultural wages and technique of providing irrigation facilities, Government will tackle the subject of land reforms, affecting, as it does, the lives and fortunes of millions of our peasants, both from the human and economic aspects." This is commendable in so far as it goes, but when, in

this connection, the Governor proceeded to refer to the Government's Land Ceiling Bill, claimed that it was aimed at securing economic and social justice and removing the disparities in land holdings and went on to add that a noticeable feature of the Bill was that no exception would be made in the case of large industrial undertakings, e.g. sugar factories, both he and his Government apparently failed to realise that, consciously or unconsciously, they are aiming at a course of action that will inflict irretrievable harm to the pride of the Maharashtra State, the Sugar Industry, the typical agro-industry of our country today. It is possible—although even this is doubtful—that uninterrupted supplies of agricultural raw material (sugar-cane) may be arranged—but not ensured—by the Government so as not to affect sugar output, but producing a certain quantity of any kind of sugar is one thing, while turning out sugar of the best quality as the joint-stock sugar companies in the Deccan have been doing is another. It is doubtful, if, in the distribution of surplus land, consequent on the proposed bill, co-operative farming societies and landless labourers are to be allotted priority, on the ground that co-operation needs to play a very important role in the economic development of the State in the process of change-over from a "rural" to an "agro-industrial" economy, the results would be as anticipated by the Government. Maybe, the integrated co-operative credit structure, thanks to the seemingly inexhaustible funds that the Reserve Bank is prepared to plough into the movement without necessarily satisfying any scientific criterion that used to be insisted upon all along, is today in a position to undertake the financing of agricultural production and industrial activities to a larger extent. But, then, has the available record of the co-operativised industrial sector been such as to justify this tall claim? Only future events should establish it.

Among various other points covered by the Governor in his 20-page address was a notable reference to the controversy over the distribution of waters of the Krishna and the Godavari rivers. The Governor said he was very glad that, in its last session, the Legislature had given its unanimous support to Government in its effort to get the 1951 agreement with Andhra revised. As he rightly observed, this is no question of narrow interests or prestige as between one State and another, but of making the best possible use of the available supplies of water in the interests of the people who need them.

Foreign Trade

INDIA'S TRADE WITH THE U.K. & WEST EUROPE

THE WORLD TRADE DEPARTMENT of the Indian Chamber of Commerce, Calcutta, has brought out recently a study on India's export trade with the U.K. and West Europe. The analysis of trade with these countries is quite timely particularly when India is trying to diversify her export and has a pressing necessity to reduce her trade deficit with these countries. In particular, her deficit with West Germany is posing a serious question mark. The suggestions for improving the trade relate mainly to the quality of the commodities and "research" so that India may be in a position to capture the markets abroad. Publicity which is very important has been stressed time and again. Although the suggestions have been repeated quite often, they need to be reiterated to ensure that they are implemented with speed and efficiency.

The adverse balance of trade has been the greatest with West Germany, because of our large purchases of plant, machinery and industrial raw materials from that

country and West Germany's lack of response in increasing her intake of Indian exports. India's exports to West Germany in 1959 amounted only to Rs. 19 crores as compared with her imports of Rs. 119 crores from that country. This gives a spectacular deficit of Rs. 100 crores in a single year. The study also points out that although the formation of trade blocs might affect our export trade, the position is not altogether serious.

The scope for increasing our export trade with countries of this region like France, Italy, Switzerland, Denmark, Holland, Belgium, Austria and Sweden is exhaustively dealt with in this study and the conclusion is drawn that there exists a demand for some of India's goods in view of the rapid expansion of industry going on in those countries. The goods that could be exported in large quantities, are raw materials, vegetable oils, hides and skins, spices, tobacco, coffee etc. Apart from these traditional items scope also exists for other commodities like handicrafts, coir-mats, carpets and floor-covering, cashewnuts and walnuts, preserved fruits, sheep casings as well as engineering goods like sewing machines etc. India's export promotion drive needs a fresh acceleration if only as a defensive action to reduce her deficits with this region.

ENROLMENT OF EXPORTERS

A SCHEME of enrolment of exporters as an export promotion measure has been finalised by the Government of India. While the scheme envisages the enforcement of certain minimum standards for the conduct of business on the part of exporters, they would be entitled to certain facilities and advantages. The Export Promotion Councils and the Commodity Boards will be the enrolling authorities in respect of commodities in their charge. For other commodities, the Director-General of Commercial Intelligence and Statistics, Calcutta, will be the enrolling authority.

To be eligible for registration the exporters will have to undertake to use standard contract forms for export; submit consignments for pre-shipment inspection as may be required; abide by the decision of the enrolling authority in the case of disputes in the matter of export contracts; follow the standards of quality and packing; follow the Code of Conduct when enrolled for the general guidance of exporters and manufacturers and abide by the provisions of any scheme evolved by the enrolling authorities for regulating the utilisation of shipping space for export purposes. For the benefit of the enrolled exporters, their names will be supplied to the Trade Commissioners and Commercial Secretaries abroad for being introduced to the local importers and will be included in the Directory of Exporters published by the Director-General of Commercial Intelligence. Other facilities which they will enjoy are grants of import licences for raw materials entitled under the export promotion schemes, priority for movement by rail and allocation of freight space, drawback and rebate of import and excise duties, etc.

The Directorate of Export Promotion has been wise in seeking the association of the Federation of Indian Chambers of Commerce and Industry and Associated Chambers of Commerce while examining the appeals. The whole scheme appears to have been conceived on a sound basis and it is likely to step up Indian exports considerably. The foreign markets will develop more confidence in Indian goods which, in certain cases at least, they lacked till recently. It is, however, very necessary that the procedural delays are not allowed to neutralise the positive advantages of the scheme.

(ESTD. 1919)

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Calcutta.**FROM THE CAPITAL'S CORRIDORS****NEOGY COMMITTEE'S REPORT ON ROAD-RAIL CO-ORDINATION**

The preliminary report submitted by the Committee on Transport Policy and Co-ordination sets out careful thoughts on various questions which are relevant in formulating a long-term transport policy. The Committee has refrained from making any recommendations at this stage, because it feels that any rational scheme of co-ordination between road transport and railways can only be put forward as part of a sound long-term policy. The Committee acknowledges the inadequacy of data available, particularly in respect of means of transport other than the railways. One of the most useful studies done by the committee is in respect of the factual sample surveys on six selected routes in the country to make an assessment of the nature of quantum of traffic moving by road. An enquiry into the cost of operation of a few selected road transport undertakings has also been undertaken.

The Committee bases its deliberations on the conclusion that the recent expansion of transportation demand has been at a substantially faster rate than the increase in national income or the growth of production in any sector of the economy. This indicates that these trends will continue for the next 10 or 15 years. Thus, there is enough scope for development of both railways and road transport, having regard to the requirements of the growing economy. The volume of traffic moved by the Indian Railways, particularly since the commencement of the First Five-Year Plan, has increased from about 92 million tons in 1950-51 to about 156 million tons in 1960-61, that is, an increase of 59 per cent. In terms of ton-miles, the traffic on the railways during this period shows an increase of about 100 per cent. There has been a similar expansion in the field of road transport. The number of goods vehicles on the road has almost doubled, from 73,000 to 145,000 between 1948-49 and 1958-59. The number of buses during the same period has increased from 27,275 to 44,744, that is, by 64 per cent. In addition, the average capacity of the vehicles over the period has increased substantially due to replacement of patrol vehicles by heavier diesel vehicles.

PREFERENCE FOR ROAD TRANSPORT

The Committee finds that use of road transport for movement of goods is being increasingly resorted to by a large number of commercial undertakings. Firms prefer road transport for long distance haulage in respect of several types of traffic for a number of reasons. The share of rail transport in the movement of goods has accordingly declined. Commodities which have to bear comparatively higher freight rates on the railways are being increasingly diverted to road transport. On the other hand, the share of comparatively low-rated commodities in the total freight traffic carried by railways has had a tendency to increase, and is likely to increase further in the coming years, since the freight rate for low-rated commodities like coal, ores, food-grains and salt falls sharply with increase in the distance of haulage. The Committee has shown that in respect of a number of low-rated commodities, the railways have to incur a loss both on broad gauge and meter gauge lines. There are a number of other commodities like sugar, cement, tea, fresh fruits and vegetables in respect of which railways lose on the meter gauge system only. If the share of low-rated commodities in the total railway freight traffic is to increase in future, it is bound to affect the financial position of the railways adversely. A review of the recent trend in the railway finances shows that the

increase in railway earnings during the recent years has not been commensurate with the increase in the capital-at-charge of the railways. In the last few years, withdrawals from the Railway Development Fund have been of a much higher order than appropriations to the Fund, so that the railway have had to resort to loans from the General Revenue. Withdrawals from the Depreciation Reserve Fund have also been of a higher order than appropriations to the Fund, and this has been made possible by means of drawing on the previous balances in the Fund. While the railways might be expected to meet their short-term financial commitments by increases in fares and freight, it may be impossible to avoid major modifications in the railway rating structure in the long run, in view of changing pattern of railway traffic and the capacity of the railways to compete with other means of transport.

CHANGES REQUIRED IN RATE STRUCTURE OF RAILWAYS

An important question posed in the Report of the Committee is what are the changes required in the railway rating structure to enable them to meet their financial obligations and what will be the repercussions of these changes on the economy of the country. The railways rating structure is much less based on the cost of the service provided by the railways than on "the value of service," or what is commonly known as the principle of "charging what the traffic will bear." Thus, rates of certain basic commodities like coal, food-grains, ores, etc., are kept specially low in keeping with the requirements of the economy. The Committee has said that it is difficult to work out the financial implications of the differential rating structure which the railways have been called upon to adopt from time to time in the public interest. It has been pointed out, however, that if coal were charged at the same rate as iron ore and other ores, the railways would earn an additional income of Rs. 23 crores per annum. Thus, the railways are at a comparative disadvantage vis-a-vis roads in respect of basic commodities mentioned above, even though the average cost of haulage by road is substantially higher than the cost of haulage by rail.

There are a number of other important social obligations which the railways have to shoulder by virtue of their role as a public utility undertaking. The total value of some important concessions given by the railways to students, Bharat Scouts, and girl guides, blind persons, etc., during 1958-59 is estimated to be about Rs. 3.6 crores, which includes Rs. 1.8 crores for military traffic, Rs. 0.3 crores for the Posts and Telegraphs department, and Rs. 1.5 crores for the other concessions given to the travelling public. In addition, the railways have to run uneconomic branch lines or sections, issue cheap season tickets, and to operate suburban or what are known as commuter services in large cities.

RAILWAY ADMINISTRATIVE ORGANISATION

The dual role of the railways as a commercial concern and also as a public utility undertaking brings the Committee to discuss the administrative set up of the railways and their relationship with the Government. A statutory body, according to the Committee, should manage the railways without the day-to-day interference of the Government. As regards management of nationalised passenger road transport undertakings, the Committee has expressed itself in favour of corporations being constituted with the participation of railways. The most important consideration

in favour of the corporation form of management is the need to achieve, by mutual agreement, co-ordination between two public undertakings, namely, transport undertakings on the one hand and railways on the other.

As regards the present state of organisation of the private road transport industry, the Committee poses the question: whether the industry could be made to follow any code of conduct or discipline, such as might be necessary in the interest of road-rail co-ordination. The basic question to consider, it says, is: whether the road transport industry could be so organised that it could be depended upon to undertake public service obligations similar to those which are placed on the railways. The investigations of the Committee reveal that the road transport industry in the private sector, particularly in freight services, is owned at present, by a large number of small operators, a majority of whom own just one vehicle each. A comparatively recent development is the growth of the so-called booking agencies who are intermediaries to the industry undertaking booking of business on behalf of the operators on a commission basis. In the absence of any regulation they indulge in bargaining with individual operators, who, due to various reasons, find themselves at their mercy. The Committee's attention has also been drawn to several malpractices prevalent in the industry, such as overloading, evasion of taxes, and circumvention of regulatory measures imposed under the law. The Government of India's attempt to form viable units in the industry and to operate road transport services according to law, the Committee thinks, have met with little success.

METHODS OF CO-ORDINATION OF RAIL-ROAD TRANSPORT

Experience of foreign countries indicates that there are broadly three ways of securing co-ordinated development of roads and rail transport on equal terms. Firstly, there is the possibility of allowing free unrestricted competition between different forms of transport. Secondly, the necessary co-ordination may be achieved through appropriate Government regulation. The third alternative is for the road and rail services to be integrated into one single unit, responsible for the joint management of all forms of transport, so that the problem of co-ordination will be not from outside but from within the authority. It may, at first sight, seem that "in Indian conditions only the second of the three alternatives mentioned above has any relevance, at any rate in the immediate future." The Committee, however, adds that it would be wrong to dismiss summarily the first and third alternatives, particularly because it cannot be claimed that the second has met with complete success in the other countries. The Committee desires elicitation of public opinion on each of these three alternatives. The Committee feels that it would not be right to rely on regulatory measures to be devised ad hoc as and when any signs of unhealthy competition between rail and road transport appear.

Recently a view has been expressed at an international expert level that in India "road transport should be equipped to handle more of the traffic which is usually carried by road in other countries—marketing of agricultural produce, distribution of factory products, local bus services, and so forth. . . . There may be loss of revenue to the railways, but this can be met by raising freights for bulk commodities." A detailed study of the implications of these suggestions, in all their aspects, has yet to be made.

The Committee is of the opinion that nationalisation of the entire road transport system will itself

raise many problems, though it may be achieved by suitable stages.

LICENSING OF NEW INDUSTRIAL UNITS

The Government of India has revised the lists of industries in respect of which applications for licences under the Industries (Development and Regulation) Act would ordinarily be approved or rejected without reference to the Licensing Committee. These lists will remain in force up to September 30, 1961, after which they will be scrutinised again in the light of the installed capacity reached by then.

In the list of industries in respect of which applications for setting up new units will ordinarily be approved without reference to the Licensing Committee are included 23 engineering industries and 21 non-engineering industries. The engineering industries included in this list are: Boilers and steam generating plants, i.e., all items falling under serial No. 3 of the First Schedule to the Industries (Development and Regulation) Act; Conveyors-chain, belt and screws; Construction machinery; Electrical switchgear; Fabricated structurals (Heavy); Garage equipment and garage tools; Hosiery and knitting machinery; Industrial machinery, i.e., all items falling under serial No. 8 (A to C) of the First Schedule to the Industries (Development and Regulation) Act, except air compressors; Instruments of all types such as meters, measuring instruments, drawing and surveying instruments, scientific and optical instruments; Ice making machinery; Machine tools; Malleable Castings and C.I. Castings; Machinery for milk and dairy industry; Precision industrial instruments i.e., all items falling under item No. 13 & 16 of the First Schedule to the Industries (Development and Regulation) Act; Radio components (excluding valves and transistors); Small Tools such as cutters, cutting tools; Sluice gates; Steel forgings; Structural ropeways, Twist drills; Transmission towers; Tungsten Carbides brazing of tips; Winches.

The non-engineering industries included in this list are: Abrasives grains; Bicycle tyres and tubes; Basic refractories; Camel Back (tyre retreading material); Crystal glass; Collieries in the public sector for production of coal; Finished leathers; Glass shells; Glass-lined equipment; Hollow building blocks; Laboratory glassware; Plate glass; Rubber/Canvas footwear; Rubber Prophylactics; Sintered magnesite; Special firebricks for steel and glass industry; Solvent extraction from cotton seed and cake (provided the State Governments concerned certify the availability of oilseeds and cakes in the area); S.W. Pipes; Table and pressedware of heat resisting glass; Technical gelatine, edible gelatine, Photographic gelatine; V and Fan Belts.

NO LICENCES TO BE GRANTED

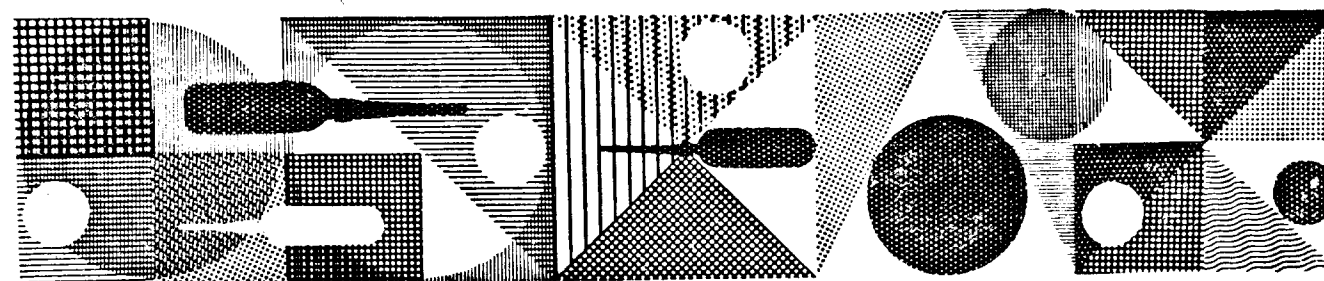
The list of industries in respect of which applications for setting up new units will ordinarily be rejected without reference to the Licensing Committee includes 40 engineering industries and 45 non-engineering industries.

The engineering industries included in this list are: A.C.S.R. and all aluminium conductors; Air compressors; Automobile instruments; Aluminium foils; Bare copper conductors; Bearings—thin walled; Bifurcated rivets; Bicycle and bicycle parts and accessories other than rims, saddles, B.B. fittings, fork-head fittings and freewheels; Circles, sheets, rods and utensils of non-ferrous metals and stainless steel; Conduit pipes; Copper wire for non-electrical purposes; Collapsible tubes and rigid containers; Domestic refrigerators;



From India's past

A PLEDGE
FOR
INDIA'S
FUTURE



'ABUNDANCE of virtue, adaptability to the disease under treatment, capacity of being used in diverse ways, and undeterioration . . . ' so in his wisdom Charaka defined the properties of a Drug, in his great medical treatise compiled eighteen hundred years ago. Echoing down the centuries, the words of Charaka, of Vāgbhatta and Suśruta, who together formed the Triad of the Ancients of Indian medicine, remind us that the science of healing is ageless and universal.

On the occasion of the Official inauguration of their new factory at Kolshet, near Thana, in the distinguished presence of Dr. S. Radhakrishnan, Vice-President of India, SANDOZ pay tribute to the genius of the Ancients of Indian medicine . . . have adopted, for the commemorative seal, the words of Charaka which describe so well the qualities of the Drugs modern India needs.

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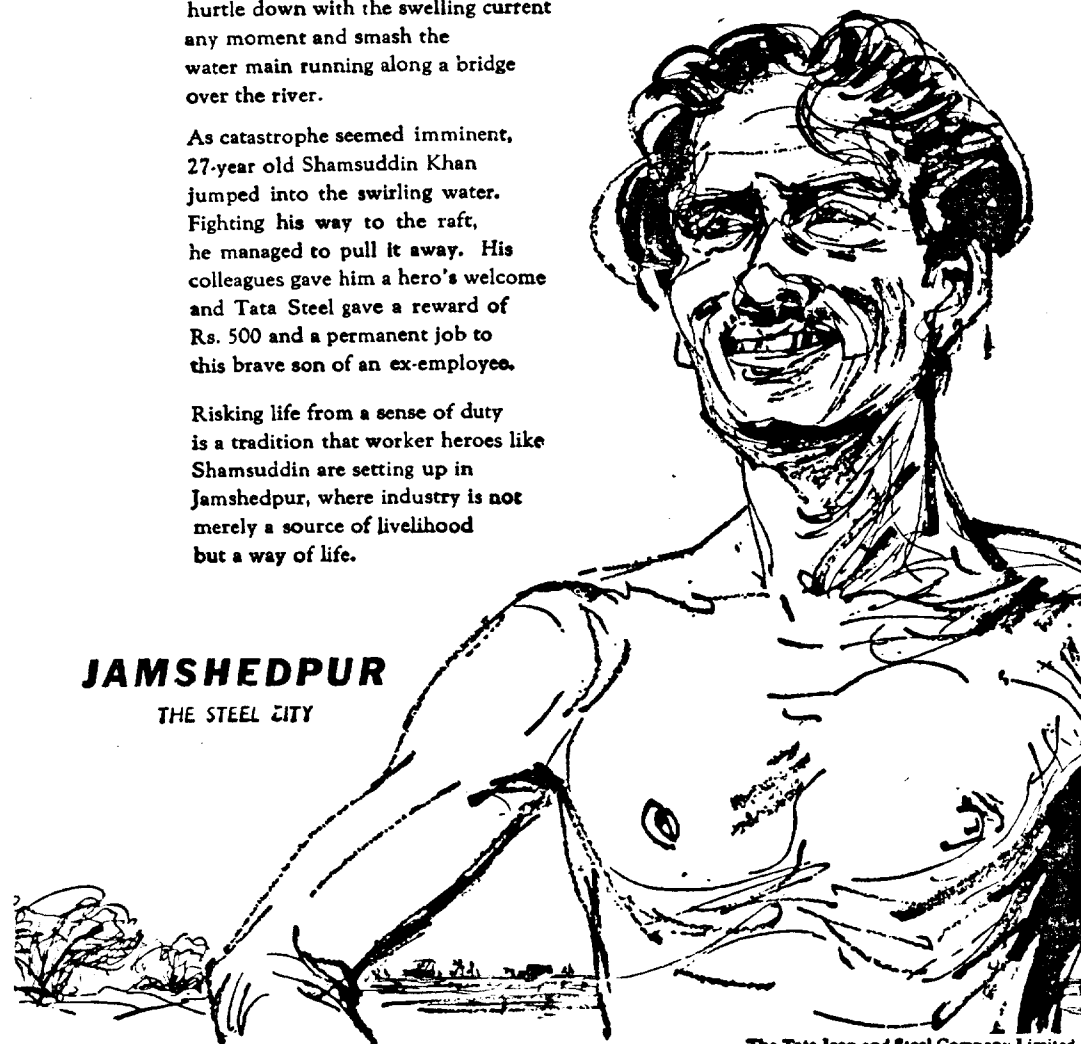
On 1st October 1959, as rain and cyclone lashed Jamshedpur, a small group of Tata Steel workers hurried to a reservoir adjoining the Subarnarekha to save the city of Jamshedpur from a major disaster.

A raft, cut adrift by storm, stood poised on the very brink of a dam separating the reservoir and the river... threatening to hurtle down with the swelling current any moment and smash the water main running along a bridge over the river.

As catastrophe seemed imminent, 27-year old Shamsuddin Khan jumped into the swirling water. Fighting his way to the raft, he managed to pull it away. His colleagues gave him a hero's welcome and Tata Steel gave a reward of Rs. 500 and a permanent job to this brave son of an ex-employee.

Risking life from a sense of duty is a tradition that worker heroes like Shamsuddin are setting up in Jamshedpur, where industry is not merely a source of livelihood but a way of life.

JAMSHEDPUR THE STEEL CITY



JTN 4006

The Tata Iron and Steel Company Limited

Drums and barrels and tin containers (excepting those where the manufacture is for meeting the applicant's own requirements); Expanded metals; Earth moving machines; Flash light and torch containers; Ferro-manganese; General lighting lamps; Hurricane lanterns (except on a small-scale); wood screws, ordinary types, as indicated in part 1/54(b) of I.T.C. Schedule; Paper cones and tubing bobbins; Piston assemblies; Radio receivers except components; Room air-conditioners; Road rollers except expansions; Railway wagons; steel pipes and tubes (below 6" diameter); Spark plugs; Steel doors and windows (unless made from indigenous steel); Stranded wire (unless drawn from wire manufactured by applicant); Tungsten carbide tips from powder or ore; VIR and PVC cables; Welding electrodes; Wheels and rims; Wire ropes; Welded wire mesh (unless drawn from wire manufactured by applicant); Wire nails (unless from wire manufactured by applicant); Zinc strips; Radiators.

The non-engineering industries for which no licences will be issued during the period to September 30, 1961, are: Asbestos cement sheets or ordinary pipes, i.e. non-pressure pipes; Activated bleaching earth; Acetic acid except for captive consumption; Antibiotics viz., Penicillin, Streptomycin, Tetracyclines; Bismuth salts; Chloral hydrate; Calcium carbide; Calcium carbonate (precipitated); Cigarettes; Cotton mesh fabrics; Dyestuffs based on imported intermediates; Derivatives of 8-Hydroxyguanine viz., 8-7 Di-Iodo and 5-Choloro, 7-Iodo; East India Tanned (Semi-tanned) kips and skins; Fireworks and paper caps; Glass and mineral wool; Hollow-ware, including table and pressedware made on semi-automatic machines; Hydrogen peroxide; Liquid glucose; Match industry; Myrobalan extract; Oxalic, citric and formic acids; Photographic raw film and paper; Potassium chlorate; Phenol formaldehyde moulding powder; Soaps; Superphosphate; Sulpha drugs; Synthetic hormones; Surgeon's requisites viz., catgut sutures, adhesive tapes, plaster of Paris bandages; Salicylic acid, sodium salicylate, acetyl, salicylic acid; Sodium sulphite and by-sulphite; Sodium thiosulphate; Sulphur dioxide; Sodium aluminate; Sheet glass (including wire and figured glass); Textiles made of artificial silk; Urea formaldehyde resins; Urea formaldehyde moulding powder; Vegetable Oils (other than cottonseed oils); Vitamin 'A'; Vitamin 'C'; Vacuum brake hoses; Vanaspati; Waterproof fabrics; Zinc oxide.

COTTON SPINDLES & LOOMS

Applications for diversion of existing cotton spindles and looms to work on art silk will be ordinarily rejected, without reference to the Licensing Committee. Similarly, applications for licences to carry on the business of existing undertakings for the manufacture of copper and brass sheets, circles and rods from units which were not in existence on October 1, 1953, or which had not taken effective steps to set up their undertakings on or before that date, will not be considered. In the case of copper and brass utensils, applications for licences for taking over the business of existing undertakings from units, which had not been in existence on March 1, 1957, or which had not taken effective steps to set up their undertakings before that date, will also ordinarily be rejected without reference to the Licensing Committee.

INDUSTRIAL PRODUCTION

The latest estimates of 1960-61 industrial production, prepared by the Planning Commission, reveal that manufacture of road rollers, power-driven pumps and diesel engines is expected to exceed the output estimated at the time when the Third Plan Draft Outline was prepared. The output of caustic soda, cal-

cium carbide, plastics, synthetic detergents, power and industrial alcohol and acetylene gas, on the other hand, is anticipated to be somewhat lower. Production estimates of cotton yarn, jute goods, woollen and worsted yarn and woollen cloth have been substantially revised downwards, due probably to restricted imports of the raw materials required by these industries.

The following table gives at a glance the production estimates for these industries as included in the Third Plan Draft Outline and the current estimates:

Industry	Production in 1960-61		
	Estimated in the Draft Outline of the Third Plan	Latest Estimate	Difference Rise(+)/Fall(-)
1. Earth Moving Equipment			
Road Rollers (Nos.)	350	400	+50
2. Agricultural implements and machinery			
Power Driven Pumps ('000 Nos.)	86	90	+4
Diesel Engines ('000 Nos.)	33	40	+7
3. Heavy Chemicals			
Caustic Soda ('000 tons)	125	100	-25
Calcium Carbide ('000 tons)	20	12	-8
4. Drugs and Pharmaceuticals			
Plastics (polythylene P.V.C. polyesterene and others) ('000 tons)	11.5	11.0	-0.5
Synthetic detergents ('000 tons)	2.0	1.5	-0.5
5. Textiles			
Cotton Yarn (mil. lbs.)	1900	1800	-100
Jute Goods ('000 tons)	1100	1050	-50
Woollen and Worsted Yarn (mil. lbs.)	34	27	-7
Woollen cloth (mil. yds.)	23	15	-8
6. Miscellaneous			
Power and industrial alcohol (mil. gallons)	25	19	-6
Acetylene Gas (mil. c.ft)	105	80	-15

THIRD PLAN TARGETS REVISED

The Planning Commission has now fixed higher targets for accomplishment under the Third Five-Year Plan in respect of alloy, tool and special steels, aluminium, synthetic detergents and sugar. The following

table gives the new targets, compared to the ones included in the Draft Outline:

TARGETS FOR 1965-66

Industry	As set out in Draft Outline		Revised Targets	
	Capacity	Production	Capacity	Production
1. Alloy, tool and special steels (finished) ('000 tons)	200.0	200.0	250.0	250.0
2. Aluminium ('000 tons)	82.5	75.0	87.5	80.0
3. Synthetic Detergents ('000 tons)	12.5	10.0	20.0	20.0
4. Sugar (million tons)	3.0	3.0	3.5	3.5

TWO ORDINANCES ISSUED

The President has issued two ordinances this week. The first one, the Banking Companies Amendment Ordinance, promulgated on Saturday last, seeks to enable amalgamation of smaller banks with the State Bank of India. As the State Bank is not governed by the Banking Companies Act but by a special statute, the amalgamation of smaller banks with it could not be effected without the amendment brought about in the Banking Companies Act by this Ordinance. The Ordinance lays down that the banks taking over the assets and liabilities of the smaller banks will also have to take over all their employees. For three years the emoluments and terms and conditions of service of these employees will remain the same as prior to amalgamation. Meanwhile, no future Bank Award will be applicable to them. After the three-year period, these employees will be placed in the appropriate pay scales prevailing in the transferee banks at that time. Any dispute about fixation of pay scales will be referred to the Reserve Bank whose decision will be final.

The second Ordinance, issued on Monday, seeks to validate the collection of cess on sugarcane by the U.P. Government. The Uttar Pradesh Government under three of its Acts—The United Provinces Sugar Factories Control Act, 1938, the U.P. Sugarcane Regulation of Supply and Purchase Act, 1953, and the U.P. Sugarcane Cess Act, 1956—has collected Rs. 45 crores during the past 10 years. These Acts were held invalid by the Supreme Court recently. This Ordinance came into force with effect from February 3, the day on which the U.P. Government issued another Ordinance renaming the cess as purchase tax under item 54 of the State List in the Constitution.

UTILISATION OF RUSSIAN CREDIT

A team of economic experts from Russia has arrived here to discuss the projects to be financed with the 500 million roubles credit announced by the Soviet Union recently.

The Government of India, it is understood, wants this credit to be earmarked for the following projects: oil exploration (Rs. 10 crores); setting up of a refinery in Gujarat State (Rs. 15 crores); establishment of power plants (Rs. 25 crores); setting up a heavy compressors

and pump plant (Rs 15 crores); putting up of a ball and roller bearing plant (Rs 8 crores); manufacture of instruments (Rs. 5 crores).

TRADE DELEGATION FROM YUGOSLAVIA

A trade delegation from Yugoslavia, headed by Mr. J. Drausnik, of the Associated Manufacturers of Power and Industrial Equipment, arrived in New Delhi on February 8. The delegation includes representatives of Yugoslavia's ship-building and food processing industries and of firms connected with the manufacture of locomotives, chemicals, steam turbines, diesel motors, electrical engineering goods, water turbines, steam boilers, ventilating, thermal, milling and silo equipment. Six representatives of Yugoslavia's importers' organisations are also there in this delegation.

The delegation will, in consultation with the Government of India, finalise the projects to be financed with the 40 million dollars credit made available to this country by Yugoslavia sometime ago. Tentative discussions held so far envisage the utilisation of this credit for the purchase of four cargo ships, equipment for thermal and hydro-electric power stations, cement factories, food processing plants etc.

Yugoslavia recently sold one cargo ship to Ra'na Shipping Lines. Negotiations for the sale of another such ship to this company are said to be going on.

INDO-ITALIAN TRADE TALKS

The Italian Economic Mission, which is here these days, has started discussions with the Government of India on Indo-Italian trade matters. The Mission, among others, consists of Mr. Emilio Battista, Vice-President of the Commission for Industry and Commerce of the Senate of the Republic (Leader); Dr. Felice Di Falco, Director-General in the Ministry of Foreign Trade; Dr. Paolo Cavalli, Director of Messrs. FIAT, Torino; Dr. Marcello Merlo, Export Manager of Messrs. Finsider; and Mr. Giovanni Corbellari, Vice-President of General Confederation of Handicrafts.

Italy, as already reported in this column, is interested in entering into a long-term agreement on import of iron ore from this country.

DURGAPUR STEEL PLANT

According to the latest information available here, the expansion of the Durgapur Steel Plant to 1.6 million tons capacity can be achieved simply by better utilisation or preparation of raw materials rather than by any large-scale additions to the equipment itself. The new additions to the equipment called for are one blast furnace and one open hearth furnace for steel making.

COAL OUTPUT IN PUBLIC SECTOR

The public sector collieries attained an annual production rate of 12.4 million tons last month, according to a statement issued by the Union Ministry of Steel, Mines and Fuel. The production rate achieved in December, as reported in this column last week, was 8 million tons per annum. Most of the increase in output in January, it is understood, has been from the collieries located in Karanpura area.

BRIEFS

Of the one lakh tons of sugar released for export, contracts for the sale of 60,000 tons to foreign buyers are understood to have been entered into. The quantity shipped so far is about 30,000 tons.

The next meeting of the Import Advisory Council will be held on March 6. The Export Promotion Advisory Council will meet on the following day.

A PASSENGER FROM CALCUTTA WRITES:

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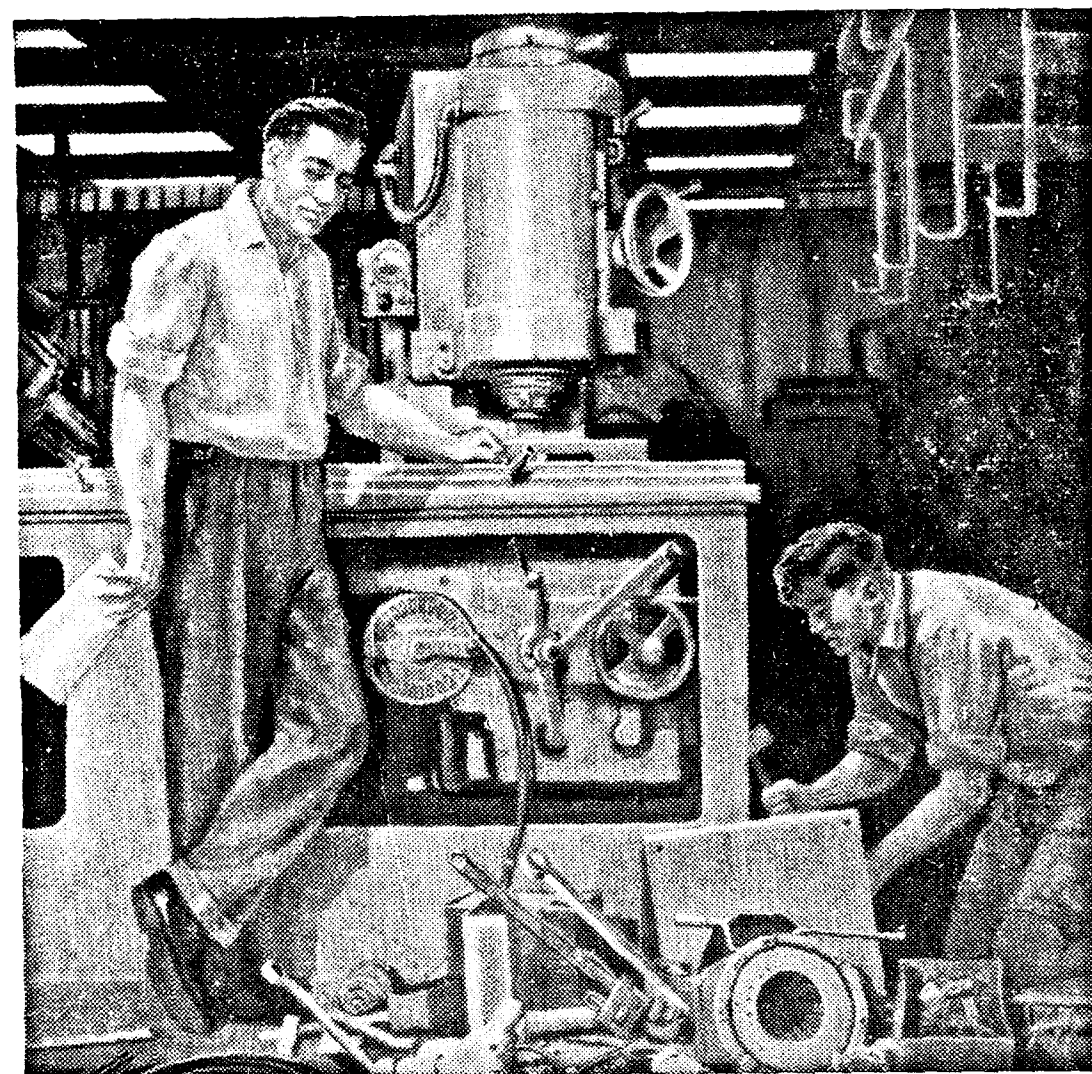
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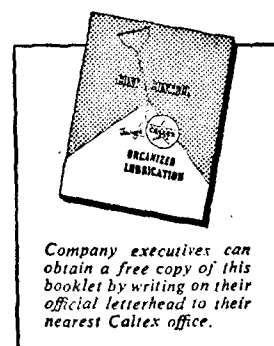


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COMPANY AFFAIRS

NEW INDIA SUGAR

In their report for the year to June 30, 1960, the Directors of the New India Sugar Mills Ltd. have observed that the Government of India announced certain incentives to the sugar factories to encourage increased production of sugar. The incentives were in the shape of a concession of 31 mP. per maund of cane crushed up to November 21, 1959 if crushing was started on or before November 10, 1959 and a rebate of 50 per cent. of the basic excise duty on production during the season 1959-60 in excess of the average production of the seasons 1957-58 and 1958-59. The excess production in the case of the Company, amounted to about 43,278 maunds. Direct allotment by the Government in respect of sugar released for internal consumption as also control on distribution and price of sugar are continuing. In October 1960 the Government of India allotted an export quota of 299.49 tons of sugar from the production of the season 1959-60 to the mills of the company against a quota of 77.37 tons from the production of season 1958-59.

During the year under review the factory worked for 148 days and crushed 42,70,529 maunds of sugar cane against 112 days and crushing of 32,88,397 maunds in the previous year. The recovery was lower at 9.16% against 9.8% in the previous year. The lower recovery which was in common with the other sugar mills in North Bihar was due to the cane crop having been affected by drought and red rot disease. During the current season a crushing of about 55 lakh maunds of cane is expected.

During the year under review the profit recorded was to the extent of Rs. 12.47 lakhs. After providing for depreciation and development rebate there was a balance of Rs. 8.97 lakhs. A sum of Rs. 4.45 lakhs was transferred towards taxation. The Directors recommended the payment of dividend subject to reduction of tax under income-tax act on ordinary shares of Rs. 10 each at the rate of Rs. 3.65 per share which absorbed Rs. 2.88 lakhs. In view of the recent changes brought about by the Finance Acts 1959 and 1960 in the matter of deduction of tax on dividends, the Company declared and paid dividend for the year ended 30th June 1959 on 486 7½% tax-free participating Preference Shares at a rate which after deduction of tax at 30 per cent amounted to 9 per cent. As regards 10,000 5½ per cent taxable Preference Shares, the dividend was declared and paid at the rate of 5½ per cent without deduction of tax paid by the company on its profits. Since then, the Preference Shares (Regulation of Dividend) Act 1960 has been passed. The Directors, however, feel and recommend that the rights attached to 486 tax free participating Preference Shares should be so modified as to confer on them a right to a dividend at the rate of 10.71 per cent subject to deduction of tax under the Income-tax Act instead of 7½ per cent tax free and with right to participate for additional dividend up to a limit of 1.5 per cent subject to deduction of tax as aforesaid if the ordinary shareholders are paid dividend of 10.71 per cent. As regards 10,000 Preference Shares the Directors recommended that their rights be modified so as to entitle them to a dividend at the rate of 5½ per cent without deduction of tax at rates prescribed under the Income-tax Act. The requisite circular is being separately issued convening class meetings for sanction of the different classes of shareholders.

BHARAT STARCH & CHEMICALS

Although the Government banned the use of indigenous maize in Starch Factories, it allowed import of American maize under P.L. 480 to meet the requirements of Starch Industry. During the year to January 31, 1960 Starch Section of the Bharat Starch & Chemicals Ltd. worked for 331 days. 10,532 metric tons of maize were crushed and about 6,700 metric tons of starch were manufactured. To fill the gap in the requirements of the factories it received about 1,900 tons of maize through R.D.F., Bombay. The sales of starch were carried out according to the starch manufacturers agreement. And total sale of starch and derivatives by the company came to around 6,400 metric tons against 6,000 metric tons during the last year. After providing Rs. 2.48 lakhs towards interest and Rs. 2.82 lakhs towards depreciation, there was a profit of Rs. 65,500, which is carried forward.

ANDHRA BANK

It is reported that the net profit of the Andhra Bank Ltd. for the year 1960 after payment of one month's pay as bonus to staff and before making necessary provisions amounted to Rs. 12,00,759/- (subject to audit) as against a net profit of Rs. 9,63,595/- for the year 1959.

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COMMODITY NEWS AND NOTES

PRODUCTION OF LEAD ZINC ORES IN INDIA

The production of lead-zinc ores in India during January-November 1960 was 139,000 tonnes as compared to 147,000 tonnes in the corresponding period of the preceding year, according to the Indian Bureau of Mines. The entire output was reported from the Zawar mines in Udaipur district. The recovery of lead and zinc concentrates amounted to 5,622 tonnes and 8,953 tonnes as compared to 5,855 tonnes and 8,909 tonnes, respectively, in the corresponding period of the preceding year. Lead concentrates are sent to the lessee's smelter at Tandoo in Bihar State for extraction of lead and silver while zinc concentrates are shipped to Japan for smelting of zinc, as there is no zinc smelter in India at present. The production of lead metal during January-November 1960 was 3,342 tonnes as compared to 3,648 tonnes in the corresponding period of 1959.

SELLING PRICES OF CAUSTIC SODA REVISED

The Government of India have revised the ex-factory prices for different kinds of caustic soda. The revised prices, which will remain in force for one year from February 1, 1961, will be as follows:

Name of article	Revised prices (per cwt.)
Caustic soda flakes	Rs. 41.50 (on ISI basis)
Solid	Rs. 36.50 (on ISI basis)
Caustic Liquid	Rs. 31.50 (on 100% basis)

There will be no change in the prices of dry gas chlorine, liquid chlorine and hydrochloric acid.

The prices of fused caustic soda, caustic lye, caustic soda flakes, dry gas chlorine, liquid chlorine and hydrochloric acid had been announced after consultation with the Tariff Commission on October 27, 1959. These prices were to remain in force till December 31, 1960. Pending the completion of the review of these prices, they continued to remain in force till January 31, 1961. The review has now been completed, taking into account the representations that were received from the industry.

REVISED SELLING PRICES OF BLEACHING POWDER ANNOUNCED

The Government of India have revised the fair ex-works ceiling prices for different bulk packings of bleaching powder entering the wholesale trade. These prices will remain in force for a period of six months from February 1, 1961.

The revised prices will be:

Size of packing Kgs.	Revised ex-works ceiling prices Rs.
100	57.10
55	32.55
25	16.10
12.5	9.25
3.0	3.00
1.5	1.70
0.5	0.85
0.25	0.75

The prices of bleaching powder in various sizes of packing had been announced after consultation with the Tariff Commission on May 31, 1960. Since then, various representations had been received from the manufacturers of bleaching powder for a revision of the prices.

IMPORT OF RAW WOOL AND WOOL TOPS

In the case of wool-tops, licences are being issued on an annual basis during the last two years, in order to enable the spinning mills to make their purchases at the most favourable prices. The question of what should be the basis of allocation of wool-tops to the spinning mills has been under consideration for some time and the industry itself has been divided in its views. A section of the industry has been pressing that licences should be issued on the basis of past consumption, while another section had been equally insistent that it should be on the basis of spindleage. In view of this extreme divergence of views, the Government have had to examine the question in some detail, so that a rational view could be adopted. As there was likely to be some delay in finalising this, 50% of the value of licences issued last year was released to meet the immediate requirements, and this was done in the second or third week of October. Licences were issued to mills within three or four days of receipt of applications and in a few cases, licences were issued even without application. There is, therefore, absolutely no ground for the reports which have appeared in some newspapers regarding the delay, particularly so when licences were issued this year very much earlier than in the previous years. Even if licences for the annual requirements had been issued, only 50% of the value could have been utilised within the half year. Instructions have since been issued regarding the issue of supplementary licences to the mills to cover the entire year's requirements and these licences are under issue. Having regard to the difficult foreign exchange position, the woollen industry has been treated very favourably and there is absolutely no justification for some of the mills to close down.

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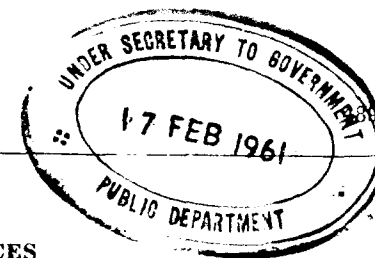
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Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)



Average of months/ Average of weeks ended Saturdays		Food articles & Tobacco	Fuel Power		Industrial Raw materials	Manufactures			All Commo- dities
			Liquor	Light and Lubricants		Inter- mediate Products	Finished Products	Total	
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55	..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.6	117.1
October	1959 ..	123.8	101.4	117.0	122.6	114.4	110.4	111.1	119.3
November	" ..	121.4	104.6	117.4	122.5	116.1	111.0	111.7	118.3
December	" ..	118.2	103.7	117.0	127.2	118.0	112.6	113.4	117.9
October	1960 ..	121.8	113.5	119.9	146.6	130.2	123.8	124.7	126.3
November	" ..	120.2	116.8	120.1	148.0	131.6	124.7	125.7	126.0
December	" ..	117.2	112.1	120.3	149.6	132.3	125.0	126.0	124.3
31-12-1960	..	115.3	111.7	120.4	152.0	133.0	125.7	126.8	124.4
7-1-1961	..	116.2	110.9	120.3	152.5	133.4	126.0	127.0	125.0
14-1-1961	..	116.1	110.9	120.2	153.8	133.8	126.3	127.5	125.2
21-1-1961	..	116.6	111.2	120.2	155.8	135.0	126.5	127.7	125.9

*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	—	—	—
1954	..	342	359	244	138	327	408	373	341	148	140	138
1955	..	322	338	218	130	321	371	364	321	134	135	132
1956	..	336	352	244	142	347	424	397	358	152	146	145
1957	..	352	368	259	150	364	448	422	374	157	157	152
1958	..	376	394	274	150	384	468	447	401	157	169	161
1959	..	393	412	309	158	384	469	498	429	166	173*	188*
1960	..	401*	420*	—	158*	397*	476*	512*	462*	—	—	—
1960 March	..	395	414	287	157	392	464	510	446	166	168	167
April	..	402	421	288	155	392	463	511	446	162	163*	168
May	..	402	421	295*	153	396	461	510	452	166	163*	170
June	..	403	422	297*	154	399	460	510	462	167	164*	171
July	..	404	423	299*	160	406	484*	515	467	169	164*	174
August	..	402	421	302*	160	410	484*	515	470	169	168*	174
September	..	399	418	—	161	403	489	520	472	167	168*	173*
October	..	402	421	—	162	396	488	517	477	171	164*	174*
November	..	404	423	—	159	392	489	509	484*	171	162*	173*
December	..	400	419	—	160	385	478*	507	488*	—	—	—

†Base 1944=100. *Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)
WEEK ENDED

	3-2-1961			27-1-1961			20-1-1961			13-1-1961		
	High	Low	Aver- age	High	Low	Aver- age	High	Low	Aver- age	High	Low	Aver- age
Gold (per 10 grams)	121.65	119.85	120.82	121.20	119.35	120.65	118.55	116.05	117.04	117.25	115.75	116.55
Silver (per kilogram)	209.25	206.90	207.96	208.60	204.40	206.91	204.60	201.05	202.59	202.05	197.95	200.13

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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)
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 ..	550.82	351.86	911.55	32.86	53.91	9.50	468.39	84.66	60.68	339.74
1955-56 ..	808.64	407.95	1,016.59	34.64	52.52	8.69	514.37	118.08	63.02	370.71
1956-57 ..	653.34	453.92	1,107.26	36.94	50.23	7.96	626.08	155.56†	71.39	359.35
1957-58 ..	723.89	619.19	1,343.08	39.34	77.55	8.72	723.79	167.32†	66.77	385.54
1958-59 ..	735.93	860.33	1,596.26	40.30	83.99	7.74	766.66	133.27†	56.37	565.14
1959-60 ..	745.83	1,086.79	1,832.62	44.84	75.81	6.58	842.75	144.49†	53.87	725.20
Average of Fridays										
August 1960 ..	792.95	1,212.04	2,004.98	46.35	110.48	7.82	986.68	149.15†	55.65	739.69
September ..	779.24	1,188.44	1,967.68	46.46	102.63	7.57	980.18	146.48†	57.26	734.02
October ..	791.28	1,155.68	1,946.95	48.25	101.04	7.67	965.97	150.43†	57.34	703.55
November ..	790.80	1,141.27	1,932.07	46.65	97.66	7.46	954.21	153.78†	57.32	688.21
December ..	794.20	1,128.10	1,922.30	45.61	91.21	7.12	991.46	155.21†	59.65	662.44
January 1961 ..	793.54	1,103.32	1,896.85	44.79	78.39	6.49	1,042.22	169.59	63.89	621.24
Week Ending										
30-12-1960 ..	794.65	1,124.56	1,919.21	49.90	112.15	8.44	1,017.92	162.81†	61.52	653.76
6-1-1961 ..	792.78	1,115.74	1,908.52	45.06	83.93	6.76	1,032.09	167.76	62.87	643.31
13-1-1961 ..	787.73	1,104.88	1,892.61	43.03	77.95	6.39	1,040.62	168.28	63.87	625.01
20-1-1961 ..	789.75	1,098.23	1,887.98	43.44	77.12	6.39	1,044.67	168.20†	64.24	606.46
27-1-1961 ..	803.89	1,094.41	1,898.30	47.61	74.54	6.43	1,051.51	174.13	64.66	610.19

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Lakhs of rupees.)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabi- lities of banks	Other deposits with Reserve Bank†	
(1)	(2)=(3)+(4)	(3)	(4)	(5)	(6)	(7)
1953-54 ..	1,793.97	1,229.43	564.54	549.83	14.71	+29.26
1954-55 ..	1,920.63	1,311.77	608.86	599.16	9.71	+126.65
1955-56 ..	2,184.32	1,505.09	679.23	607.22	12.01	+263.69
1956-57 ..	2,312.89	1,556.50	756.39	744.74	11.65	+128.57
1957-58 ..	2,388.83	1,606.60	782.22	762.36	19.87	+75.94
1958-59 ..	2,498.75	1,724.53	774.23	754.98	19.25	+109.92
1959-60 ..	2,702.19*	1,861.78*	840.41*	818.62*	21.79	+203.44*
June 1960 ..	2,702.31	1,869.02	833.28	810.37	22.92	-22.66
July ..	2,670.79	1,827.19	843.60	813.42	30.18	-31.62
August ..	2,658.92	1,807.02	851.90	819.26	32.63	-11.87
September ..	2,630.56	1,819.65	810.91	791.63	19.28	-28.35
October ..	2,660.82*	1,823.95*	836.87*	812.16*	24.71	+30.26*
November ..	2,669.48*	1,844.00*	825.48*	804.39*	21.09	+8.66*

* Provisional.

* Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

INDEX NUMBERS OF WHOLESALE PRICES — IMPORTANT COMMODITIES

(1952-53 = 100)

Average of months/ Average of weeks	Rice	Wheat	Jowar	Bajra	Gram	Ground- nut Oil	Mustard Oil	Sugar	Gur	Tea
1953-54 ..	100	93	100	103	89	120	137	99	141	174
1954-55 ..	82	75	77	78	54	77	127	104	122	255
1955-56 ..	78	72	67	84	49	74	104	94	88	170
1956-57 ..	97	88	123	122	71	104	176	95	100	165
1957-58 ..	105	88	114	126	68	105	164	110	107	164
1958-59 ..	105	105	195	126	96	107	148	121	131	169
1959-60 ..	105	96	119	126	75	118	150	124	161	186
November ..	108	98	121	126	73	112	148	127	190	194
December ..	101	96	120	121	70	113	149	127	164	210
January 1960 ..	102	97	119	125	72	118	150	127	154	207
February ..	105	98	121	128	80	125	158	127	156	196
March ..	106	94	117	123	74	126	156	127	149	180
April ..	108	91	121	122	76	130	155	127	147	184
May ..	113	87	123	126	78	127	155	127	145	194
June ..	114	87	127	128	80	129	157	127	144	187
July ..	115	92	130	132	89	137	162	127	148	207
August ..	115	90	127	129	86	135	163	127	148	212
September ..	114	91	129	132	90	138	163	127	146	215
October ..	111	90	125	137	91	144	165	127	142	216
November ..	106	90	126	135	93	138	173	127	141	218
December ..	102	90	120	131	93	135	177	127	126	N.A.
24-12-1960 ..	100	90	118	132	93	137	180	127	128	216
31-12-1960 ..	99	89	115	131	94	136	180	127	121	N.A.
7-1-1961 ..	99	91	115	131	94	140	179	127	120	210
14-1-1961 ..	98	90	112	133	94	140	186	127	113	206

Average of months/ Average of weeks	Spices & Condi- ments	Tobacco Raw	Coal	Cotton Raw	Jute Raw	Ground- nut	Cotton Manu- factures	Jute Manu- factures	Silk & Rayon Manu- factures	Machi- nery
1953-54 ..	118	100	100	104	98	127	104	91	92	99
1954-55 ..	114	90	100	102	112	82	107	102	92	99
1955-56 ..	110	77	101	97	117	79	105	96	91	102
1956-57 ..	97	80	116	111	126	111	116	95	88	104
1957-58 ..	96	92	128	106	133	108	116	95	86	107
1958-59 ..	127	93	133	99	118	117	112	87	93	109
1959-60 ..	152	98	135	106	125	131	117	91	96	111
October 1959 ..	161	101	136	100*	119*	130	115	90	92	111
November ..	167	105	136	102	123	120	116	90	93	111*
December ..	172	104	136	111	140	122	118	94	98	111
January 1960 ..	168	100	135	115	144	131	123	96	105	111
February ..	140	94	135	114	134	139	125	96	103	111
March ..	132	94	135	113	141	141	125	98	103	112
April ..	130	102	140	113	154	144	125	103	103	112
May ..	129	108	140	113	198	139	125	117	104	115
June ..	128	111	140	112	187	146	126	113	103	116
July ..	130	111	140	112	155	150	129	107	103	116
August ..	130	107	140	112	166	140	131	115	102	116
September ..	130	104	141	112	181	141	132	116	101	116
October ..	129	116	141	114	225	142	130	136	102	117
November ..	130	121	141	111	232	140	129	142	102	117
December ..	126	114	141	110	226	143	129	143	102	117
24-12-1960 ..	125	114	141	110	227	148	129	141	102	117
31-12-1960 ..	123	114	141	111	234	147	130	147	102	117
7-1-1961 ..	126	113	141	111	235	149	129	148	102	117
14.1.1961 ..	126	113	141	111	243	148	129	151	102	117

INDIAN UNION

INVESTMENTS IN SHARES

Category of Shareholders	1955-56		1956-57		1957-58		1958-59		Percentage change in 1958-59 over 1955-56	
	Number of Shareholders	Dividend Income (Rs. Crores)	Number of Shareholders	Dividend Income (Rs. Crores)	Number of Shareholders	Dividend Income (Rs. Crores)	Number of Shareholders	Dividend Income (Rs. Crores)	Number of Shareholders	Dividend Income (Rs. Crores)
1. Individuals	99,948	29.57	110,661	33.75	110,523	33.99	125,099	39.72	25.2	34.3
a) Salary Earners	23,274	7.64	25,377	8.69	26,937	8.66	32,302	11.15	38.8	45.9
b) Non-Salary Earners	76,674	21.93	85,284	25.06	83,586	25.31	92,797	28.57	21.0	39.3
2. Hindu Undivided family	8,598	3.55	8,656	3.29	9,400	3.95	10,595	4.51	23.2	27.0
3. Unregistered firms and other Associations of Persons	2,059	2.19	2,161	2.33	2,310	2.42	2,726	3.22	32.4	47.0
4. Registered firms	—	—	388	0.45	560	0.64	657	0.94	—	—
5. Companies and other concerns assessable at Company rates	1,866	15.19	1,995	20.91	2,045	19.53	2,112	26.61	13.2	75.2
6. Total (1 to 5 Categories)	112,471	50.50	123,861	60.73	124,838	60.51	141,189	75.00	25.5	48.5

1. Figures in brackets are percentages to the totals.

DIVIDEND INCOME UNDER DIFFERENT INCOME GROUPS

	Below Rs. 5,000		Rs. 5,001 to 15,000		Rs. 15,001 to 25,000		Rs. 25,001 to One lakh		Over One lakh		Total	
	Number of Shareholders	Dividend Income (Rs. Crores)	Number of Shareholders	Dividend Income (Rs. Crores)	Number of Shareholders	Dividend Income (Rs. Crores)	Number of Shareholders	Dividend Income (Rs. Crores)	Number of Shareholders	Dividend Income (Rs. Crores)	Number of Shareholders	Dividend Income (Rs. Crores)
Hindu Undivided Families												
1955-56	3,692	0.42	2,368	0.37	1,162	0.32	1,203	1.15	173	1.29	8,598	3.55
1956-57	3,534	0.42	2,355	0.36	1,339	0.34	1,273	1.29	155	0.88	8,656	3.29
1957-58	3,141	0.41	3,172	0.49	1,438	0.42	1,489	1.44	160	1.19	9,400	3.95
1958-59	3,222	0.41	4,049	0.65	1,564	0.50	1,599	1.69	161	1.26	10,595	4.51
	(-12.7)	(-2.4)	(71.0)	(75.5)	(34.6)	(56.3)	(32.9)	(46.9)	(-6.9)	(-2.3)	(23.2)	(27.0)
Unregistered Firms and other Associations of Persons												
1955-56	1,532	0.99	246	0.08	83	0.04	147	0.24	51	0.84	2,059	2.19
1956-57	1,568	1.42	303	0.08	86	0.06	161	0.32	43	0.45	2,161	2.33
1957-58	1,753	1.54	244	0.08	104	0.07	164	0.30	45	0.43	2,310	2.42
1958-59	2,012	1.70	297	0.11	116	0.08	231	0.44	70	0.89	2,726	3.22
	(31.3)	(71.7)	(20.7)	(37.5)	(39.8)	(100.0)	(57.1)	(83.1)	(37.3)	(6.0)	(32.4)	(47.0)
Registered Firms												
1955-56	—	—	—	—	—	—	—	—	—	—	—	—
1956-57	—	—	—	—	—	—	269	0.10	119	0.35	388	0.45
1957-58	3	—	—	—	—	—	387	0.21	170	0.43	560	0.64
1958-59	—	—	—	—	—	—	468	0.31	189	0.63	657	0.94
Companies and other concerns Assessable at Company Rate												
1955-56	495	0.39	196	0.12	127	0.10	380	0.91	668	13.67	1,866	15.19
1956-57	506	0.61	175	0.10	131	0.13	427	1.07	756	19.00	1,996	20.91
1957-58	470	0.85	198	0.13	148	0.14	453	1.12	776	17.29	2,045	19.53
1958-59	462	0.57	228	0.15	143	0.13	448	1.03	831	24.37	2,112	26.61
	(-6.7)	(46.1)	(16.3)	(25.0)	(12.6)	(30.0)	(17.9)	(13.2)	(24.4)	(80.9)	(13.2)	(75.2)

N.B.: (1) The number of assessments and the income of unclassified assesseees are included under income-group below Rs. 5,000. (2) Figures in brackets indicate percentage change in 1958-59 over 1955-56.

INDIAN UNION

DIVIDEND INCOME UNDER DIFFERENT INCOME GROUPS

Categories	Income Groups										Total	
	Below Rs. 5,000	Rs. 5,001 to 15,000	Rs. 15,001 to 25,000	Rs. 25,001 to 100,000	Over Rs. one lakh							
	Number of Shareholders	Dividend Income (Rs. crores)	Number of Shareholders	Dividend Income (Rs. crores)	Number of Shareholders	Dividend Income (Rs. crores)	Number of Shareholders	Dividend Income (Rs. crores)	Number of Shareholders	Dividend Income (Rs. crores)	Number of Shareholders	Dividend Income (Rs. crores)
1. Salary Earners												
1955-56	2,521	0.15	12,850	1.25	3,471	0.86	4,006	2.98	426	2.40	23,274	7.64
1956-57	2,366	0.16	14,497	1.47	4,014	1.00	4,065	3.32	435	2.74	25,377	8.69
1957-58	2,896	0.17	14,783	1.47	4,371	1.07	4,439	3.41	448	2.53	26,937	8.65
1958-59	5,144	0.30	16,736	1.70	4,770	1.14	5,141	4.32	511	3.69	32,302	11.15
	(104.0)	(100.0)	(30.2)	(36.0)	(37.4)	(32.6)	(28.3)	(45.0)	(20.0)	(53.3)	(38.8)	(45.9)
2. Non-Salary Earners												
1955-56	49,679	3.34	15,346	3.52	5,031	2.23	5,753	6.53	865	6.31	76,674	21.93
1956-57	52,646	3.70	18,435	4.32	6,449	2.84	6,860	7.88	894	6.34	85,284	25.06
1957-58	50,762	3.54	18,431	4.17	6,266	2.70	7,257	8.26	870	6.64	83,586	25.31
1958-59	55,167	4.06	20,697	4.80	7,485	3.20	8,517	9.91	931	6.60	92,797	28.57
	(11.0)	(21.6)	(34.9)	(36.4)	(48.8)	(43.5)	(48.0)	(51.8)	(7.6)	(4.6)	(21.0)	(30.2)
3. All Individuals (1+2)												
1955-56	52,200	3.49	28,196	4.77	8,502	3.09	9,759	9.51	1,291	8.71	99,948	29.57
1956-57	55,012	3.86	32,932	5.79	10,463	3.84	10,925	11.20	1,329	9.06	110,661	33.75
1957-58	53,658	3.71	33,214	5.64	10,637	3.77	11,696	11.67	1,318	9.17	110,523	33.96
1958-59	60,311	4.36	37,433	6.50	12,255	4.34	13,658	14.23	1,442	10.29	125,099	39.72
	(15.5)	(24.9)	(32.8)	(36.3)	(44.1)	(40.5)	(40.0)	(49.6)	(11.7)	(18.1)	(25.2)	(34.3)
4. Others@												
1955-56	5,224	1.41	2,614	0.43	1,245	0.36	1,350	1.39	224	2.13	10,657	5.74
1956-57	5,102	1.84	2,658	0.44	1,425	0.40	1,703	1.71	317	1.68	11,205	6.07
1957-58	4,897	1.95	3,416	0.57	1,542	0.49	2,040	1.95	375	2.05	12,270	7.01
1958-59	5,234	2.11	4,346	0.76	1,680	0.58	2,298	2.44	420	2.78	13,978	8.67
	(0.2)	(49.6)	(66.3)	(68.9)	(34.9)	(33.3)	(70.2)	(74.8)	(87.5)	(30.5)	(31.2)	(51.0)
5. Total (3+4)												
1955-56	57,424	4.90	30,810	5.22	9,747	3.45	11,109	10.90	1,515	10.84	110,605	35.31
1956-57	60,114	5.70	35,590	6.23	11,888	4.24	12,628	12.91	1,646	10.74	121,866	39.82
1957-58	58,555	5.66	36,630	6.21	12,179	4.26	13,736	13.62	1,693	11.22	122,793	40.97
1958-59	65,545	6.47	41,779	7.26	13,935	4.92	15,959	16.67	1,862	13.07	139,077	48.39
	(14.1)	(32.0)	(35.6)	(39.1)	(43.0)	(42.6)	(43.6)	(52.8)	(22.9)	(20.6)	(25.7)	(37.0)

N.B.: (1) The number of assessments of 'unclassified' assesseees are included under income-group below Rs. 5,000.

(2) Figures in brackets indicate percentage change in 1958-59 over 1955-56.

@ 'Others' comprise Hindu Undivided Families, Registered Firms and Unregistered Firms and Other Associations of Persons.

Source: Reserve Bank of India.

INDIAN UNION

RAILWAY'S THIRD FIVE YEAR PLAN

(FINANCIAL FORECAST)

(Rs. Crores)

Heads	1960-61 Budget Estimate	1961-62	1962-63	1963-64	1964-65	1965-66	Total
I Capital at charge at the end of each year	1563	1660	1841	2033	2186	2313	
II Gross Traffic Receipts							
Passengers	125.20	128.95	132.81	136.79	140.89	145.12	684.56
Other Coaching	24.95	25.32	25.45	25.70	26.08	26.47	129.02
Goods	304.35	320.28	340.84	361.77	383.82	429.13	1835.84
Sundry	10.00	10.10	10.20	10.30	10.40	10.50	51.50
Total	464.50	484.65	509.30	534.56	561.19	611.22	2700.92
III Working Expenses—							
Payment to worked lines and net miscellaneous expenditure	329.80	339.00	356.04	374.84	394.54	428.37	1892.79
IV Open Line Works—Revenue	14.00	12.00	12.00	12.00	12.00	12.00	60.00
V Net Revenue	120.70	133.65	141.26	147.72	154.65	170.85	748.13
VI Dividend payable to General Revenues At 4½ per cent.		64.63	69.94	77.59	84.50	90.03	386.69
VII Gross Surplus from which is met Appropriation to Depreciation Reserve Fund at 4½ per cent		69.02	71.32	70.13	70.15	80.82	361.44
VIII Appropriation to Depreciation Reserve Fund	45.00	65.00	67.00	70.00	73.00	75.00	350.00
IX Net Surplus At 4½ per cent		4.02	4.32	0.13	—2.85	5.82	11.44
X Average annual contribution that would be necessary to make from the final net surplus to the Development Fund in order to fulfil Third Plan Objectives		23*	23*	23*	23*	23*	115.00†

- Notes: * † (a) Includes Rs. 13 crores on the average annually—or Rs. 65 crores in five-year period as a whole—to meet the cost of users' amenities and Labour Welfare works only.
- (b) The Dividend is calculated on an assured pattern of year-wise increase in the Capital-at-charge—with reference to the Capital-at-charge at the end of each year after making adjustments therein for the element of over capitalisation etc. as per the 1954 Railway Convention Committee's Report.
- (c) The figures of earnings and expenses as in the Budget Estimates for 1960-61 have been shown as a basis for comparison, even though these would be affected substantially by various post-budget developments namely the general strike, unprecedented and widespread floods, further increase in coal price from 1.4.1960 and the Government's decision to give effect to the Pay Commission's essential recommendations in regard to pay and allowances in full from 1.7.1959 (instead of from 1.11.1959) which affects the arrears payable to staff in 1960-61 in respect of 1959-60.
- (d) The stepping up of the annual contribution to Depreciation Reserve Fund from Rs. 45 crores in 1960-61 to Rs. 65 crores in 1961-62 has led to the net surplus for 1961-62 dwindling to a very small figure. The real net surplus for 1960-61 in the Budget Estimates as pertaining strictly to that year would have been Rs. 26.43 crores if the arrear payments made in 1960-61 but pertaining to 1959-60 resulting from Pay Commissions recommendations is allowed for, and this surplus is more or less absorbed in 1961-62 by the additional appropriation of Rs. 20 crores to the Depreciation Reserve Fund.

Source: Report of the Railway Convention Committee.

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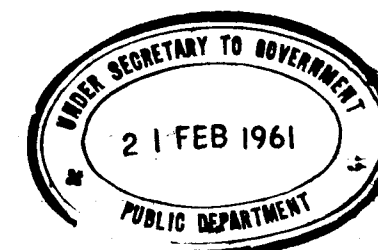
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ONE RUPEE



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The Eastern Economist

FEBRUARY 17, 1961

Patrice Lumumba

THE news that Mr. Patrice Lumumba has been brutally murdered in the Katanga Province of the Congo has come as a rude shock to leaders in practically every country in the world. No one believed that his political enemies, with the spotlight of the world opinion so strongly centred on the Congo, could have stooped to vulgar political assassination as an instrument in the ruthless struggle for power which has gone on ever since the Congo attained independence. In the Indian Union, rightly or wrongly, the view is entertained that those in power in Katanga have been implicated in this foul deed. Rightly or wrongly, there is a feeling that murder has been abetted, in the Prime Minister's words, "in high places"; there is deep dismay that this should have happened under United Nations jurisdiction. The feeling that some action—unhappily undefined—should be taken against those responsible is widespread. The question now is whether the United Nations, bereft of all authority, is capable of giving any concrete form to the world's resentment.

The tragedy of the situation is not merely that a man of the people should have ended a courageous life in this manner. Opinions may well differ on the capacity that Mr. Lumumba had for leading his people out of the current chaos into an orderly parliamentary system. In the Indian Union, his capacity has been probably exaggerated. Nevertheless, there is no equal figure capable of uniting the people of the Congo and, at least, beginning the experiment of parliamentary democracy. His departure leaves the way open not merely for dictatorship and reaction, but also for deeper division and even more foreign criticism of the United Nations, its representatives in the Congo and all those who, because they are assisting to keep the Communists out, have tend-

ed to receive the support of the anti-Communist world. A central figure in the solution of the problem has departed leaving no man of any status capable of riding the storm.

It is necessary for us in India to take earnest thought for ourselves in the situation which has now arisen. Mr. Rajeshwar Dayal is not an officer of the Indian Union, but of the United Nations; but it is extremely unlikely that he will be reckoned as operating except in line with the views of the Indian Government. This suspicion has no doubt, dogged his footsteps from the beginning. While he has carried himself with superb courage and impartiality, the time has come for him to be withdrawn both because he will be increasingly ineffective, and because his motives which are of the highest, will not receive fair assessment. In his own statement, Mr. Dayal has talked about the question of "responsibility." It will be for him to enforce responsibility; has he the military power as well as the prestige in the Congo to enforce discipline in the highest places? One might doubt whether in the circumstances he can operate effectively.

This is the moment for the Indian Union, recognising how deeply involved the current situation is, to ask for Mr. Dayal's withdrawal and for someone less involved in current events to take his place. This is no censure on an officer who has performed, under conditions of incredible difficulty, an almost impossible task. It is merely a recognition of the hard fact that the nations of the world have not been able to give to the United Nations, whose representative he is, the power and the military strength wherewith he can perform his allotted task. Slowly, perhaps with all the staleness of history, the tragedies of Africa must unfold so that out of an old order there will come, through trial and tribulation, the birth of a new order.

a new. Mr. Patrice Lumumba might well be considered a forerunner of a new society. As the leader of that new society he has paid the supreme price. His death has been caused as much by his courage and daring against the forces of political backwardness as it is the expression of anti-

colonialism in the African scene. What has overcome him today is not Colonialism but the old order of African society. Perhaps if the new order can be better built on his supreme sacrifice, his tragic death, deeply mourned by thousands in many countries, will not have been in vain.

Railway Finances

THE Railway Budget for 1961-62 makes the disconcerting revelation that neither the lesson of the Second Five-Year Plan nor the challenge of an onerous assignment thrown up by the Third Five-Year Plan has produced the needed impact on the management of railway finances. Mr. Jagjivan Ram has taken care to stress that during the budget year there would be no revision of passenger fares and also of freight rates in general. The minor changes made in the surcharge on "smalls" and the adjustment made in the minimum distance charged for coal are intended as mild deterrents to divert uneconomic traffic away from the railways. In case the diversion does not materialise, they will make no mentionable impression on railway revenue. The inability of the railways to maintain bare equilibrium between revenue and expenditure to discharge their modest obligation to meet a fraction of the outlay on development in the Third Plan out of their internal resources is being overlooked. In maintaining the status quo in freight rates and fares, and thereby giving a further lease to stringency in railway finances, extraneous considerations seem to have weighed. But the status quo has come as a surprise even in an election year.

Mr. Jagjivan Ram entertains no doubts whatsoever on the extent to which fares and freight rates are out of tune with the rapid increase in the cost of transport. He has highlighted the fact that the present freight rates are uneconomic, particularly for long hauls and these are the categories which preponderate freight traffic carried by railways. It is difficult to see what readjustment the Neogy Committee can suggest beyond recommending a larger share of short and medium distance high-rated traffic for the railways. Specific recommendations regarding changes in the railway freight rate structure are beyond its competence. This is a reform which the Railway Minister ought to face squarely. He is clear in his mind about its magnitude. He has underscored the fact that the prices of materials and stores consumed by the railways have risen since 1938-39 by 350 per cent and the average annual cost per employee has gone up by 200 per cent., for which the increase of 70 per cent in passenger fares and of 100 per cent in freight rates is an utterly inadequate recompense.

But the case for higher revenue for the railways by means of higher fares and freight rates has acquired a new urgency by reason of the pre-swelling size of the development outlay. The present technique of financing railway development moves in a vicious circle. More loaned capital from the Central Exchequer directly goes to inflate the liability of the railways to pay the gross dividend to the Exchequer mainly to meet the interest charges. It is certainly not suggested that there is a total alternative to this mode of financing. But overcapitalisation can certainly be mitigated by raising railway earnings and providing greater room to draw at a higher rate from current revenues and the net surplus. In shirking this straightforward responsibility, the burden is being shifted from the transport user to the general taxpayer.

The financial performance of the railways in the current year, according to the revised estimates, does not argue for their efficiency. There has been a substantial decline of Rs. 15.4 crores in freight earnings. The partial strike of July 1960 which caused a loss of 3 million tons of traffic and large floods in some areas cannot wholly explain the shortfall of 8 million tons in the freight target. On the contrary, failure to make it good subsequently, when ample traffic was offering, demonstrates certain inflexibility in railway operations. The net surplus of the railways has fallen by Rs. 4.4 crores and the operating rate has worsened by 1 per cent to 81.1 per cent as compared to the budget estimate.

Against this background, it would be dogmatic to assert that the railways will be able to carry additional 15 million tons of traffic in the budget year. It is on this assumption that freight earnings are placed next year at Rs. 315 crores—an increase of Rs. 26.4 crores above the revised estimate for 1960-61. The net surplus will be Rs. 8.6 crores as against Rs. 14 crores for the current year. The gross dividend payable to the General Revenues will no doubt rise by Rs. 9 crores to Rs. 65.3 crores. This will be partly the price for acquiring additional capital-at-charge from the Exchequer to the extent of Rs. 181 crores and it will partly arise from the higher rate of dividend now fixed at 4.25 per cent—an increase of 0.25 per cent. But it cannot be overlooked that actually the net dividend received by the Exchequer will be reduced from 0.83 per cent to 0.67 per cent owing to the higher incidence of interest on the capital raised by means of loans.

As the railways embark on the Third Plan, they face the prospect of a marginal position for their reserve funds. This is very largely a legacy handed down by the financial management during the Second Plan. In the Second Plan the rate of appropriations to the Depreciation Reserve Fund was inadequate at Rs. 45 crores per annum. In the result, the depletion of the Fund had to be made at a very heavy rate. This Fund started with an opening balance of Rs. 103.5 crores at the beginning of the Second Plan, but the closing balance left in the Fund was only Rs. 14 crores. This balance, in fact, will be virtually the margin that will be available to meet any expenditure on replacement in excess of Rs. 350 crores in the Third Plan as envisaged and, in case the assumed order of prices changes upwards, the Fund will be driven to the extraordinary contingency of having to borrow from the Exchequer. In the budget year the allocations to the Fund will be Rs. 65 crores.

The Revenue Reserve Fund will get no appropriations during the Third Plan as the net surplus will be nominal. On the contrary, Rs. 8.6 crores are to be withdrawn from the Revenue Reserve Fund to discharge partially the liability of the Development Fund in respect of 'temporary loans' drawn from the Exchequer in the Second Plan. The Development Fund will get the allocation of the entire surplus of Rs. 8.6 crores in the budget

year. But it will need to borrow from the Exchequer Rs. 14.8 crores. This procedure of borrowing will go on without interruption in the Third Plan. Something like Rs. 100 crores will be found by the railways out of the Development Fund as their "own resources" for contribution to the outlay on development in this manner. This technique of "temporary loans" can be no substitute for raising internal resources.

The Transport Bottleneck

THE preliminary report of the Committee on Transport Policy and Coordination released recently stands in a class by itself. Normally, preliminary or interim reports are intended for the purpose of making positive recommendations for immediate decision and action until the final report is tendered. In this case the Neogy Committee has taken as much pains as would ordinarily be required for a full-fledged report, but it has modestly used the data as base material only to pose the issues which arise for determination in formulating a long-term policy for transport. The Committee has framed precise issues to elicit the views of a wide cross-section of the public.

One term of reference calls upon the Committee to define the role of the various means of transport during the periods of the Third and the Fourth Five-Year Plans. This term, however, is not altogether unqualified as it should have been, but it is circumscribed with the condition that the short-term policy for the next ten years should be indicated against the background of the long-term policy for transport which constitutes the bedrock of the Committee's assignment. This qualification renders any recommendations on the short-term policy impracticable unless the long-term policy is first defined. The Neogy Committee is hardly to be blamed if it is unable to indicate a positive transport policy for the Third Plan at this crucial stage when it is about to be finalised.

There is, nevertheless, overwhelming evidence in the report of the Committee which ought to be taken as a warning of the bottleneck in transport which threatens to be hardened in the Third Plan, particularly in the freight sector. To take one typical indicator, the outstandings of registrations of indents for wagons, computed in terms of days worth of loadings, are mounting up in the last two years on the broad-gauge, while the position on the metre-gauge is worse. But accumulations of registrations do not give the least idea of the crises produced at crucial times in industry after industry.

The Draft of the Third Plan estimates an increase of 81.5 million originating tons of traffic, including the requirements of the fourth public sector steel plant at Bokaro, for the railways. This is equivalent to an increase of 50 per cent over the traffic carried in the Second Plan. As much as 75 per cent of this increase, or 61.5 million tons, is allocated to steel and raw materials, coal and cement, while the provision for other categories of additional traffic is to be accommodated within the remaining 25 per cent. The estimates of the bulk traffic equivalent to 75 per cent are based on assumptions which are patently untenable. Thus, provision for steel traffic assumes its volume to be equivalent to the output at the plants and totally ignores multiple movements

The picture of railway finances at the start of the Third Plan demands an answer to inescapable question: Can the increase in fares and freight rates be postponed beyond the budget year? If the Railway Minister is so clear in his mind about the urgency of bringing fares and freights in alignment with actual cost of transport, why should there be any hesitation to face the choice?

involved from the plants to the wholesale stockists, to the fabricators, to the wholesalers and to the consuming centres. Miscellaneous traffic reckoned at 25 per cent is presumed to rise only at 6 per cent per annum as against the annual rate of 5 per cent in the Second Plan. This assumption is completely unrelated to the targets fixed for different industries. This broad magnitude of provision of rail capacity for additional traffic is the clearest indication of lack of correlation between its volume and rail capacity.

To minimize the magnitude of transport shortages in the Third Plan, resulting from the inability of the railways to move it, is the function principally of road transport. The potential capacity of motor transport to carry freight over long distance has been effectively demonstrated in recent years. The length of haulage on the roads has been pushed to limits ranging between 500 miles and 1,300 miles for a variety of goods—textiles, rubber tyres, footwear, machinery, and so forth. The provision made for its development in the Third Plan is, however, parsimonious. The allocation of outlay for road transport development has been cut down from Rs. 250 crores to Rs. 230 crores, in sharp contrast with the minimum outlay of Rs. 500 crores envisaged for the period by the Chief Engineers in their perspective plan.

The caution which the Neogy Committee seems to pronounce against a switch-over to long distance motor transport need not be disregarded. But the case for road transport does not at all rest on a plea for freedom to compete with the railways over long hauls, their proved potential notwithstanding. That case essentially rests on liberation of road transport from unfair restrictions currently imposed in the name of coordination and withholding the available scope for its expansion at a time when the economy is running desperately short of transport. The Committee's concern over the paucity of resources for development suffers from a lack of perspective when expressed in relation to road transport alone. Undoubtedly, all developmental programmes must be fitted into the available pool of resources and they cannot be planned on a greater scale than what the resources can afford.

Elsewhere it quotes, with obvious approval, the dictum emphasised by the ECAFE Working Party on Coordination of Transport to the effect that expansion of transport in an underdeveloped economy must be planned on a bigger scale than the expansion of the other sectors. This is to stress first priority in the allocation of resources to the infra-structure of the economy of which transport is a major component. Rather, it is an urgent plea to advocate provision of transport and other facilities in advance of the development of other sectors of the economy. The least that must be done is to plan their adequate expansion concurrently with other sectors. Even this minimum is being woefully ignored.

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A DELHI DIARY

PIN-POINTED EXPERIENCE

THE week has been heavily clouded by the news of the murder of Patrice Lumumba; in Delhi there has been deep unhappiness that we have been so helpless in affording protection to someone who—for us in India at any rate—was a shining leader of parliamentary democracy in the African continent. The Prime Minister's dignified statement in Parliament, shortly after its opening, was meant for international consumption. His first (private) reaction with a reference to "murder in high places" reflects much more the Indian public's mood of anger and frustration. However, a leading article in "The Eastern Economist" deals with Mr. Lumumba and I am forbidden to tread on this dangerous ground. For the same reason—since a Business World piece deals with the new Indian Investment Centre, inaugurated by the Finance Minister at Sapru House on Thursday morning—I have been warned off the economic field. With politics and economics thus excluded by editorial decree from my purview, I am falling back on culture. Spiritually, I suppose, it is an ascent. The splendid pageant 'And There was Light' enacted in St. Thomas's School for Girls has given me what is sometimes described as "uplift"; it has done for me what politics and economics (and much improving literature) could not do. I have been, more literally, elevated this week by a flight in a Pilatus Porter aircraft which was demonstrated last Sunday at Safdarjung Airport. This holds out promise of landing me on the eternal snows one day, as did the Swiss expedition to Dhaulagiri. I, therefore, give myself over to two personal "uplifting" experiences this week instead of describing the muddy, and mundane, course of politics and economics.

AND THERE WAS LIGHT

I had no idea when I was invited to a Silver Jubilee Pageant at St. Thomas's School for Girls at Reading Road that I would encounter a Gandhian legend told with imagination and moving depth such as has never been seen in Delhi before. There happens to be a strictly local element in the picture. This is that Mahatma Gandhi actually passed and repassed on the grounds of St. Thomas's School in the days when he used to stay in the neighbouring Bhangi Colony. A bronze bust of Gandhiji was, therefore, a very suitable monument to a great leader. It was sculpted—is there such a word?—by Kewal Soni and unveiled by Professor Humayun Kabir, Minister for Cultural Affairs, shortly before the Cultural Pageant was staged on Friday. These might be described as the prologue and epilogue to a reliving of the Gandhian Age which (alas, like the Revolution itself!) is tending rapidly to recede from our memories.

The Pageant employed a clever flash-back method; it moved backwards instead of forwards, starting with the assassination of Mahatma Gandhi in 1948, with all the marks of martyrdom, through the panorama of Independence in 1947, the Quit India Movement in August, 1942, the first arrival of the Congress power in 1937, the march to Dandi in February, 1930, following the Lahore Congress Resolution on January 26, 1930. Meanwhile, the continuous intangible thread was the growing power of the nation to dedicate itself to the ideals and the pledge of constructive work Mahatma's ideals and the pledge of constructive work and service in the national revolution, in the campaign against untouchability, for adult literacy, and religious harmony. Out of this revolution there has come, it suggests, the fairly matter-of-fact working woman of India today. Whether or not she is as desirable as her parents, she is the result of the flow of Gandhian concepts of mass emancipation.

The script, as is appropriate, is better heard than read, but it makes good reading. This is because it is

drawn largely from Gandhiji's own writings which still ring down the years as though they have lost none of their original relevance. Who will, for example, claim that Gandhiji's great frontal attack against intellectuals on their attitude to the villages has lost its force? "I must hark back again to the village, and tell you what I need.... I want you to go to villages, feel the pulse of the people, examine their needs and supply what they want. Do not say that your intellects would lose their freshness in villages by being choked in their closed atmosphere. I will say that it is not the closed atmosphere, it is your closed intellect with which you have gone there. If you go there with your eyes and ears and intellects open, they will be all the fresher for a live contact with the virgin air." The accusing finger in the Pageant speaks and, having spoken, moves on.

How, I keep on asking myself, do the children fall so readily into the deep pathos and triumphs of the Gandhian Age unless the spirit of that Age is alive and can be imbibed from the air we breathe? We are beginning to have our actors and actresses who can imbibe this spirit and it is good that we have senior writers who understand the limitations of words. In this case, the script writers, Mina Swaminathan and Muriel Wasi, worked with the minimum of their own language, wisely using quotations from Gandhiji, Jawaharlal Nehru and Tagore to present almost the entire piece.

A FLYING MACHINE

On Sunday I was taken back forty years to a song of my misguided youth in which the words were: "Come Josephine in my flying machine, a little bit higher, a little bit higher." I have no recollection of who Josephine was, but certainly the experience of higher altitudes in her company seemed to be exhilarating to the singer who became shriller and shriller as he ascended in the flying machine. The Pilatus Porter is truly a flying machine capable of doing the most wonderful things. It can land and take off in a 110 yards, as I have found by personal experience. It can land on snow. It made 25 landings at 25,000 ft. and 16 landings at 19,000 ft. for the Swiss Dhaulagiri expedition. It can land, they say, at 29,000 feet. Why, it is being asked, if one can have an eight-seater aircraft of this remarkable kind, should one depend so much on helicopters? The helicopter can ascend vertically. But if 110 yards is no problem and one can land on Dhaulagiri, why should one make so much fuss about finding suitable high altitude helicopters when there are much more versatile Stol aircraft, particularly the Pilatus Porter? I look forward eagerly to the day when joy rides, like the one we had last Sunday, will take us on to the sides of a mountain for a weekend. Running costs are about a fourth or fifth of a helicopter and I am encouraged to believe, that even "The Eastern Economist" might be able to afford a trip.

Do I see signs that a major revolution in hill transport is under way? An exciting observer and passenger on Sunday was the Prime Minister of Bhutan. He came more than once to inspect the aircraft. Posing daringly, I predict that Sikkim and Bhutan will have at least one Pilatus Porter each very soon. Is it two lakhs of rupees payable in rupees only? If so, may I request all good men and true to tell me Porter wherewith to free myself from the tentacles of the Press Club of India think of providing an escape overwork in New Delhi in 1961?

ARGUS.

THE WEEK'S NOTES

Coal Shortages

WHO IS TO BLAME?

IN SPITE OF the fact that output of coal has shown an upward trend during the past three months, reports about coal shortage continue to pour in from various parts of the country. The growth of the industry, particularly in the regions situated far away from the principal coal producing areas, has been arrested to not an inconsiderable extent due to non-availability of adequate quantities of this vital energy producing material. Obviously, there is something wrong with the transport of coal from the collieries to the consuming areas. The Chairman of the Railway Board, Mr. Karnail Singh, waxed eloquently at a hurriedly called Press Conference on February 9 and asserted that, despite loss of movement capacity due to the Central Government employees' strike and unprecedented floods in some States, the Railways had attained their Second Plan target of coal movement and, if shortages were still being experienced, it must be due to reasons for which the railways could not be held responsible.

It is indeed a matter of gratification that the railways have achieved their Second Plan target of coal movement; according to Mr. Karnail Singh, they are at present moving coal, outside the steel sector, at the rate of 42 million tons per annum, as against the target of 41 million tons. This extra one million tons of coal movement outside the steel sector, he explained, had been achieved partly by diversion of the movement capacity released by the shortfall in coal requirements of the steel plants due to delay in their completion.

This plea may apparently absolve the Railway Ministry of the blame for the bottleneck experienced in the movement of coal. Where then lies the snag? Presumably, there has been committed a grievous mistake in co-ordinating coal movement and production plans. The blunder probably was committed in 1958 when the Ministry of Fuel started talking of 56 million tons target for coal production, instead of the 60 million tons target provided in the Second Plan. The Railway Ministry, it is understood, than cut back its development plans for coal movement, presumably in consultation with the Planning Commission, to suffice for a movement corresponding to 56 million tons production. The Planning Commission owes it to the nation to explain why it did not ask the Railway Ministry to restore its development programme, if, at a later stage, it was decided to stick to 60 million tons coal production target.

The Railway Ministry, however, cannot escape entire responsibility for the present-day coal muddle. Its development plans obviously have to be drawn up to provide for some surplus capacity to meet unforeseen exigencies and seasonal pressures. At present its operations have little flexibility; only a modest increase in traffic, consequent upon higher food output this year and some increase in import of foodgrains under P.L. 480, have strained its resources to the point that not only the capacity released by the shortfall in various industrial sectors has been completely used up, but difficulties are being experienced in moving industrial raw materials and finished products. Then, again, who is responsible for not making available to the collieries open wagons which quicken the movement of coal?

Labour Commissions

SELECTION OF CHAIRMEN

HAVING APPOINTED Mr. M. R. Meher, President, Industrial Court, Bombay, as the Chairman of the Bonus Commission, the Government of India, it could be expected, would not have retraced its step, even though the employers had raised serious objection to his appointment. This was not because the employers' objections had got no force in them, but because the Government was not to surrender its prerogative to appoint the chairman of a labour tribunal or a commission according to its own judgment. This prerogative of the authorities, however, does not obviate the necessity of choosing a chairman judiciously and after going into all the pros and cons of his appointment. In this particular case, the Government appears to have thrown all these considerations to the wind. Not meaning any offence to Mr. Meher, who has had a distinguished career at the Industrial Court of Bombay and who has got a wide experience of industrial disputes, not excluding bonus disputes, it must be said that he being an officer whose some of the judgments on bonus matters have been set aside by the Supreme Court, could hardly have been the best choice to head the Bonus Commission.

The criteria for evolving a bonus formula are many. In its issue of January 20, 1961, "The Eastern Economist" published an article on the subject by its columnist "Croesus." The article set out the various considerations which have to be taken into account in framing a bonus formula. Mr. Meher has already given his verdict on some of these considerations in his judgments as President of the Bombay Industrial Court and his rulings have not been always upheld by a higher judicial authority. Nevertheless, employers' apprehensions, apparently reasonable, to the effect that it is difficult for a person placed in this situation to keep an open mind can be dispelled. It is re-assuring that the Government has given an assurance to the employers that only the unanimous recommendations of this Commission would be binding on the authorities.

Though the controversy about Mr. Meher's appointment appears to have been settled at the last meeting of the Standing Labour Committee, it has a moral to convey which the Government will do well to take note of for the future. No doubt, it is the prerogative of the Government to appoint the chairman of a commission or a tribunal. But this prerogative is to be circumscribed by the caution which the Government has to exercise in such appointments. The persons selected for these jobs are to be such whose choice should inspire confidence in both the parties to the dispute; what is more important is that they should not have shown any pronounced leanings towards either the employers or the employees. Is it not possible to sound the parties to the dispute before an independent chairman of a tribunal or a commission is selected by the Government? It may be difficult to find such persons always and the Government may have to nominate a person on its own. But that should be done after full deliberations and not in a hasty manner as appears to have been the case in the selection of the Chairman of the Bonus Commission.

Bastar

RULER DEPOSED

THE GOVERNMENT'S withdrawal of recognition from the 31-year-old Maharaja Pravin Chandra Bhanj Deo, as the ruler of Bastar, has been long overdue. As early as 1952, Pravin Chandra's father, Maharaja Prafulla Chandra Bhanj Deo, an Opposition Member of the Rajya Sabha then, wrote to the Prime Minister requesting him to advise the President of India to withdraw recognition from his eldest son, Pravin Chandra, and confer the "gaddi" on his younger son, Yuvraj Vijaya Chandra, as the ruler of Bastar. The request was made by Pravin Chandra's father consequent upon his son's activities. His father then wrote: "All efforts to bring my eldest son back to reason and normal ways of life have been exhausted and I, as his father, have been most assiduous in my efforts in this direction."

Since the execution of the covenant of merger of the Bastar State with the Indian Union in January 1948, it appeared that Pravin Chandra had not reconciled himself to the merger of his State and reports have been pouring in that the Maharaja was leading a "life of depravity and indulging in very objectionable activities." It was also alleged that he was distributing money and appealing to the people in the Bastar district for their assistance in recovering his "gaddi." His estate was placed under the management of the Madhya Pradesh Court of Wards in June 1953, because Pravin Chandra was behaving in an "erratic and irresponsible manner" and was squandering his resources. Till the arrest of Pravin Chandra recently, the Government of India have been just tolerating his provocations and hoping for sanity to return to him ultimately. But tolerance on the part of the Government of India only made Pravin Chandra more and more audacious and indulge in highly objectionable statements and gestures. He went to the extent of saying in a series of press statements that he would raise the standard of rebellion if his State was not released from the Court of Wards and his so-called grievances not redressed. He also said that he would "consider the treaty of accession as a scrap of paper" and become the "arbitrary ruler of Bastar." No wonder that the Government had no other alternative but to take such a drastic step.

British Press

ODHAMS DEAL AND THE ROYAL COMMISSION

THE ANNOUNCEMENT of Mr. Macmillan, the British Prime Minister, following the proposed merger of the Odhams Press with Thompson Newspapers and the subsequent offer of Daily "Mirror" Newspapers for examination of the economic and financial factors affecting the production and sale of newspapers, magazines and other periodicals and to consider whether these factors tend to diminish the diversity of ownership and control is welcome. The public were shocked to learn that a national daily newspaper (the "News Chronicle") with a circulation exceeding a million, could not pay its way. This implies that the medium circulation newspapers are finding it hard to survive and it would be very difficult, if not impossible, for newcomers to enter the industry without heavy financial implications. And this hard reality is a matter of concern to everyone who believes in the freedom of information and opinion as a fundamental obligation of democracy. If the Odhams deal goes through, Mr. King would hold sway over the largest aggregation of press assets in the United King-

dom. The deal would have the effect of creating a situation approaching monopoly in the field of magazines and trade and technical journals.

The "Economist" rightly contends that the "King and Thompson bids are symptoms of the present state of press economics, of the relation that has developed between soaring costs and prices, between cut-price circulations and massive advertisement revenues, between restrictive (even Luddite) practices throughout the business and the built-in bias towards bigness as the only surety of survival." And the report of the Royal Commission, when ready, would be illuminating.

It may, however, be contended why the British Government did not intervene immediately and in a more direct manner to stop this deal. It is clear that the Government had no power to intervene in an individual transaction which is, in itself, legal. The Government could have avoided being a silent spectator to all this grand empire building, if it had a policy for mergers and monopolies and a policy for the press. It is hoped that the British Government would lay down definite policies regarding mergers and monopolies and a policy for the press, in light of the findings of the Royal Commission.

But something need to be done immediately to prevent building empires, whether for power, profit or sheer virtuosity. The "Economist's" suggestion that there ought to be a "round-table conference of newspaper proprietors, writers, journalists, printing workers and professional advertisers—all of them now in the same boat or pillory—with an independent chairman and the public represented perhaps by politicians" is a move in the right direction. If something comes out of it, well and good; if not, the whole issue will revert itself to Parliament and, perhaps, to the Court.



The World Abroad

THE ATTACK ON WORLD POVERTY

By ODYSSEUS

ANDREW SHONFIELD has, in "The Attack on World Poverty" (Chatto and Windus. London. 1960. 21s.), written a book of outstanding importance. In less than 250 pages, he achieves at least three feats, any one of which would have justified a book to itself. First, he assembles the facts of the diverse problems facing the developing countries of Asia, Africa, Central and South America, and discusses ways in which they could be helped to help themselves. Secondly, he outlines the problems of international investment, basing his exposition on a reasoned critique of the methods of the World Bank. Thirdly, he offers an analysis, magisterial in its clarity, of the functions and mutual relations of 19 leading United Nations bodies, which, directly or indirectly, are concerned with aid to the developing countries, namely, the UN General Assembly, the Economic and Social Council (ECOSOC), the Department of Economic and Social Affairs, the Technical Assistance Committee (TAC), the Technical Assistance Board (TAB), the Special Fund Proposed for Economic Development (SUNFED), the Food and Agricultural Office (FAO), the International Labour Office (ILO), the World Health Organisation (WHO), the UN Educational, Scientific and Cultural Organisation (UNESCO), the UN Technical Assistance Office (UNTAO), and the lending agencies, the International Bank for Reconstruction and Development (IBRD)—popularly known as the World Bank), the International Development Association (IDA), the International Finance Corporation (IFC), and the International Monetary Fund (IMF).

Mr. Shonfield realistically points out that there are countries in which effective use of foreign aid on a large scale is not feasible because of political obstacles. For example, those Latin American countries in which the budget is overloaded with the cost of masses of officials who owe their jobs to political patronage. When President Frondizi in the Argentine decided courageously to tackle the superfluity of civil servants in 1959, he ordered that all should be at their desks by 9 a.m. Chaos reigned. The several different holders of the same jobs all turned up to use simultaneously the desks at which they had been sitting in shifts. This revealed the magnitude of a problem common throughout Latin America. Again, most of these countries have to cope with a powerful military class. A government which defies the officers will end up by having to fight them or mobilise its own group to cow them.

On the other hand, Mr. Shonfield short-lists India, Mexico, and Brazil, as countries ready to use foreign aid on a scale that would speed up their rate of growth in the short term and achieve their complete economic independence in the longer.

TRADE AMONG THE UNDERDEVELOPED

After pointing out various difficulties that prevent an exporter of raw materials and primary products, like India, from substantially raising the volume of its exports to the West, Mr. Shonfield suggests that the developing countries could help their balances of payments by trading more among themselves. Much more food would be grown in the surplus agricultural area of S.-E. Asia if there were an assured market for it. But it only needs one good rice harvest for Burma to be faced with surplus stocks. With inadequate godowns, the rice rots, the price falls, and next season the peasant

grows less. India does not buy Burma's surplus because New Delhi is not ready to allocate its dwindling foreign exchange for additional rice imports. Mr. Shonfield urges that the solution is to encourage barter trade, where necessary. This offends the multilateral doctrines of the IMF, but Mr. Shonfield argues that these were intended to provide fair play rules for commercial contests between developed industrial countries. Should they be used to prevent the level of output and consumption in the developing countries from rising?

The export trades of Asia and Africa, originally developed by Europeans, are largely directed outwards by sea to Europe and America, where the markets for raw materials existed. Now, however, with the new Asian and African effort to diversify output, including the whole range of advanced industrial products in which the developing countries are bound to be at competitive disadvantage for some time, the need is to start trade moving in new directions. On grounds of economy alone, regional trading groups ought to appeal to the Western donors of aid. It would be cheaper to finance industrialisation if the new countries were, from the start, planned to reach the most efficient size by looking beyond their national markets. Apart from the waste of resources which goes on now because these nations do not exchange their surpluses with each other, there is the vast waste of setting up new high-cost industries in markets too small for them to pay their way. It is tragic to see Burma, for example, putting up a new steel plant which cannot be economic for years to come. The Burmese could concentrate their scanty resources on more urgent needs if they struck a bilateral bargain with India to barter steel for rice.

Mr. Shonfield concedes the danger that a series of competitive trade agreements reached between pairs of underdeveloped countries would produce more political quarrels than useful business. That is why the UN regional organisations, like ECLA and ECAFE, are important as expert co-ordinating bodies, and to provide a forum where inevitable trade wrangles can be sorted out with factual information. GATT has demonstrated how effective such a forum can be, in which nations have to justify their actions in public. But the first step is to get GATT to endorse new rules to suit the developing countries.

INVESTMENT RESOURCES

Turning to the problem of investment resources, we must recognise that there is a cleavage in outlook between the industrial West, in which, as a whole, the prestige of private enterprise continues steadily to rise, and the developing countries, particularly of Asia, in which the Socialist pattern remains predominant. This does have some effect in cooling the West's ardour to aid and to invest. On this, the Socialist Mr. Shonfield offers a valuable comment. He stresses how large-scale public investment in India stimulates private investment, which would not otherwise have occurred. It is, moreover, a commonplace in the industrialised countries that when a state enterprise goes in for a long-term programme of expansion, e.g., on the railways or on electrical power, this has repercussions on the profit expectations and investment of capital in the privately owned firms supplying state enterprises. And that, in turn, helps to stimulate more private investment elsewhere. "A clear and generous policy towards the un-

derdeveloped world, publicly undertaken, would," Mr. Shonfield rightly argues, "itself reduce the demands that have to be made on the public purse for carrying it out."

Mr. Shonfield next tackles the problems that arise when a developing country finds that the cost of paying the interest on its international loans is rising faster than its present export earnings. Is the solution the proposed Special United Nations Fund for Economic Development (SUNFED)? It has been suggested that SUNFED should be run by the 80 odd members of the UNO on the principle of equal votes. Many developing countries regard this as splendid because they believe that they would generally be able to swing a majority of the 80 votes. The basic difficulty is that the UN Assembly is a talking shop for letting off pent-up international steam. It has no executive organ capable of controlling a world development programme in the midst of rival national interests. Then, what about the World Bank? Mr. Shonfield argues that the World Bank is handicapped because, following Western experience, it holds sacred the principle that loans are legitimate only for capital investment and not for current consumption, which, it is argued, would amount to a loan to meet a balance of payments crisis caused by internal expansion. If this were conceded it would be impossible to resist unreasonable demands from wasteful governments.

The Bank's fears are understandable but Mr. Shonfield suggests that rigid insistence that loans can only be used to buy foreign capital goods must defeat development programmes. After all, particularly in Asia, the problem is how to find useful work for millions of under employed. Surely the solution is to put these millions to work on capital projects. That is, of course, what the Communist countries do. If you can use

forced labour, you can build new factories without foreign loans. Because India, and other free countries, reject forced labour, it is wrong, Mr. Shonfield plausibly asserts, to drive them to the opposite extreme in which they have incentives to use large amounts of foreign labour-saving equipment—since this is something on which World Bank loans can be spent—and so limit employment of the surplus of local workers. Nobody adds up the waste of keeping millions idle, producing nothing.

Mr. Shonfield urges the World Bank to get away from its preoccupation with machines. Except for big dam projects, agricultural investment in the developing countries barely figures in World Bank lending. Yet there is vast scope to increase the output of food if a small addition to the resources of peasants were applied in millions of agricultural holdings. The trouble is that what the peasant needs is not conventionally called "capital". Thus, it is all right to lend capital to India to finance fertilizer factories which will eventually raise agricultural output. But if it is suggested that, in the interval before the fertilizer plants are in action, New Delhi should borrow cash to buy fertilizer abroad, that is current consumption and does not qualify for a World Bank loan.

The planning authorities in the free Asian countries shrink from putting masses of peasants on to land drainage schemes during the agricultural off-season, because the workers have to be paid something extra, and that increases the demand for consumer goods, especially food. The planners fear to invest money in this way without additional supplies of consumer goods lest they upset the balance of supply and demand. Is not the solution for the World Bank to revise its vocabulary? A loan allocated to buy the extra consumer goods might be classified as "investment in people".

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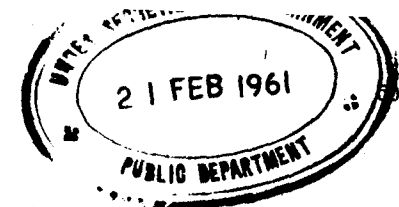
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*The European Scene***CONSUMER MARKET RESEARCH IN EUROPE—I**

From Our Special West European Correspondent

PARIS, February 13.

THE derivation of predictions from consumer market research is most advanced in certain Western countries that practise national planning. These countries are industrialised, which means that the economic problem is not dominated by the need to build up, virtually out of nothing, immensely expensive basic industries like steel and transport. They are substantially free economies, which means that the preferences of consumers play a part in determining the nature of economic activity. Yet they have a national plan, which means that forecasters of future demand have at their disposal an essential piece of information, missing in totally unplanned economies: an idea of the growth of the economy, and of the distribution of GNP increments between investment and consumption. One can see how important market research and consumption predictions are to them if one contrasts their situation with other economic systems.

In Russia, for instance, or any totally planned, un-free economy, nothing is less interesting than the present or future preferences of consumers. It is supremely indifferent to the Gosplan authorities whether Russians want private cars or might want them in five years' time, because it has already been decided that they are not going to get them. The only consumer demand that might concern the authorities would be one that could lead to political dissatisfaction, e.g., a shortage of necessities, or a vague general desire for a better standard of living, such as now exists in Russia; but one does not need market research to find out those things. On the contrary, consumer market research is absolutely vital in a totally free-enterprise economy, such as the USA, because consumer preference there is sovereign, and even determines the volume of investment. So almost every firm practises, more or less thoroughly, some sort of market study. Yet this is bound to be inefficient because, in the absence of any central control of the economy, essential information is lacking, and this makes consumption predictions extremely hazardous. There is no central decision about a desirable rate of growth, and no effective intervention with the relative volumes of consumption and investment. Thus, for all their market study at the level of the individual enterprise, the Americans today have a million unsold cars and steel mills working at 50 per cent capacity—which suggests that something went wrong with industry's predictions of demand.

This is no judgment on the US system of course. Most Americans would say they prefer to make huge errors about the likely evolution of demand, and retain a system that allows them to repair those errors at the cost of a mild recession. The present point is simply that consumer market study (whose main purpose is prediction) is better practised in mixed economies where there is some planning, but where planning is undertaken in the light of consumer preferences and their future evolution. Would India fall into that class? At first glance, one would say not. Increase and diversification of consumption are indeed the aims of the Indian plans (by contrast with Chinese plans, where harebrained ideas about "perfect communism," and military or foreign policy considerations have been at least as powerful). Yet, because of widespread poverty and naked want, the nature of consumption needs is thought to be too obvious to require any study. Clearly, say the planners, India needs more steel, and if a mar-

ket study shows that people are demanding other things, that is because they are making a mistake: they do not realise that supplies of those other things cannot be assured unless we have more Indian steel first. So it is assumed (sometimes too optimistically) that no likely increase in capacity will be left unused because consumer preferences have been neglected.

Yet the contrast is less marked than might appear between India's case and that of countries, such as Italy, France and some of their neighbours, where explicit market research is the foundation of national planning. Let us see how consumer study enters into their plans. It comes in at the very beginning, because private consumption absorbs about two-thirds of the national product, and that two-thirds largely (though not entirely) determines what happens to the rest: investments, foreign trade and public consumption. Moreover, private consumption takes place on the so-called free market (with all the qualifications about monopolies, taxes, etc., that "free" needs here). Finally, consumption is well above the subsistence level, so planners cannot decree that the nation "obviously" has to have this and that. In those circumstances, the planners—just to know what they are doing—have to start by appealing to market study to see how consumption is constituted and how it is tending if left to itself, i.e., what consumers would want if there were no plan. They accept this information, from the hands of the market analysts, as their data, what is "given."

Then, precisely because they are planners and not heads of free enterprises, they take certain political decisions which do NOT come from market study. These decisions concern the desirable and possible rate of growth; they are taken in concert with the chiefs of private industry and of State undertakings. The consumer is not consulted, once he has suggested, through market analysis, the general direction of economic growth. To attain the rate of growth considered optimal, the planners then decide the level of investment necessary. This part of the art is still pretty shaky, despite some learned bluff: no one can calculate exactly the volume of capital formation needed to produce a given percentage expansion, but fair approximations have been seen. At all events, this determination of the level and direction of investment is the crux of the plan; consumption appears in the plan as the residue.

In other words, the consumer fixes the drift of economic development by revealing to market analysts what he is likely to want more and less of in a few years. But how much he gets of what he wants is decided by the planners for whom consumption is just what is left over when the other parts of the national product have been put to the uses required to maintain a politically fixed rate of growth. Yet at that point, the planners have to call the market analysts back again because their plan has changed the data of the whole problem. The first time, they asked the market analysts what consumption was likely to do if left to itself. Once the plan is launched, consumption is not being left to itself, and in particular it will be revolutionised by the one purely political decision the planners took: the fixing of a desirable rate of growth. This means increased revenues, and that can cause significant changes in the nature of demand, which in turn require changes in the structure of the economy. How big each of those changes will be, will depend on what rate of growth is

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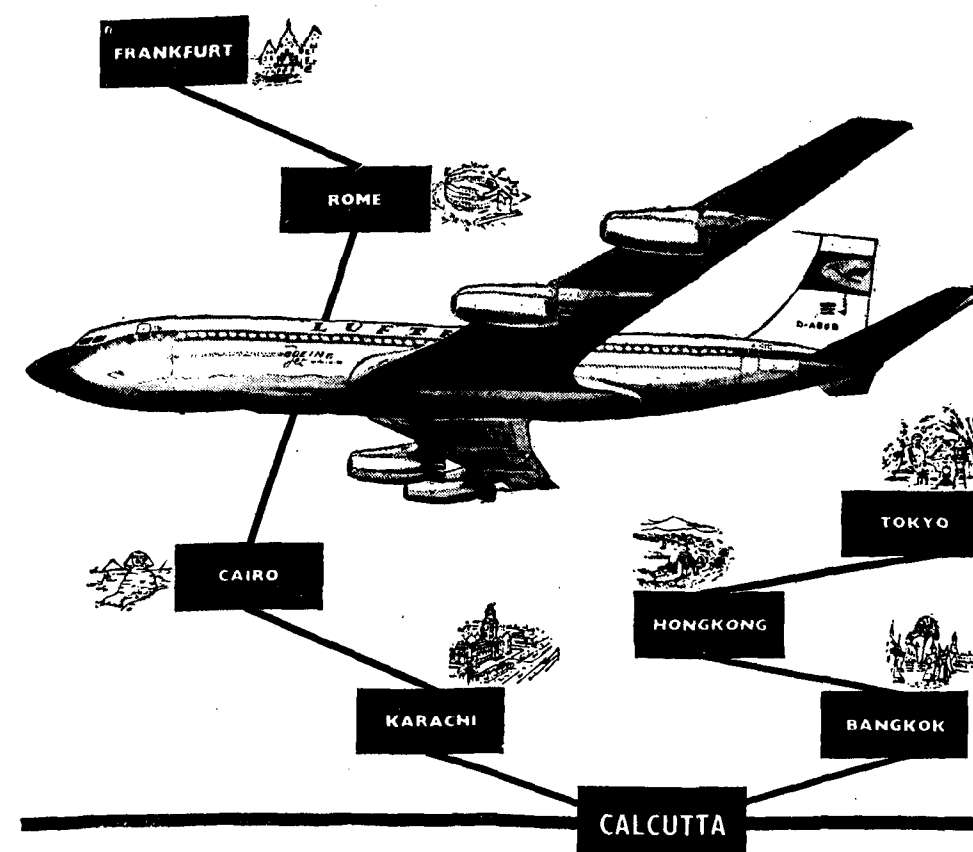
chosen and on how much that growth-rate leaves for consumption: a rate of 2 per cent can cause totally different consequences to a rate of 4.5 per cent.

At this point, it seems to me, the role of the Indian market analyst is just as important as that of the West European. Both are concerned with adjusting the economy to demand, unlike their Communist counterparts; and both have in hand data about the planned rate of expansion and about the share-out between investment and consumption, unlike their North American colleagues. The Indian market analyst indeed finds that some of the biggest decisions (such as how much steel, cement and fertiliser to produce) have been taken without consulting him, on "common-sense" grounds so called. Yet that puts him in no different a position to the West European analyst who is called in a second time to say what will happen to demand in its details, given the general size and direction of the plan.

The techniques that West European students of consumption trends use to answer that question will be outlined in a following article. What should be noticed first is that, in answering it, they can reveal political problems that the planners would not have thought of, and which in turn necessitate alterations in the plan. For example, the market studies on the Fourth French Plan, which like the Indian Third is to be started this year, were based on the assumption of an annual increase of 4.5 per cent in the domestic national pro-

duct. Using the methods to be described later, the market analysts calculated that this would lead, by 1965, to gross consumer demand 60 per cent higher than in 1954. Taking into account the concurrent rise in population, that meant a 52 per cent rise in living standards. But analysis of trends in consumption suggested that a 52 per cent rise in private consumption would cause only a 39 per cent rise in consumption of foodstuffs. Not only that, but the type of food demanded would change: less straight-from-the-farm products and more processed, tinned, bottled and prepared food. Consumers might spend 39 per cent more on food, but they would consume only 20 per cent more in volume. The payments to producers of raw foodstuffs would increase only by 30 per cent.

Now, those figures conceal a political problem that could become serious. They say that average French private spending will increase by 52 per cent, but farmers' gross revenues will rise by only 30 per cent. Obviously, the discrepancy between city-dwellers' incomes and peasants' incomes (or between their respective outlays) will be much greater still, so that unless the peasant population is drastically reduced (so that smaller farm revenues are shared among fewer farmers) the plan would lead straight to a jacquerie, a peasants' revolt. All the figures quoted might turn out to be wrong by 10 per cent, but the political warning of the market analysts would still be correct. There is more in market research than the figures.



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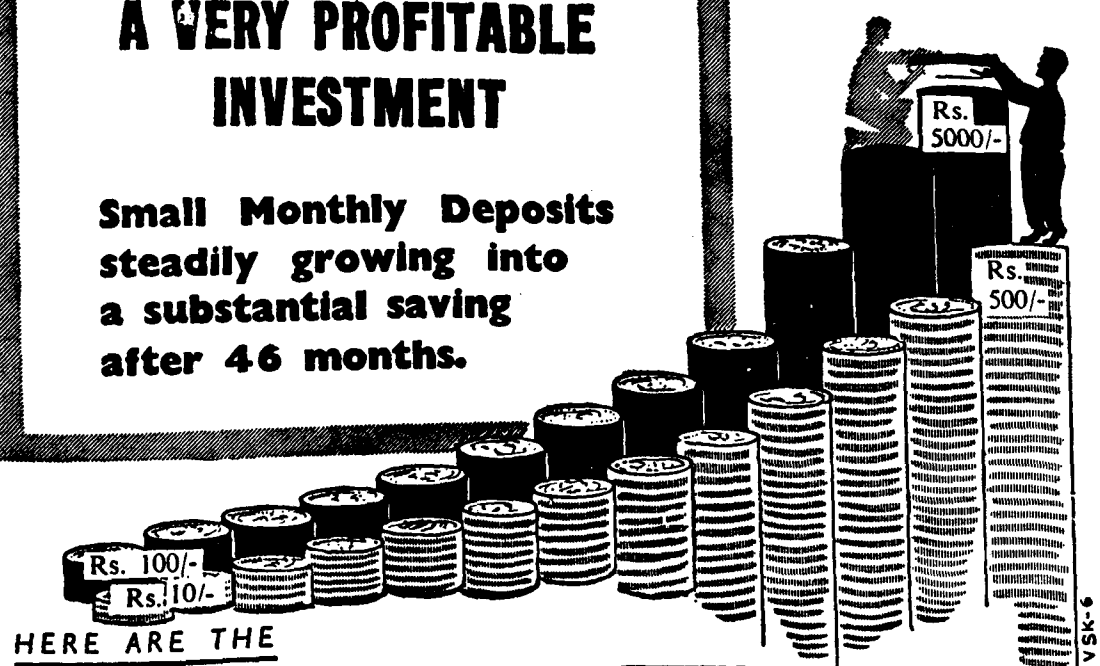
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Economic Report from the U.S.

BALANCE OF PAYMENTS PROBLEM

By GUY SIMS FITCH

WASHINGTON, Feb. 1.

PRESIDENT Kennedy's message to Congress on the U.S. balance of payments is in keeping with the general tenor of his approach to the nation's economic problems. The position of the United States is essentially sound, but important improvements can and should be made. Thus, the President has gone to some lengths to convey assurances that his administration will make every effort to overcome the U.S. balance of payments problem, and that the problem can be handled without resort to drastic action. In substance, this means a continued adherence to liberal trade, aid and investment policies, and emphasis on expanding exports and keeping open the channels of commerce rather than on restricting imports and resorting to protectionism or exchange controls. This basic approach is important not only to the United States, but clearly to all free nations. Moreover, since the U.S. dollar remains the chief support for world commerce and economic growth, it becomes especially important to take steps to strengthen the international position of the dollar. In so doing, the administration will in effect be supplementing its policies for strengthening the domestic US economy. For a dynamic US economy, with a flowing technology and productivity, will be able to turn out goods competitively priced in world markets, and perforce will help maintain the dollar's necessary strength. Emphasizing the soundness of the US position, the President has pointed out that throughout the post-war period the United States has run a substantial surplus on its trade account—that is, an excess of exports over imports. Last year's trade surplus, including both goods and services, reached a huge \$5,800 million.

But this trade surplus was more than counter balanced, as it has been generally during the past decade, by the continued large outflow of US funds to support the government's foreign economic and military programmes, and private industry's capital investments abroad. Last year, this outflow totalled some \$7,300 million. This difference of \$1,500 million, in the President's view, represents the basic deficit in the US balance of payments. To this was added last year, however, an outflow of about \$2,300 million of private funds, largely in response to higher interest rates and speculative inducements abroad. This brought the over-all 1960 payments deficit to \$3,800 million. Despite the speculative outburst in foreign markets, other countries kept the larger portion of this in dollars, while converting \$1,700 million into gold—underscoring, perhaps, continued confidence in the US economic and financial position. Movements of short-term funds, particularly of a speculative nature, come and go. To help bring potentially disruptive movements under better control, the President has instructed the State and Treasury Departments to co-operate with other nations in investigating ways of avoiding excessive short-term money flows in or out of the United States. It is to reducing and eliminating the basic deficit of \$1,500 million, then, that Mr. Kennedy has addressed the major burden of his balance of payments message. It is important to recognize, with the President, that his proposals are put forward against a background of basic strength rather than weakness. Not only is the US trade position strong, but US gold and monetary reserves are large, and so are the physical and monetary assets held by Americans throughout the world. For example, the US government now holds gold stocks of some \$17,500 million—about 2/5th of the entire free world reserves. It also has drawing rights as yet unused, of \$4,100 million in foreign exchange from the International Monetary Fund. Moreover, private US short-term assets abroad are estimated at \$4,500 million, while long-term foreign investments total about \$44,000

million. In addition, other countries still owe the United States some \$2,900 million long-term debt. From this recognition of basic US strength comes the conclusion that there is no need to change the price the US officially pays for gold, and the President has gone out of his way in his message to re-emphasize that the price will be maintained at \$35 an ounce. Nor is there a need to invoke exchange controls, nor to resort to trade protectionism, nor to diminish foreign economic assistance or security programme.

The maximum emphasis, therefore, is being placed on other, more constructive and more responsible, remedies. In this vein, the President has proposed a two-part programme, one short-term and one long-term to correct the basic balance of payments deficit. For the short-term, the President is suggesting such moves as international co-operation for strengthening international monetary institutions, drawings from the IMF in convertible currencies other than dollars, and special tax and interest rate measures to attract and hold dollar balances which might otherwise be converted to gold. He also means to continue the order forbidding the holding of gold abroad by Americans. For the long-term, the President has put forward a truly comprehensive programme, which has at its core three main elements: a further expansion of US exports, an increase in economic assistance to developing lands by other industrialized countries and a "harmonizing" of financial and economic policies of those industrialized countries that significantly influence world economic and payment trends.

In regard to exports, the President proposes that the US Export Bank widen its credit facilities to American exporters, that ways be considered for private institutions to take similar action, that the US government's commercial representatives and facilities abroad be increased, and that special attention be given the expansion of farm exports. He also has indicated that the United States will continue to press for removal of foreign restrictions that still exist against American exports, and will seek further tariff cuts by foreign countries. With regard to aid to developing lands, the President is not only proposing that other industrialized nations step up their assistance efforts, but also that the Senate approve USA membership in the Organization for Economic Co-operation and Development (OECD), through which Canada and Western European nations will join the United States in assisting developing countries. In other fields, the President recommends such steps as a reduction in the amount of goods returning American tourists may bring into the United States free of duty, review of US tax laws governing private investments, promotion of foreign travel to the United States, limitation on spending abroad by US military personnel, continuing emphasis on procurement of US goods under US aid programmes, encouragement of foreign capital exports to and investments in the United States, and a review of foreign spending by US government agencies to ascertain their impact on the balance of payments.

No one can say at this time what the effect of these Kennedy recommendations will be. It is noteworthy that the gold flow from the United States already seems to be subsiding, and both government and private groups are estimating that the 1961 balance of payments deficit, even under present conditions, will be cut from last year's \$3,800 million to \$2,000 million or less. To the extent that the Kennedy programme will contribute to a further reduction and an eventual elimination of this deficit, it will help correct what has been in recent years one of the world's persistent and disturbing problems—the balance of payments position of the United States.

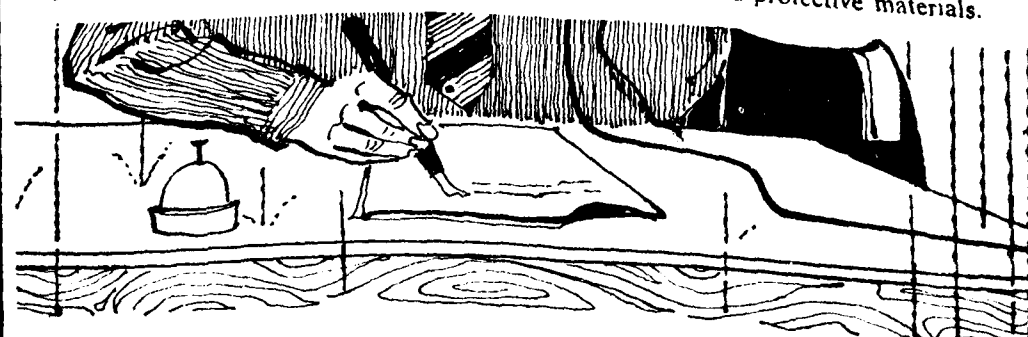
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WORLDGRAM

India

Atomic Energy: Since the formal inauguration of the Atomic Energy Establishment by the Prime Minister on January 20, 1957, a number of new facilities have been constructed and were formally inaugurated by the Prime Minister on January 16, 1961. These facilities are: (a) Uranium Metal Plant; (b) Fuel Element Fabrication Facility; (c) Zerlina—a zero energy reactor for lattice investigations and new assemblies for carrying out experiments on the physical properties of new reactor system using liquid moderators; and (d) Heavy Water Processing Plant, intended for reconcentrating down-graded heavy water used as moderator in CIR, Zerlina and any other heavy water reactor. In addition to this the Canada-India Reactor is one of the largest research and isotope producing reactors in the world.

Head Wrightson India Limited: To handle Head Wrightson's expanding interests in India, a new Company, Head Wrightson India Limited has been registered. With its administrative headquarters in Calcutta, this Company will be wholly-owned Subsidiary of Head Wrightson & Company Limited of Thornaby-on-Tees, England. It will act as a contracting company for the supply as far as possible from Indian sources, of various types of plant to the designs of the Parent Company. The fullest use will be made by the new Company of the rapidly growing manufacturing facilities in India, for the class of work concerned, both in the public and in the private sector.

This is a first step in strengthening Head Wrightson's participation in India's development; as a further move, it is hoped to incorporate a rupee Company within the next three years. Head Wrightson has maintained a close link with India for many years, and has been responsible for supplying much of the specialist equipment used in India's basic industries. The Company is at present playing a major part in the Durgapur Steelworks project, and are supplying all the ironmaking plant together with much ancillary equipment. The first Blast Furnace was blown-in in December, 1959, and the second of the three is now complete. The Chairman of Head Wrightson India Limited will be Mr. Peter Wrightson, who is also Vice-Chairman of Head Wrightson & Co. Ltd., and Mr. Vaughan Pendred has been appointed Managing Director.

India's Bauxite for Australia: The Australia Aluminium Production Commission has signed a long-term contract with the Bombay Mineral Supply Company (Private) Ltd. for the supply of bauxite to Bell Bay, Tasmania. The contract was negotiated through the State Trading Corporation of India and involves many thousands of tons of Saurashtra bauxite. Shipments under the contract are now going regularly to Australia. The Australian Aluminium Production Commission is the only producer of aluminium in Australia. The Commission imports bauxite for use in the combined alumina and reduction works at Bell Bay, which has an annual capacity of about 13,000 tons of aluminium metal.

U.S.S.R.

A New Maize Hybrid: Ukrainian selectionists have developed a new maize hybrid which they call "Odessa-27". The hybrid can yield 27 centners of

grain per hectare—eight to eleven centners more than other hybrids. It has been developed by crossing the plain sterile hybrid "Slava" with the "Voronezhskaya-76" variety. The new hybrid is resistant to spring temperature fluctuations. In the forest-steppe zone of the Republic it ripens approximately a week earlier than hybrids "Bukovinsky-3" and "V.I.R.-25" cultivated here earlier. The pollen of the female forms of the hybrid is sterile (it can be fertilized only with the pollen of the male forms), which obviates the work of removing tassels usually involved in the production of hybrid seeds.

Yugoslavia

Industrial Output: Yugoslav industrial enterprises increased last month output by over 12 per cent. According to preliminary figures, the greatest increase was achieved in the generation of electric power, in the production of oil, metallurgical and chemical products. Thermal power and hydro-electric power plants, which entered the new year with the record reserve of electricity, attained a high level of output in January. One of the biggest Yugoslav hydro-electric power plants—Jablatica—generated nearly 100 million Kwhs during last month alone, or one-sixth of the total planned output this year. By beginning exploitation at the biggest Yugoslav oil field, at Sustruzec, oil production in Croatia, where the biggest oil deposits in the country are located, has increased by 76 per cent.

Progress of Agriculture in Yugoslavia: Socialist farms in Yugoslavia, as reported, have so far made almost all the necessary preparations for spring sowing. They will have in the spring sowing campaign nearly 35,000 tractors, which is by about 5,000 more than at the beginning of 1960. In this connection it is pointed out that by the end of the Five-Year Plan agriculture is to produce annually about 5 million tons of wheat and rye, about 10 million tons of maize, as well as about 4 million tons of sugar beet and over 1 million tons of wheat. Thus the production of wheat would reach the level which fully meets the actual Yugoslav needs, while maize production would grow by 3.3 million tons as against the situation in 1959, sugar beet by 2 million tons, while wheat production will be doubled. This great increase in agricultural production would be chiefly realised thanks to the dominant influence of social production in agriculture in the course of the present Five-Year Plan. Thus it is expected that socialist farms and peasants in co-operation with them will produce about 70 per cent of the envisaged quantities of wheat, 75 per cent of maize, about 70 per cent of meat and over 50 per cent of milk. It is reckoned in this connection that public owned farms and various forms of co-operation will participate, in the overall value of agricultural production in 1965, with about 70 per cent, and in the market surpluses with as such as 90 per cent.

France

Economic Perspectives of Gabon: Of all the countries in the French Community, Gabon, along with the Ivory Coast, is the one with the best economic future. Despite its small population of 4 lakh inhabitants in an area of 2,80,000 sq. kilometers, it continues to prosper regularly. The output of Okoume, the principal resource



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of the country was 7 lakh tons in 1960, which is the same as in 1959 and 12 per cent more than in 1958. The agricultural outlook is equally favourable. The cocoa and coffee harvest were good, and the pepper crop is being expanded. In addition, mining prospects for the country are excellent.

Norway

Exceptional Increase in Norway's Production: Norway had an exceptionally big increase in her productivity in 1960, for the second consecutive year. It was 6.5 per cent over the previous year, according to tentative figures issued by the Statistical Bureau, which means an increase of 11 per cent in the gross national product during the last two years. This constitutes an annual average of 5.5 per cent compared with an annual increase of 3.4 per cent for the period 1950-58. An "Economic Survey" issued by the Statistical Bureau mentions two possible reasons for the extraordinary increase: the more favourable international economic trend, which secured a capacity production for most of the export industries, and a gradual but distinct change in the financial policy easing the brakes on demand. It is further assumed that the growth of hire-purchase transactions and the preparations made by business firms in expectation of the E.F.T.A., have contributed. On the other hand, consumption increased roughly as much as production, the figure for 1960 being 6%. This can only partly be explained by the increase in income which was a result of higher exports; it is thought that the altered financial policy is a contributing factor. Also, the fact that television services were officially opened in Norway in 1960, and the sale of motor vehicles was liberalised and finally completely derestricted during the year have probably helped to create higher consumption. H.P. credits went up by as much as £3,600,000 during the first 9 months compared with £2,400,000 in 1959. Investment increased by 10 per cent while export was 9 per cent up on the previous year.

Poland

7-million tons of steel in 1961: The metallurgical industry in Poland will produce more than 7 million tons of steel in 1961, six per cent higher than the production of the preceding year, according to the evaluation of the iron and steel industry in Poland. The production of the iron and steel industry in Poland. The production of coke will reach 11.5 million tons and rolled products 4.5 million tons. Nearly 4.7 thousand million zlotys have been earmarked for investments in this sector of industry.

Austria

Foreign Trade: The high level of Austria's export trade in 1960 was due largely to the vigorous upswing between the fall of 1959 and the spring of 1960. Although July-October exports were up by 15 per cent by value over the year before, expansion of foreign trade was not in line with the general strong upward trend of the economy during much of 1960.

Asia

Progress on Asian Highway Network: In 13 countries of the Continent plans are going forward, with the help of United Nations technical assistance experts and the United Nations Economic Commission for Asia and the Far East, for the eventual opening of an all-weather road linking Asia from one extreme of its vast expanse to the other. When completed, overland travel would be possible from Saigon and from Singapore to

Ankara and Istanbul and then westward to Europe. The project, which would reopen the ancient Caravan routes, will create in ECAFE region an overall international highway network of more than 3,000 miles. Besides stimulating trade the highway is expected to promote general travel and tourism. This is expected to further cultural and social contacts, and promote the economic advancement of the area. Recommended by the Commission's highway Sub-Committee in 1958, endorsed by the Commission itself in 1959, the project is being actively worked out by zonal meeting of expert working groups under ECAFE auspices.

IMF

Argentina's New Stand-by Arrangements with the IMF: The Government of Argentina has entered into a new stand-by arrangement with the International Monetary Fund which authorizes drawings up to \$100 million, over the next twelve months, in currencies held by the Fund. The Argentine Government also has arranged a re-scheduling of payments to the Fund of previous drawings amounting to \$142.5 million. Under the new schedule, repayments of drawings amounting to \$42.5 million, which were authorised by a stand-by agreement approved in December 1958, will be made by March 31, 1963, shortly after the three-year period initially agreed upon. All outstanding commitments under the stand-by arrangement approved in December 1959 are to be discharged by the beginning of November 1965, that is, five years from each purchase. A comprehensive stabilization programme was introduced in December 1958 and with the progress made, prices have now been stable for six months and the exchange rate for over a year. At the same time the country's gross monetary reserves have been built up again from about \$130 million at the outset of the programme to almost \$700 million today. Progress has been made in reducing the Government deficit and there will be no need to have resort to any inflationary methods of financing. Neither will the Government seek to obtain any balance of payments credits apart from the present stand-by arrangement with the Fund. This new arrangement is intended to assist the Argentine Government in continuing its stabilisation efforts, by providing currencies that may be used for the maintenance of an orderly exchange market. Drawings under the arrangement may prove unnecessary in view of the strong reserve position already attained and such further efforts as are being made.

World Bank

Loan for Costa Rica: The World Bank has made a loan equivalent to \$8.8 million for the expansion of electric generating and transmission facilities in Costa Rica. The loan will help to finance the construction of a 30,000 kw. hydroelectric plant on the Rio Macho, the installation of 9,000 kwts. of diesel generating capacity at Colima and Limon and the extension of the central transmission network. The new facilities will provide a 40 per cent increase in power generating capacity in the Central Zone, which contains a capital city of San Jose and is the area of greatest economic activity and of highest population density. The Bank of America and Grace National Bank of New York participated in the loan without the World Bank's guarantee, to the extent of \$1,20,000 representing the first maturity and part of the second maturity which fall due in May and November 1964. The loan is for a term of 25 years and bears an interest of 5½ per cent per annum, including the one per cent commission which is allocated to the Bank's special reserve. Amortization will begin May 1, 1964. The loan is guaranteed by the Republic of Costa Rica. Including the present loan, the Bank has totally lent \$17.3 million in Costa Rica.

NEWS IN BRIEF

INDIAN

As a measure of export promotion, the Government of India have decided to allow drawback of customs and central excise duty paid on raw materials used in the manufacture of zip fasteners, water coolers, laminated safety glass, mirrors, round spikes and all other types of spikes.

According to a report, the promotional activities of the Central Small Industries Organization were considerably stepped up in 1960. During the year, an intensive campaign for the development of small scale industries in backward areas of the countries was launched in all States.

The Union Ministry of Finance have accepted all the recommendations of the Pay Commission in regard to casual labour including that on payment of remuneration.

The Government of India had fixed October 31, 1960, as the last date by which applications could be filed by displaced persons for payment of their compensation in the form of U.P. Zamindari Abolition Bonds and U.P. Zamindari Abolition Rehabilitation Grant Bonds.

A total number of 95,744 houses for industrial workers was completed till September 30, 1960, since the inception of the subsidized industrial housing scheme in September, 1958. The number of houses sanctioned during the period was 132,512.

The Government of India have reconstituted the Advisory Boards for Harijan and Tribal Welfare, which advise the Centre on all matters relating to the Welfare of scheduled tribes and scheduled castes and development of tribal areas.

Total earnings of all railway, including non-Government railways amounted to Rs. 424.06 crores during the 1959-60. Of this, goods traffic accounted for Rs. 256.12 crores or 60.4 per cent, passenger traffic for Rs. 126.5 crores or 29.83 per cent and parcels, luggage and other miscellaneous sources of revenue for Rs. 41.44 crores or 9.77 per cent.

The unabated sharp rise in prices of raw jute and jute goods during the past two weeks is causing considerable concern to the authorities and it is reported the Government might take early steps to curb the upward trend.

The World Bank is understood to have agreed to provide the foreign exchange necessary for undertaking further studies about the Haldia river and the estuary in connection with the development of Haldia as a subsidiary port.

Investigation of important minerals like coal, copper, gypsum, limestone, chromite, magnesite and lead-zinc and renewed emphasis on systematic mapping of several areas in the country were some of the important features of the work done by the Geological Survey of India during 1959-60.

As on November 1, 1960, as many as 61,044 registered foreigners were reported to be resident in India. On December 1, 1959, their number was 55,653.

FOREIGN

Actual production of raw steel in the U.S. during the week ended February 6 totalled 1,492,000 net tons, according to the American Iron and Steel Institute. This was a 1.8 per cent increase over the 1,466,000 tons produced in the preceding week.

World cocoa production for the 1960-61 season may reach 1,166,000 long tons, according to the latest report by Gill and Duffus. This figure revises the Company's previous estimate upwards by 57,000 tons, and compares with a figure of 1,017,000 tons for the previous season and 889,000 tons for 1958-59.

The Chemical industry in Western Europe is increasing its share of the product of the manufacturing industries, which now exceeds 10 per cent. With a turnover in the chemical industry in 1959 of \$16,900m, the increase over 1958 was 11.5 per cent, the highest since 1954. Investment during 1959 remained at about same level as 1958—\$1,200m and \$1,300m.

Tanganyika has the beginnings of a sound infrastructure with good roads, air, communications, railways, telephones, declared M. Erich Missmer, leader of the Swiss Government's fact finding mission to Tanganyika.

The wool textile industry exports to more countries—150—than any other British industry. Mr. David G. Price, Secretary of the Wool Textile Export Corporation said recently that 1,200 firms, large and small exported all over the world—including Bulgaria, Tobago and Bahrain.

Australian wool export earnings during the first half of this financial year were £A153m. a drop of more than £A36m which reflected decline in exports to almost all the major wool buying countries.

Leading European tobacco manufacturers are to visit Southern Rhodesia soon to examine tobacco production and marketing. The Federal Information Department says the visits are being arranged by the Tobacco Export Promotion Council of Rhodesia and Nyasaland.

West Germany has published its \$999m. proposal to help the U.S. balance of payments. The sum consists almost entirely of money which the U.S. would get sooner or later in any case, although part of it would not normally be due before 1987.

The Banca Commerciale Italiana has announced that its business in Egypt will be taken over by the National Bank of Egypt and by agreement with the authorities its £E500,000 capital will subsequently be transferred to Italy.

In a report on rice published recently, the Food and Agriculture Organization of the United Nations reveals that production in the non-Communist world reached a new record level of 134m. tons in 1959-60, 4m. tons more than in the previous season.

After considering a number of other sites, notably in Norway, Shell has now decided to build its first Scandinavian refinery in Denmark, at the town of Frederica in Jutland. Work on the refinery, which will cost about £11m. and have an annual capacity of 2m. tons, will start late next year and refining would begin in 1965.



TODAY SUGAR MUST DISCOVER EXPORT MARKETS!

India is the home of sugar-cane. At the turn of this century, paradoxically, it was one of the poorest producers of sugar and among the largest importers of the commodity. As late as 1925-26 the country imported Rs. 15,83,36,000 worth of sugar. Today the country produces all the sugar it needs and more!

Behind this phenomenal achievement lies the massive effort of the sugar industry. Given the proper climate of operation, enough sugar can be produced to earn vitally-needed foreign exchange. To compete in the world market, it is necessary to produce cheap sugar which in turn depends on the price of sugar-cane. Today the cost of sugar-cane alone is more than the international price of sugar. Production of cheap cane is therefore a categorical imperative.

tion of cheap cane is therefore a categorical imperative.

Maharashtra Sugar Industry leads the way here. Its emerald green carpet of lush sugar-cane as if level cut by a master gardener is a feast to the eye. On the lands where surrounding agriculturists produce on an average 27 to 45 tons of sugar-cane per acre, 64.1 tons and 62.5 tons are average yields on the entire Godavari and Maharashtra sugar plantations. This is a heartening occurrence, with results on individual plots going above 90 tons. The results are phenomenal, particularly as they are achieved with maximum economy in the use of manures and water, ensuring the cheapness of the cane for world competition in export to earn foreign exchange for India.

For the sake of agricultural productivity



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Special Article

PATTERNS FOR BETTER PLANT UTILIZATION

By MORRIS J. SOLOMON*

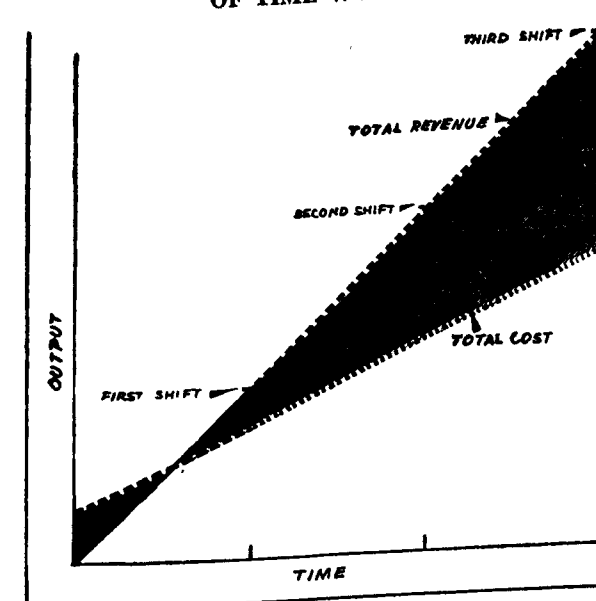
AN important limiting factor in Indian development is the paucity of capital and foreign exchange. To the extent that a given fixed plant can be made to yield greater output, India will be able to produce a larger total output without additional fixed assets and, perhaps, with a major contribution to employment. There is no doubt that borrowing technology from the more developed countries can hasten India's development, but because of a radical difference in the structure of costs, in many cases the optimum operating patterns for India are quite different than for countries like the United States, United Kingdom or Germany. This article outlines some approaches to obtain better plant utilization with a view to stimulating action.

The most straightforward method for increasing production with fixed plant is the use of more than one shift. Where overhead is large as it is typically under Indian conditions, multi-shift operation can be spectacularly profitable. This is illustrated in a "breakeven graph" projected on the basis of "realistic dimensions." The area between the revenue line and the cost line denotes the profits (screened area). Even where the productivity per man or machine is lower and (or) the price has to be reduced, the gain can be substantial. Multi-shift operation also can overcome a power shortage since in the odd hours the overall loads are lower. A further extension of the same operation is "staffing" so that the plant is operated seven days a week.

NEED FOR A NEW ASSESSMENT

In any complex process involving machines, material and men, one cannot hope to balance each factor perfectly. In actual practice, the Manager must choose between men waiting for machines or machines waiting for men. A very early treatment of one aspect of this problem was applied in Swedish Industry in connection with the optimum number of repairmen to service automatic machines. This treatment has become a classic solution in operations research. Analogous choices often exist with respect to other types of personnel. With Indian costs being what they are, far more waiting of personnel is justified and far less waiting by machines than in the more developed countries. India can afford to be "wasteful" of men, provided in doing

THE RATE OF RISE IN PROFITS AS AN ELEMENT OF TIME WORKED



so it utilizes more fully the resources limiting total production, namely foreign exchange and capital.

A good starting point in any investigation is the determination of the distribution of various "states of a system". The work sampling technique otherwise known as "snap readings" is an inexpensive and thorough means of determining how the time of men or machines is spent. Many Indian businessmen would be amazed to learn that one observer per shift can in two weeks' time tell them things about their operation that they could otherwise not dare to hope for. A snap reading survey of an operation can easily be carried out by the personnel attached to a plant under the guidance of any qualified statistician. Such guidance is readily available from various local Statistical Control Units of the Indian Statistical Institute. An actual example of a comprehensive analysis of machine time obtained from snap readings is given in Table I.

REDUCTION OF MACHING WAITING

It can be seen that the first four categories of time which involve actual work with or by the machine, involves about 60 per cent of the time. All the other categories are a form of waiting. The machine waits for feed, for the allocation of a job, for an operator, for material, for a setter, for a tool, for grinding, for inspection, for repairmen, for repair spares and for demand. Each type of waiting has its own remedies. Some remedies require a mere reorganisation, some require increased expense and still others require increased investment. Plant conditions described in Table I are such as to justify a substantial effort to capture a large part of the 41.1 per cent waiting of various kinds. With the analysis of Table I, Management can evaluate alternative remedial measures.

TABLE I
UTILIZATION AND CAUSES OF NON-UTILIZATION
OF 35 AUTOMATIC MACHINES

Status	Percentage of Total Time		Average of Both Shifts
	1st Shift	2nd Shift	
Machine Working	45.7	40.6	43.4
Actual Setting	6.0	3.7	4.4
Actual Resetting	5.3	12.3	8.6
Actual Repair & Maintenance	0.7	4.5	2.3
Total Actual Work on Machine	57.7	61.1	58.7
Waiting to be Loaded	3.2	0.4	1.9
Waiting for Job	1.1	2.5	1.9
Waiting for the Operator	1.4	3.3	2.3
Waiting for the Material	—	0.8	0.4
Waiting for Setter	4.6	1.3	3.1
Waiting for Setting-tool	—	0.4	0.2
Waiting for Setting Grinding	—	—	—
Waiting for Inspection after Setting	1.1	0.8	1.0
Waiting for Re-setting	11.4	4.6	8.2
Waiting for Resetting Tool	7.1	3.7	5.6
Waiting for Resetting Grinding	0.7	3.3	1.9
Waiting for Inspection after Re- setting	1.1	0.4	0.8
Waiting for Machine Repairmen	—	0.8	0.4
Waiting for Machine Repair Spares	7.5	3.8	5.8
Waiting for Demand	2.8	12.7	7.6
Total Waiting	42.0	38.8	41.1
	99.7	99.9	99.8

* Abbreviated from an address delivered by Morris J. Solomon to a group of Calcutta industrialists recently. Mr. Solomon is a TCM adviser at the Indian Statistical Institute.

STAGGERED LUNCH PERIODS AND USE OF RELIEF MEN

The world over, a man cannot work 8 hours a day without stopping. There is the inevitable lunch period of at least 40 minutes (defacto), and there is personal time. In addition, the demands of modern machinery are seldom in line with human capabilities. Industrial workers, therefore, do take "unofficial" rest periods.

The estimated distribution of time of an Indian machine shop given in Table II is felt to be quite typical of conditions in Indian Industrial enterprises. Categories 8A to 8H (40.7 per cent) represent time in which the machine is waiting for the operator. The approach that is taken in the more developed countries is to try to cut down on such time by pressures of various kinds with only moderate success. In India it is quite economical to eliminate such waiting by resort to more intensive staffing. Instead of one man per machine one can have 3 men assigned to two machines with a mandate for (and payment contingent on) keeping the machine going without any stopping for personal reasons. In the case of the Indian machine shop analysed in Table II, if 30 per cent out of 40.7 per cent were to be used for production, the resulting output would represent a 50 per cent increase in total output. It is very likely that such an increase could be obtained through a 50 per cent increase in men.

TABLE II.

UTILIZATION AND CAUSES OF NON-UTILIZATION OF INDIAN MACHINE SHOP EXPRESSED IN PERCENTAGES OF TOTAL TIME OF SHIFT

No.	Status	Percentage of Time
1.	Machine Working	39.5
2.	Setting	11.9
3.	Breakdown Repair	.8
4.	Gauging the Product	2.5
5.	Planned to be Idle	.4
6.	Waiting for Instructions	.7
7.	Taking Instructions	.9
7A.	Worker gone for Tool Grinding	.8
7B.	Worker gone to Bring Material	.6
7C.	Worker gone to Bring Tools	.5
7D.	Changing the Job	.3
8A.	Lunch	5.9
8B.	Operator Absent	.5
8C.	Worker not Engaged	3.8
8D.	Worker gone to Canteen	1.8
8E.	Worker gone to Toilet	.4
8F.	Worker out—Cause Unknown	18.6
8G.	Work not started or stopped before scheduled time	5.5
8H.	Work completed but new work not started	4.2
9.	Miscellaneous	.4
TOTAL		100.0

An obstacle to the successful implementation of more intensive staffing is the common condition of over-staffing in Indian enterprises that yield no benefit whatsoever. Needless to say, where such a condition exists, the first step is to attempt to convert that part of the staff which is not being used, to a utilization which permits the enterprise to increase production.

The process of intensive staffing does pose some problems which require recognition and suitable action. Where it is not possible to keep each person's output separate, one still wants to be able to maintain res-

pensibility for results. In that case machine responsibility for quality and volume of output must be extended to a wider group. This implies that responsibility and incentives must be on a group basis. In actual practice it will be advantageous to form teams of say 3 men for 2 machines rather than larger groups. Even for small groups where machines are different, personnel should be able to handle more than one of the machines. In many situations this is hardly a problem. In other situations special arrangements will be necessary.

In any particular situation, one can expect difficulties and hurdles to be overcome. Such hurdles can be overcome by adopting suitable organisational changes and incentives. The profitable use of more intensive staffing is a challenge to the skill of management. One thing is certain. The most difficult hurdles are not technical; they are social and psychological which are most difficult to overcome.

The gain from increased "staffing" per machine becomes especially profitable if it can be combined with a speed up of pace of labour with provision of for rest periods.

SPEED-UP OF PACE OF LABOUR AND REST PERIODS

Particularly for machine processes that have a close dependence on operator action (especially hand feeding) the pace of an operator can vary considerably, depending on the physical condition of the operator and the length of time the operator is expected to work without a break. In general, just as a person can run at a faster rate if he is permitted to rest at frequent intervals, so it is often possible for an operator to work at a faster pace if he has a rest period. This suggests that if the more intensive staffing for staggered lunch periods and relief for personal time can be combined with speedup of pace, with provision for suitable rest periods, then gains can be especially worthwhile. For example, if a 20 per cent gain in working time achieved by working in lunch periods and personal time is combined with a 20 per cent increase in pace, the net gain in production would be 44 per cent.

MORE INTENSIVE USE OF MACHINES

Conversations with industrial executives indicate that where the imports of machine tools are limited there is a tendency to run at speeds which minimize tool wear per unit of product. Such a tendency can obviously lead to a situation where to save the import of one per cent of the import value of the machine, one is forced to permit the import of the full value of machine. This is clearly wasteful. How widespread such a phenomenon is can only be determined by an empirical study.

There is a common complaint that Indian manufacturers cannot obtain specialized services that are usually available in the more developed countries. Often the solution adopted by the individual enterprise is to gear up to provide the service for itself despite the fact that its own demand can keep the equipment only partially occupied. Once having obtained the equipment, the enterprise loses interest in the lack of availability of service. A starting point to remedy this would be a census of equipment by availability for some important geographic centres. Based on the per cent utilization and the disposition of the individual firms, resort can be had to the promotion of subcontracting in lieu of obtaining more machines or of spinning equipment to satellite enterprises. It would be desirable to try such an approach in a restricted locality. In the long run the government should be in the position to foster subcontracting through its licensing powers.

THE BUSINESS WORLD

The Investment Centre in New Delhi

FORMAL inauguration of the Indian Investment Centre took place at Sapru House in New Delhi on Thursday. Mr. G. L. Mehta, Chairman of the Governing Body of the Centre, explained in detail the basic reasons for setting up the Centre. Tracing the history of foreign private capital investment in India during 1956-58, he came to the conclusion that the Indian Union had not succeeded in attracting a sufficiently large quantum of private capital from abroad.

He said, "In the private sector, during the three calendar years 1956-58, the gross inflow of private capital amounted to Rs. 83 crores; this was composed of Rs. 38.8 crores of retained earnings of foreign firms already operating in India, Rs. 31.4 crores of non-cash inflow and Rs. 12.8 crores of cash inflow. The loans from the World Bank amounted to Rs. 69.4 crores. Gross inflow in the private sector during this period, therefore, amounted to Rs. 152.4 crores, i.e. an average annual rate of Rs. 51 crores. If the outflow of Rs. 39.8 crores on account of repatriation of capital is excluded, the net inflow in the private sector amounted to Rs. 112.6 crores roughly showing an annual rate of Rs. 38 crores. This is comparable to the net inflow of private capital of Rs. 16 crores during the biennial period of 1954-55 though the increase in the latter period was to a large extent due to increased World Bank loans. There is no doubt that in the two subsequent years 1959-60, there would be a significant increase in the net inflow of private capital. It would, however, appear that compared to the substantial amounts of borrowings from foreign governments and international institutions in the past three or four years, the volume of foreign private investment in this country has been small."

The fault lay with this country because India's rapid industrial advancement during the last decade had not been sufficiently publicised abroad. While India's political and financial stability was widely recognised in foreign countries, there was very little knowledge about opportunities of profitable investment in this country. The Indian Investment Centre was coming into being at a time when India's ambitious Third Plan, leaning heavily on projects which could not be completed without foreign collaboration, was under great stress due to the paucity of foreign exchange.

Mr. Mehta laid special stress on the fact that the Indian Union offered considerable advantages as compared to many other countries in Asia or Latin America.

There was a great urgency about making this fact widely known. Because of the pressure, political and otherwise, from many countries on the available capital from the advanced countries, India's case was likely to go by default if corrective action was not taken in time. The Investment Centre is expected to act as a catalytic agent between the Indian entrepreneurs and the foreign investors. In addition to promoting wider knowledge and understanding in the capital exporting centres of the world pertaining to conditions, laws, policies and procedures regarding investment and investment opportunities in this country, the Centre would also assist the industrialists on all matters relating to the participation of foreign private capital.

The foreign investor is interested, to a very large degree, in information on the following subjects:

- governmental, fiscal and industrial policies;
- general economic conditions with particular reference to industrial growth and profitability; and
- trends in money and capital market.

The Centre proposes to provide all this information and to assist the industrialists on specific investment projects in such a way that all the essential details leading to the "prospectus stage" are made available. The Indian Industrialist stands to benefit to a very large extent because he is very much handicapped in the presentation of necessary facts and figures in a manner which will interest the foreign collaborator. The Centre proposes to have on its staff technical and qualified personnel for the processing of the project reports. The Technical Co-operation Mission of the United States has promised all technical help for this purpose. An agreement has already been entered into between the Governments of the United States and the Indian Union under which the US technical co-operation has agreed to make available 7,80,000 dollars to cover the foreign exchange expenditure on contract services, training facilities and equipment. Another sum of Rs. 22 lakhs has been provided out of the PL 480 funds to meet the local expenses during the first two years of the Centre's operations. It is hoped that under the able guidance of Mr. G. L. Mehta, the Chairman of the Governing Body, and Mr. R. S. Bhatt, the Executive Director, (who was till recently a member of the Tariff Commission), the Investment Centre will fill a major gap in India's outfit for encouraging the inflow of foreign capital.

What Form Public Enterprise?

By CROESUS

IT was a brilliant idea, once again, of the trustees of the Sir Dorabji Tata Foundation to have invited Lord Morrison (more widely known as Mr. Herbert Morrison of British Labour Party) to deliver the second series of the Dorab Tata Memorial Lectures. Lord Morrison gave three lectures, but two of them covered nearly the same ground, more or less. In a way, this was just as well, because the points made were better understood, and, in any case, at a time when there is such a glaring absence of clear thinking, if not utter confusion of thought, on the subject-matter of these two lectures, the public could afford to bear a little repetition of at least the more im-

portant of these points. One of these that simply fascinated me was a sort of 'obiter dictum' which emanated from the distinguished Labour Peer on possible alternatives to socialisation—economic planning or economic controls. It was clear from what he said that, although he did not rule them out altogether, he was in favour of them only as remedies to an abnormal situation, in the sense that he regarded it possible to do with very little of them or even without them. To quote his own words, "So economic planning and control is legitimate, but we should not engage in these things merely for the fun of it. There is no need to apply controls to

everything. Otherwise, they can become irritants instead of a help to the economy. If overdone, they could choke desirable initiative and constitute an improper interference with freedom, including that of the small businesses. Economic direction for the mere sake of it is a mistake and is liable to represent an irritant and to encourage excessive bureaucracy." It is not that others, more especially, our own leaders, have not said this before, but we suffer from the strange complex of listening to, or accepting, the advice of eminent outsiders sooner than we are prepared to do so in the case of our own countrymen, however eminent, experienced or elderly.

Public corporations is obviously the answer that the practical Britishers have hit upon, after their customary muddling through with more than one form of public or social ownership, such as post-office, municipal trading, voluntary consumers co-operatives, etc. As Lord Morrison observed, the earlier socialist conception of public ownership assumed that all socialised industry would or could be run by State departments, but as the Labour Party began to enter more complicated services and more commercial businesses and came to be confronted with difficulties, doubts arose as to whether civil service administration was the straight and only available answer. The genesis of public corporations perhaps lies in the resolution of such doubts by combining the principle of public ownership with business management. Obviously, the long-familiar system of running certain government departments on the lines of commercial undertakings in our own country must have preceded the public corporations in Britain also.

Now for something about how public corporations are worked, according to Lord Morrison. "The ownership of the undertakings decided upon is vested in the boards of public corporations—boards appointed by the appropriate Minister on grounds of capacity and ability in a number of directions. The board is, so to speak, responsible to the nation. It is responsible for the day-to-day management, though, on matters of wider policy, it is competent for the Minister to give a decision by a general direction. It is, of course, natural for the Minister and the board to keep in touch with each other for discussions from time to time."

More important than their functioning, I feel, is the degree and nature of accountability to Parliament of these public corporations, an aspect which figured prominently in our own country at the time of the Mundhra enquiry or the LIC episode. This aspect has evoked considerable controversy in the UK also and

the eminent Labour Lord did not lose the opportunity of having a dig at the apparent inconsistency of the Conservative attitude to this question, by recalling the discussions on his Parliamentary Bill for London Transport—"The Conservative Party stated that there was too much 'Minister' in the Bill and painted an alarming, though unfair, picture of interference in this business undertaking by a politician," he complained, and went on to point out that, when the Labour Government's public corporations started to function, the Conservatives were themselves persuading their Government to interfere with the public corporations by means of questions in Parliament. Hence the insoluble argument—Lord Morrison rightly described it as "the Parliamentary Dilemma"—that, if you make a board responsible for the day-to-day management of any undertaking, you cannot have Ministers constantly trying to interfere with the undertaking, though they have certain powers of general direction. In this connection, the Labour Lord referred to "one amusing and sometimes annoying feature of all parliaments, namely, that they do not feel themselves obliged to be logical. They want to have the best of both worlds. Parliament, indeed, has tended to underestimate the opportunities for questions and debates which it has. Everything a Minister does or can do about public corporations are matters for parliamentary questioning and debate. So the parliamentary opportunities as to the boards and the constitution of their councils are considerable. There is the appointment of the boards, raising of capital, and a large number of other things. These matters can be raised by means of parliamentary questions. The opportunities for debate are quite extensive. For example, on the Queen's speech, on motions for the adjournment, on supply days, on bills promoted by public corporations relating to their work and on the annual reports and accounts which the corporations must send to the Minister for presentation to Parliament. Later, there was established a House of Commons Select Committee on nationalised industries—which the Trade Union Congress and I feared would be a nuisance—but it has done better than might have been anticipated."

Lord Morrison's summing up was admirable. He said: "As a whole, the public corporations have been worthwhile.... These enterprises are great and, I hope, successful experiments in public ownership, but we must all have minds which are adaptable about their structure and management. We must not get into a state of mental fixation." Wise words these, words which our politicians will do well to bear in mind.

more correctly, that politicians should leave the trade unions severely alone.

The success or failure of unions, as Lord Morrison said, depends upon the factor of employment and unemployment. "If employment is high, it is easier for the unions to win some concessions. If unemployment is high, it is not only hard for the unions to earn concessions; the reverse may happen and they tend to lose members. So the unions have their ups and downs." The earlier unions tended to be unions of skilled workers or craft unions, but, subsequently—in the 1880's—unions began to enlist un-skilled workers also. Indeed, separate unions of these came to be established, as, for example, the Dock Wharf, Riverside and General Workers' Union and the Gas Workers' Union and so on.

Lord Morrison felt that the idea of a general strike had been talked about in the Labour movement for years and had to be tried out before its effectiveness could be demonstrated. It was significant to know from him that, in reality, when the Trade Union Congress had got the idea of a general strike, it did not know what to do with it! More or less an identical situation

Business Notes

Trade Unionism

THE BANE OF POLITICS

IN ADDITION to the three lectures that the Rt. Hon. Lord Morrison of Lambeth delivered in the second series of the Dorab Tata Memorial Lectures, he also spoke of the "British Trade Unionism" under the auspices of the Tata Institute of Social Sciences, in Bombay, last week. There was much in what this distinguished Labour Peer said to provide food for thought to our labour leaders. Tracing the long story of British Trade Unionism from its inception to the present day, Lord Morrison observed, for instance, that a general strike with political implications was questionable and the government of the day was almost bound to resist it. There were striking points of similarity between the British general strike of 1926, which he recalled, and the Government Employees' so-called General Strike in our country last year, and the severe loss of face the latter occasioned to the political party supporting it. It is high time that political parties in India recognised that trade unions should eschew politics or, perhaps, to put it

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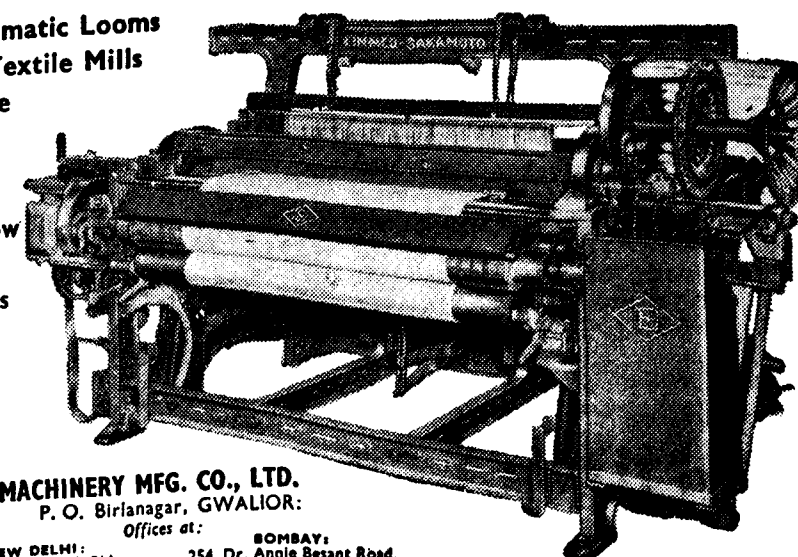
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may be said to have developed in India last year, when the second line of leadership of the political party that started the strike was called upon to take a decision whether to call off the strike or to continue it. But, whereas the labour leaders in the UK came to regard it as a mistake eventually and are today frankly doubtful as to whether such a thing would be allowed to happen again, unless it were against a "coup d'etat" by a possible military or other dictatorship when it would be justified, no such sobering thought would appear to have received any serious attention by our labour leaders here.

Speaking specifically on trade unions vis-a-vis politics, Lord Morrison said the bulk of the British trade unions were associated with the Labour Party in politics and casting important votes at its annual conferences. Even so, he went on to say, the trade unions were still independent and made separate pronouncements both on industrial and public policies. Also, what is perhaps no less important, the Labour Party in the U.K. too does not seek to interfere in the day-to-day activities of these unions, as our politicians are only too apt to do, even on the slightest pretext. In this respect, our trade unions seem to have derived their inspiration more from the Communist trade unions in Britain, who unabashedly endeavour to impose their own political domination over the unions and their industrial policy. Lord Morrison left no doubt in the mind of any of his large audience that political leadership of the unions of this kind was most undesirable and usually undemocratic. He firmly maintained that trade unions should be run by the trade unionists themselves.

Steel**DURGAPUR'S SECOND BLAST FURNACE**

THE COMMISSIONING on February 2, of the second blast furnace of the Durgapur Steelworks by Sardar Swaran Singh, marks an important landmark in the Indian steel industry. Now, in addition to two blast furnaces (the first having been commissioned at the end of 1959), two coke oven batteries, three open hearth furnaces and the blooming and billet mills are in operation. The Durgapur Steel Plant with its three blast furnaces, eight steel-making open hearth furnaces and rolling mills, when fully in operation, is expected to produce 7.9 lakh tons of finished steel products. In terms of ingot steel the annual production would be around 1 million tons a year. During the Third Five-Year Plan period the production

capacity is proposed to be raised to 1.6 million tons.

The work on the third blast furnace of the plant has already been taken in hand. The Union Minister was hopeful that the whole project would be completed according to schedule. This, indeed, is not an easy matter, considering the number of difficulties the project had to face. The appreciation, the Union Minister expressed, for the full co-operation offered by the British associates of the project, appears quite appropriate. The Durgapur Steel Works, in a way, is the symbol of foreign assistance in the form of capital goods and know-how that advanced nations are advancing to the developing countries.

NIEMAN FOUNDATION FOR JOURNALISM

THE NIEMAN FOUNDATION for Journalism at Harvard University, USA, is again giving a Fellowship this year to an Indian journalist who has the following qualifications: (1) a minimum of three years' experience as a working journalist; (2) the written consent of his employer for leave of absence for the college year, namely September 1961 to June 1962; (3) fluency in English, both speaking and writing and (4) a maximum age of 40 years.

Since 1955 the Asia Foundation in the USA has co-operated with the Nieman Foundation in offering Associate Fellowships to journalists from Asian countries. All departments of Harvard University will be open to the Fellows who may select their own studies and pursue them through courses or in more informal ways. A selected candidate will receive an allowance of \$100 a week during the 43 weeks he will reside at the University, in addition to a round trip air tourist fare and some additional allowances for incidental expenses. As Associates, the Asian Fellows will have all the privileges that are granted to regular Fellows.

The University offers no courses in journalism, but Nieman Fellows will be encouraged to study subjects that will form the background of public affairs, such as history, government, economics and foreign policy, or work in such special fields as science and labour.

Applications for the Associate Fellowship, which will commence in September this year, should be sent to the Chairman, Nieman Committee for India, c/o the Indian International Centre, 16, Hailey Road, New Delhi-1. Application forms may be obtained from the office of the Committee at the above address and must reach the office not later than 31st March, 1961.

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FROM THE CAPITAL'S CORRIDORS

ECAFE SESSION

PROBLEMS of economic development of Asia and the Far-East and the possibilities of fostering intra-regional co-operation, particularly in trade, transport and industrial matters, are likely to highlight the discussions at the next session of the Economic Commission for Asia and the Far-East. The session starts here on March 8 and will continue for two weeks; it will be inaugurated by Prime Minister Nehru.

The most important item on the agenda, it is understood, is the exploring of possibilities to establish some sort of common market for Asia. The Commission's Secretariat, it is learnt, is in touch with various Governments in this region ascertaining their views on the scope for greater co-operation in trade matters. The Commission at its forthcoming meeting is expected to discuss specific measures which can be undertaken to bring about greater regional or sub-regional trade integration. Some of the measures proposed are co-operation in enforcement of customs regulations, agreements on transit facilities, drawing up of an ECAFE Code for customs practices, promotion of exchanges and training of staff, development of commercial arbitration facilities and organisation of international trade fairs.

The second important topic for discussion would be the development of transport facilities in this area. Special attention is likely to be drawn to the problem of co-ordination of road, rail and water transport in order to make effective use of the limited resources for full economic development of the region. Proposals will be sought on appropriate methods of financing highway projects, ensuring of highway safety, dredging of inland waterways and designing of prototype coasting vessels. In regard to railway transport, discussions will revolve around economic and operational aspects of railway signalling in relation to speed safety and increase in line capacity, welding of rails, maintenance and laying of long welded track, provision of research facilities, training of railway personnel, possibilities of introducing container transport and development of international railway traffic.

Possibilities and problems of international and regional co-operation in embarking upon joint industrial ventures will also be discussed. Among other subjects that may be dealt with are promotion of tourist traffic in this region, contribution of rural community development programmes to the national economic development, agricultural planning in various countries and provision of technical and financial assistance.

The Indian delegation to the ECAFE session will be led by Mr Nityanand Kanungo, the Union Minister for Commerce.

BARBARA WARD ON INDIA'S THIRD PLAN

Not a little interest has been created in Delhi by Barbara Ward Jackson's article on "India on the Eve of Its Third Plan" in the January (1961) issue of 'Foreign Affairs.' Barbara Ward is an agreeable commentator, because she is known to possess not merely deep knowledge, but also because of her friendliness towards India, but also because of her objective, fearless, and direct manner of both appreciating successes and criticising Indian failures. The fact that she is looked upon as an equally objective critic in both Europe and North America makes her analysis, assessment both powerful and helpful. Her analysis, which is to the effect that India at the present time greatly resembles Western Europe in 1947, is one which needs to be accepted abroad. Barbara Ward makes the vital point that like Europe in 1947, India today has not the capacity to produce in the short period enough to sustain her balance of payments; the essential features of the present-day Indian economy and Western Europe of 1947 are the same—lack of control over raw materials and capital needed for further advance. In other words, that potential development tends to be arrested

ed in India when a payments shortage presides over all other shortages. More precisely Barbara Ward's views have been presented in two paragraphs which are reproduced below:

"In short, India in 1961 resembles in some measure the nations of Western Europe in 1947. At that time, most of them had made a most strenuous attempt to drag themselves up from the pit of wartime destruction. Their farmers, their workers, their managers had accomplished a vast effort to convert war industry back to peacetime uses and to restore war-ravaged agriculture to full production. But over one factor they had no control. The raw materials, the food, the capital they needed for further advance were available only in North America; but their dollar reserves had been run down to almost nothing and they still lacked the goods to export to North America in return for its supplies. Such was the deadlock from which they were rescued only by the vision and foresight of the Marshall Plan.

"Today, in its relation to the whole Atlantic world, India stands caught in something of the same contradiction. Years of effort have set its economy in motion as never before, but for further expansion the essential component of foreign exchange is simply not available. It neither can be earned by exports nor imported by means of normal commercial loans. The whole momentum of the first thrust of growth is thus at stake and turns upon an obstacle which cannot be hurdled from the Indian side. Only the Western powers have the means at this stage to see to it that the obstacle does not force the Indian experiment to full stop."

UTILISATION OF YUGOSLAV CREDIT

Talks have started between the 32-member Yugoslav Delegation, which arrived here last week, and the representatives of the Government of India on utilization of the 40 million dollar credit offered by Yugoslavia for India's economic development under the Third Five-Year Plan. After a general discussion on the sectors in which the two countries could collaborate, various joint committees were set up to make a detailed examination of the proposals put forth by the Government of India for utilisation of this credit. Some of these committees will examine Yugoslav participation in power projects (to be executed both in the public and the private sectors), shipping, fisheries, setting up of food processing units, manufacture of equipment for steel industry and provision of machinery for oil prospecting and exploitation. One of the joint committees will consider the possibilities of Yugoslav collaboration with Indian private sector industries, especially soda ash, caustic soda, coal washing, foundry/forging equipment making and copper processing industries. A sum of Rs. 5 crores out of this loan is likely to be earmarked for development of shipping.

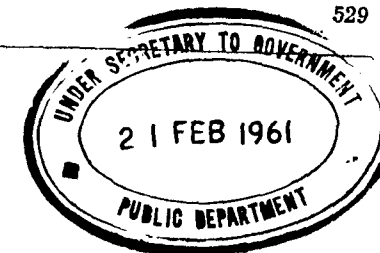
There is also a proposal to utilize part of the Yugoslav credit for setting up three training institutes—one to train technicians for the leather industry and the other two to train workers for food and metal processing industries.

Side by side with the talks on utilization of Yugoslav credit, negotiations have started to increase the trade between the two countries. Two committees have been set up to study the possibilities of expansion of trade between India and Yugoslavia and the allied subject of banking.

Talks will be resumed after March 8 when the Yugoslav delegation, which leaves New Delhi on Saturday on a tour of the important industrial centres in the country, including Bombay, Bangalore, Madras and Calcutta, reassembles here.

JAPANESE MANAGEMENT ASSOCIATION TEAM

An eight-man team from the Japanese Management Association (Keizei Doyukai) arrived here on Saturday

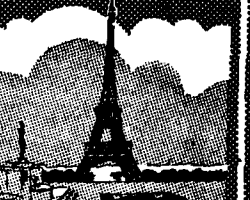




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last. The team's visit to India is part of its plan to study the economic conditions in South-East Asia, with a view to look into the climate for Japanese investment in these countries.

Mr. Yasuhara Takaki of the Fuji Bank, an important member of the team, has observed that his bank is particularly interested in joint economic enterprises, especially in the field of mineral development. Collaboration in this field is preferred because Japan imports large quantities of iron ore and other mineral products from India.

Mr. Takaki is of the opinion that in view of the tremendous rate of economic progress attained by India during the last few years, Japanese entrepreneurs ought to invest more in this country. They are quite likely to find in India a congenial climate for investment. The Government of India, he said, should also provide some more facilities to foreign investors.

MOVEMENT OF COAL

Mr. Karnail Singh, Chairman of the Railway Board, said at a Press Conference last week that the railways are at present moving coal, outside the steel sector, at the rate of 42 million tons per annum. The movement of coal to the steel plants is at the rate of 7.5 million tons per year.

The railways, he said, had fulfilled their Second Plan target in regard to coal movement which was fixed at 41 million tons outside the steel sector. The target fixed for movement of coal to steel plants was 10 million tons. The capacity released due to shortfall in coal supplies to steel plants, consequent upon the delay in their completion, has been utilised for movement of coal for other uses. This explains movement of extra one million tons of coal in the non-steel sector. The railways, Mr. Karnail Singh observed, had achieved this target despite many difficulties such as loss of movement capacity during the Central Government employees' strike and unprecedented floods in the last monsoon season in various parts of the country, especially in Orissa, West Bengal, Punjab and Uttar Pradesh.

The accumulation of coal stocks at pitheads in some collieries, particularly in the Singareni coalfields, had been due to the fact that at some of these places a round-the-clock loading on all the seven days in a week, as urged by the railways, had not been resorted to.

COAL DUMPS

Four States—Uttar Pradesh, Punjab, Bihar and Orissa—are understood to have accepted the principle of establishing coal dumps in their areas as a means of relieving coal movement bottlenecks. Proposals from some other States have also been received by the Railway Board. They are said to be under consideration. The Government of India, it is understood, is also considering the possibility of increasing coal movement by sea though shipment of coal by sea costs about Rs. 25 per ton more than by railways. Railways are already moving about one million tons of coal by sea for their requirements in the South.

INCREASED ALLOCATION FOR LAYING RAILWAY LINES LIKELY

The possibility of increased allocation for construction of new railway lines, particularly in the South, during the Third Five-Year Plan period was hinted at by the Railway Minister, Mr. Jagjivan Ram, in his Budget speech on Wednesday.

Giving broad indications of the Railways' Third Plan, he told the Lok Sabha that the tentative allotment for new lines was Rs. 120 crores which would provide for approximately 1160 miles. Out of this, about 200 miles would be required for development of

new coalfields and industries. Another 50 miles would be needed to serve the proposed port at Haldia in the Eastern region. The balance would relate mostly to constructions essential for railways' operational needs. The tentative provision, Mr. Jagjivan Ram said, was being reviewed by the Railway Ministry in consultation with the Planning Commission.

ELECTRIFICATION OF RAILWAYS

The Railway Minister also disclosed that tenders had been invited for erection of overhead equipment needed for electrification of Sealdah-Ranaghat and Dum Dum-Bongaon sections of the Eastern Railway. Civil engineering work, he added, was in progress on Sealdah South sections. On the Igatpuri-Bhusaval section, this work had been completed. The work on Madras-Tambaram-Villupuram section, he stated, would be speeded up now that the decision had been taken to electrify this section on the 25 K.V. A.C. system, for which technical details were being finalised.

Mr. Jagjivan Ram further said that against an electrification programme of over 1400 miles, about 500 miles in the Eastern region on routes serving the coal and steel belts, would be substantially completed in the Second Plan. The sections Rajkharswar-Dangoopogi and Asansol-Gomoh had already been commissioned. The sections Durgapur-Asansol, Gomoh-Gaya and Asansol-Sini-Tatanagar-Rourkela were expected to be energised in stages by June next. Works on electrification of the sections Gaya-Moghulserai and Tatanagar-Kharagpur were also progressing, the Minister observed.

SURATGARH FARM

The Central Mechanised Farm at Suratgarh, established in 1956 with Russian aid, has made substantial progress during the past 2½ years. Total yield from this 30,670 acre farm was 1,47,084 maunds in 1958-59. It increased to 2,04,726 maunds in 1959-60 and is likely to go up further to about 3,16,710 maunds during the current agriculture year. Area under cultivation has gone up from 14,154 acres in 1958-59 to 25,017 acres in the current crop year.

A more encouraging fact about the operations at this farm, however, is that the yield per acre has shown considerable rise. The increase in unit area yield of kharif crops is spectacular indeed; against an output of 3.84 maunds per acre in 1957-58, the yield of kharif crops during the current year has been of the order of 18.95 maunds. The yield of rabi crop has nearly doubled as is evident from the following table:

SURATGARH FARM OUTPUT

Crop/Year	Area Sown (Acres)	Total Yield (Maunds)	Yield Per Acre (In maunds)
Kharif			
1956-57	..	..	..
1957-58	..	1,864	7,157
1958-59	..	2,923	20,249
1959-60	..	6,990	66,249
1960-61	..	6,054	114,710*
Rabi			
1956-57	..	2,993	20,790
1957-58	..	2,483	10,928
1958-59	..	11,231	126,835
1959-60	..	15,843	138,477
1960-61	..	18,963	202,000*
Total Harvest			
1956-57	..	2,993	20,790
1957-58	..	4,347	18,085
1958-59	..	14,154	147,084
1959-60	..	22,833	204,726
1960-61	..	25,017	316,710*

* Estimated.

The unit area yields at Suratgarh today compare very favourably with the all-India figures which are 5.09 maunds and 6.45 maunds per acre for the kharif and rabi food crops (excluding rice) respectively.

It is gratifying to note that a modern workshop is now ready at the farm to undertake all kinds of machinery overhaul and repair jobs; arrangements, it is understood, have been completed for obtaining regular supplies of spare parts for the machinery from the Soviet Union. Manufacture of some spares at the workshop has also been started.

To inculcate in the workers employed on the farm a feeling of partnership in the project, an incentive awards scheme has been introduced since the last kharif season. Tentative norms for different operations, both manual and mechanical, have been laid down and brought to the notice of the workers. With the availability of perennial water supplies from the Rajasthan Canal in the near future, Suratgarh farm, thus, can be expected to make further strides in the years to come.

The total investment on the farm till now has been approximately Rs. 1.45 crores. After allowing for depreciation of machinery and interest on capital employed, in accordance with the accounting principles laid down in consultation with the Director of Commercial Audit, Accountant General, Rajasthan, and the Union Ministry of Finance, the farm is understood to have shown profit all along except in 1957-58.

INDUSTRIAL HOUSING

Nearly 95,744 houses for industrial workers had been completed during the eight years to September 30, 1960, under the Industrial Housing Scheme, against 1,32,512 sanctioned. About 42,181 houses were completed during the First Plan period and the remaining during the first

four years of the Second Plan. The bulk of the houses (79,833) were constructed in the State sector. Private employers built 14,485 houses and co-operative societies 1,426 houses.

The Central Government disbursed Rs. 29.48 crores as aid to State Governments and other constructing agencies between September, 1952, and March, 1960. For the current financial year, a provision of Rs. 8.82 crores has been made for Central assistance in this regard.

RURAL HOUSING

According to the latest information available here, over 9,300 houses have been completed or are under construction under the Village Housing Scheme. In addition, the selection and survey of villages, drawing up of lay-out plans and preparation of model designs and specifications for rural houses have been taken in hand. Of the 3,560 villages selected out of 5,000 scheduled to be covered during the Second Five-Year Plan, socio-economic surveys have been completed in 1,770 and physical surveys in 1,630. Lay-out plans have been drawn up for 1,400 villages.

Rural housing cells, with necessary engineering personnel, have been set up in Andhra Pradesh, Bihar, Kerala, Madras, Maharashtra, Mysore, Madhya Pradesh, Orissa, Punjab, Rajasthan, Uttar Pradesh, West Bengal and Assam.

The Central allocation for the rural housing programme during the Second Five-Year Plan amounts to Rs. 48.5 million, of which about Rs. 46 million are likely to be spent by the States by March, 1961.

The Village Housing Scheme provides for grant of house-building loans to villagers up to 66-2/3 per cent of the cost of the house, subject to a minimum of Rs. 2,000 per house. The loan is repayable over a period not exceeding 20 years.

STEEL manufacture at MUKAND

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Profits retained in business to date	25	35	45	
Profit for the year	19	30	32	
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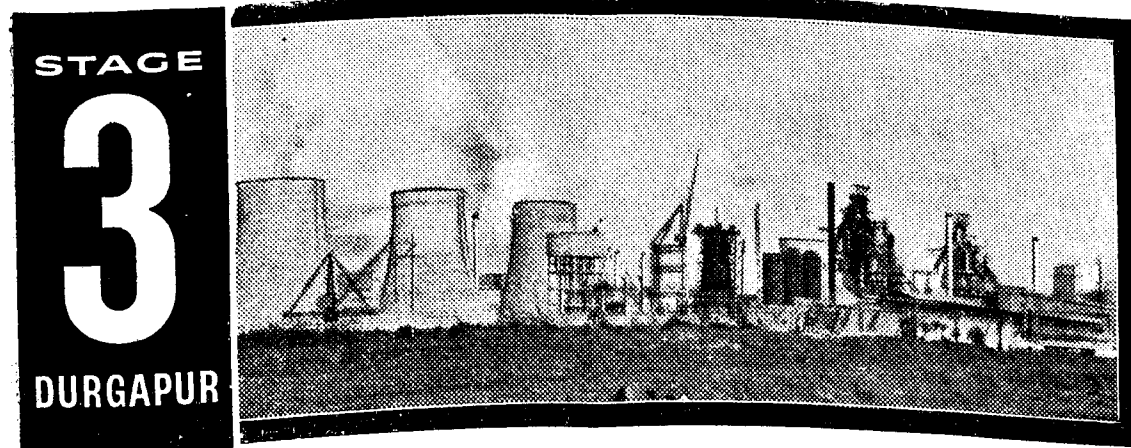
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COMPANY AFFAIRS

BHARAT SUGAR: HIGHER PROFITS

Certain incentives were announced by the Government of India to encourage increased production of sugar. These incentives to the sugar factories were in the shape of a concession of 31 nP per maund of cane crushed up to November 21, 1959, if crushing was started on or before November 10, 1959 and a rebate of 50 per cent of the basic excise duty on production during the season 1959-60 in excess of the average production of the season 1957-58 and 1958-59. The Directors of Bharat Sugar Mills Ltd. have indicated in the annual report of the Company for the year to June 30, 1960 that a rebate of Rs 55,896 was granted for early start of crushing. The excess production amounted to about 70,600 maunds. The company was allotted an export quota of about 190 tons of sugar from the production of the season 1959-60 against a quota of about 46 tons from the production of the previous season.

During the year under review the factory worked for 163 days and crushed 24.99 lakh maunds of sugar cane against working of 125 days and crushing of 18.75 lakh maunds in the previous year. The recovery was, however, lower at 9.93 per cent against 10.15 per cent in the previous year. The lower recovery which was in common with the other sugar mills in Bihar was due to early start of crushing and longer duration of the season. During the current season a crushing of about 27.50 lakh maunds of sugar cane is expected. The Company's farms yielded 58,102 maunds of sugar cane as against 47,123 maunds of sugar cane during the previous year. The average yield of sugar cane per acre was better.

The working results for the year under review show a higher profit of Rs 8.42 lakhs, as compared to Rs 6.74 lakh last year. Provisions have been made for depreciation and taxation to the extent of Rs. 1.05 lakhs and Rs. 4.85 lakhs respectively. The Directors have recommended the payment of dividend, subject to deduction of tax under Income-tax Act, on ordinary shares of Rs. 10 each at the rate of Rs. 1.50 per share. The Directors have reported that in view of the recent changes brought about by the Finance Acts, 1959 and 1960 in the matter of deduction of tax on dividends the Company declared and paid dividend for the year ended June 30, 1959 on 5,000 five per cent Taxable Preference Shares at the rate of 5 per cent without deduction of tax paid by the Company on its profits. Since then, the Preference Shares (Regulation of Dividend) Act, 1960 has been passed. The Directors, however have recommended that the rights attached to 5,000 five per cent Taxable Preference Shares should be so modified as to entitle them for a dividend of 5 per cent without deduction of tax on Company's account but subject to deduction of tax at rates prescribed under the Income-tax Act.

LAXMI STARCH PLANS FOR EXPANSION

The Laxmi Starch Factory Ltd. worked regularly all the shifts during the year to March 31, 1960, but it recorded a fall in the turnover from Rs. 65.32 lakhs during 1958-59 to Rs. 51.33 lakhs during the year under review. This adverse record is mainly attributed to the unfavourable market conditions that prevailed abroad with the result that the off-take by way of exports was maintained by the Company at a lower level. The Company, however, made quite promising efforts for internal trade. The gross profits during the year were recorded at Rs. 5.27 lakhs. After making appropriations for depreciation and taxation there remained a net profit of Rs. 2.23 lakhs. The Directors have recommended the payment of a dividend at the rate of 13 per cent subject to deduction of tax on ordinary shares of Rs. 100 each which will absorb Rs. 1.63 lakhs. A sum of Rs. 1 lakh is being transferred to general reserve. The autho-

rised capital of the company was increased from Rs. 35 lakhs to Rs. 50 lakhs vide special resolution. This step was considered necessary by the directors to meet the company's requirements of funds for the expansion programme. The company also secured a sanction for the scheme to amalgamate Narayan Silk Mills Ltd. with the Company. After the expansion programme has been carried through the Company is likely to record better results.

WAVERLEY JUTE

Waverley Jute Mills Co. Ltd., which was closed down in June 1957, sold its loom hours to other mills within the McLeod Group during the year to May 31, 1960, has shown a net profit of Rs. 2.52 lakhs after providing Rs. 50,000 for deteriorated stores, Rs. 1.05 lakhs for depreciation and Rs. 2.50 lakhs for taxation. The Directors have proposed the payment of dividend for the year, subject to deduction of tax on ordinary shares at the rate of 30 nP. per share which absorbs Rs. 75,000. After paying dividend on preference shares a sum of Rs. 1.94 lakhs is carried forward.

COMMODITY NEWS AND NOTES

RICE PRODUCTION - COMMONWEALTH ECONOMIC COMMITTEE REPORT

Rice (paddy) production in India in 1960-61 is estimated at about 45,500,000 tons—substantially higher than the previous record output in 1958-59—according to the Commonwealth Economic Committee's Rice Bulletin issued in London on January 31. Preliminary production estimates for Thailand and Formosa also show increases over last season's crop, while in Burma a slight fall is indicated. Thailand expects a crop of more than 7,340,000 tons—some 200,000 tons more than in 1959-60, with improved quality. Burma's crop is estimated at 6,770,000 tons. Dealing with exports, the report says: "Trade in rice in 1960, so far reported, has been substantially greater than a year earlier. Shipments from Thailand and Burma in January-November were considerably higher than in 1959, although the level of exports from both countries has fallen in recent months. Cambodian exports in the first 10 months of the year were two-thirds higher than a year earlier, despite a sharp fall in October, while those from South Viet-Nam in January-September were nearly double those in the first nine months of 1959." Burma's exports in October fell to 81,000 tons, the lowest monthly figure for 1960. No shipments were made to India, and there was a sharp drop in those to Indonesia. For the January-October period, India had imported 325,000 tons of rice from Burma, while the Ceylon figure was 213,000 tons. The United States, says the report, also has a larger harvest, with a final crop estimate of 2,430,000 tons. Exports showed a marked recovery in October, rising to 83,900 tons.

ARECANUT DEVELOPMENT

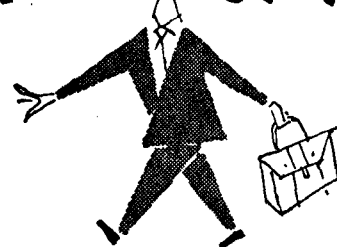
The Twelfth Annual General Meeting of the Indian Central Arecanut Committee was held at Madras on 21st January, 1961, under the Chairmanship of Mr. V. Shanker, Special Secretary to the Government of India, Ministry of Food and Agriculture. The Committee reviewed the progress achieved towards arecanut development during the Second Five-Year Plan and noted that most of the major arecanut growing States had achieved the target of production of quality seedlings for revitalising the existing gardens and extending the area under arecanut. It felt that there was more urgent need for intensifying measures to step up production and suggested that the Central Supervisory Body constituted for reviewing the progress of developmental schemes should critically examine the facilities required for increasing production. It also felt that there was further need for accelerating the development programme in some of the States and also reiterated that special allocation of fertilizers would augment production. The Committee laid primary emphasis on intensive cultivation but extensive cultivation could be resorted to wherever it was necessary to achieve the target of additional production. The Committee also decided that the Arecanut Journal which was being published in English, Malayalam and Kannada languages could in future be released in Bengali, Assamese and Marathi languages also.

The progress reports of the Central and Regional Arecanut Research Stations were considered by the Committee and while recording the reports it reiterated the urgent need of intensifying researches on agronomical and disease problems. For providing some immediate relief from diseases, the Committee suggested that suitable exploratory demonstration plots, where package treatments consisting of liming, spraying, manuring and irrigation be laid out in Kerala and Mysore regions. As there was urgent need to intensify fundamental researches on some of the diseases of arecanut and coconut the Committee proposed development of a National Palm Disease Investigation Institute with financial assistance from National and International organisations to control the diseases of arecanut, coconut and other allied crops. The Committee

also urged upon the State Governments to stock large quantities of fungicides at suitable centres for effecting supplies in proper time. The Committee noted with satisfaction the progress achieved in preservation and storage of nuts and decided to undertake field trials. It also decided that the lending manufacturers of hard board and wrapper paper should be contracted to undertake trials on utilisation of husk individually and in combination with other materials for production of hard boards and wrapper paper. Since the Marketing Survey conducted by the Agricultural Marketing Adviser to the Government of India contained many useful information, the Committee desired that the report be circulated to the States for their critical study. The Committee had sanctioned financial assistance to number of co-operative marketing societies in the States of Kerala, Mysore, Maharashtra and Madras and the progress recorded in these societies was found to be satisfactory. The Committee urged upon the State Government of Assam that similar work could be intensified in the State of Assam and it approved the scheme sponsored by the Assam Government for the establishment of co-operative marketing societies dealing in arecanut. It also reiterated that co-operative marketing societies could take up the supply of fertilizers, fungicides and sprayers required for arecanut growers in a more intensive manner. The Committee reviewed the progress achieved in the Pilot Survey scheme for assessing the area under and production of arecanut in the States of Kerala, Mysore, Assam, Madras, Maharashtra, Andhra Pradesh and Orissa and approved their extension for 3 years during the Third Plan period.

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BOOK REVIEWS

GOVERNMENT ACCOUNTS AND AUDIT

Indian Governmental System of Accounts and Audit:
By P. C. Das Gupta, M.A., F.C.A. (England),
Indian Audit and Accounts Service (Retd.),
Chartered Accountant. Published by the In-
dian Institute of Public Opinion Ltd., Leslie
House, 19-A, Chowringhee Road, Calcutta-13.
Price Rs. 7.25. Pp. 171.

MR. P. C. Das Gupta speaks as one having authority. He was Deputy Auditor-General of the Government of India and one of the country's most distinguished public accountants. He is also a Chartered Accountant and was head of the Cost Accounts Section of the Ministry of Finance fifteen years ago. The book is written "for the students, not for the scholars" so that the manner of writing is descriptive, but the analysis covers the entire field of Government accounting, from the Budget to the accounts of Government commercial undertakings.

The work is a brief narration of the origin of Governmental accounts in India and an analysis of the powers and duties of the authorities specified in the Constitution. Considerable space is given to the Budget, its framing and the checks on expenditure. The manner in which allocations are made from the Contingency Fund, demands for grants, supplementary grants, votes on account, votes of credit are all described in detail. A separate chapter has been allotted to the Comptroller and Auditor General and an analysis has been made of the full scope of his powers vis-a-vis the powers of the Accountants-General of the Central Revenue and Post and Telegraphs, and the Accountants-General of the States.

Most of the subsequent analysis is devoted to the accounts of individual organisations. The Reserve Bank's role has been discussed right from its constitution to the manner in which it acts as a banker to the Government with specific reference to the arrange-

ments between the Reserve Bank and the Union and State Governments. Railway Reserve Funds are discussed at length with a detailed and interesting analytical description of Railway accounts. Mention is made of the manner in which Railway stores and workshops are treated as "capital suspense." The consolidation of accounts of the various Railway units comes in for particular discussion. A separate chapter is devoted to Public Works Department accounts and two chapters set out separately the accounting procedures evolved in the Defence services and in Government commercial undertakings.

This book has been written for the student, but the valuable material it contains will prove of use and interest even to those who are well-acquainted with the accounting profession. Mr. Das Gupta has filled a very real gap in accounting literature.

STATISTICAL TABLES

Kapoor's Interest Calculator: By L. Hari Das Kapoor.
Published by Messrs. H. P. J. Kapoor, Delhi: Pp.
190: Price Rs. 8.

THIS interest calculator has run into its 16th edition and has been well-known throughout northern India for more than five decades. The first issue was published at Lahore in 1906. Since then, considerable improvements have been made and the present publication has already become widely popular in banking, insurance, factories, mills and other commercial circles because of its intrinsic merits. In addition to the usual tables for calculating interest on products valued at Rs. 1 lakh to Rs. 99 lakhs and at rates rising gradually by $\frac{1}{4}$ per cent, the present volume also includes tables on metric weights and measures, seven new rates including $3\frac{1}{4}$ per cent and $3\frac{3}{4}$ per cent per annum, valuable information about Stamp Duty, current yield on Government securities and stocks and regular range of calculation for 1 day to 29 days.



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Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Food articles & Tobacco	Liquor and Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures			All Commo- dities
						Inter- mediate Products	Finished Products	Total	
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55	..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.6	117.1
November	1959	121.4	104.6	117.4	122.5	116.1	111.0	111.7	118.3
December	"	118.2	103.7	117.0	127.2	118.0	112.6	113.4	117.9
January	1960	117.5	100.9	116.8	130.9	121.6	115.1	116.0	118.8
November	1960	120.2	116.8	120.1	148.0	131.6	124.7	125.7	126.0
December	"	117.2	112.1	120.3	149.6	132.3	125.0	126.0	124.8
January	1961	116.4	111.2	120.2	154.6	113.9	126.6	127.6	125.6
7-1-1961	..	116.2	110.9	120.3	152.5	133.4	126.0	127.0	125.0
14-1-1961	..	116.1	110.9	120.2	153.8	133.8	126.3	127.5	125.2
21-1-1961	..	116.6	111.2	120.2	155.8	135.0	126.5	127.7	125.9
28-1-1961	..	116.5	111.6	120.2	156.4	133.5	127.8	128.6	126.2

*Revised.

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

Period	Bombay		Delhi		Ben- gal		U.P.		Central Provinces		Madras	E.P.	Bihar
	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	—	106	—	—	—	—
1954	342	359	244	138	327	408	373	139	341	148	140	138	138
1955	322	338	218	130	321	371	364	133	321	134	135	132	132
1956	336	352	244	142	347	424	397	151	358	152	146	145	145
1957	352	368	259	150	364	448	422	162	374	157	157	152	152
1958	376	394	274	150	384	468	447	165	401	157	169	161	161
1959	393	412	309	158	384	469	498	163	429	166	173*	168*	168*
1960	401*	420*	—	158*	397*	476*	512*	—	462*	—	—	—	—
1960 April	402	421	288	155	392	463	511	165*	446	162	163*	168	168
May	402	421	295*	153	396	461	510	165*	452	166	163*	170	170
June	403	422	297*	154	399	460	510	165*	462	167	164*	171	171
July	404	423	299*	160	406	484*	515	165*	467	169	164*	174	174
August	402	421	302*	160	410	484*	515	163	470	169	168*	174	174
September	399	418	—	161	403	489	520	163	472	167	168*	173*	173*
October	402	421	—	162	396	488	517	163	477	171	164*	174*	174*
November	404	423	—	159	392	489	509	163	484*	171	168*	173*	173*
December	400	419	—	160	385	478*	507	—	488*	—	—	—	—
1961 January	—	—	—	—	—	—	—	—	470*	—	—	—	—

ase 1944=100. *Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)
WEEK ENDED

	3-2-1961			27-1-1961			20-1-1961			13-1-1961		
	High	Low	Aver- age	High	Low	Aver- age	High	Low	Aver- age	High	Low	Aver- age
(per 10 grams)	121.65	119.85	120.82	121.20	119.35	120.65	118.55	116.05	117.04	117.25	115.75	116.55
(per kilogram)	209.25	206.90	207.96	208.60	204.40	206.91	204.60	201.05	202.59	202.05	197.95	200.13

RESERVE BANK OF INDIA
ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES					ASSETS				
	Notes in Circulation	Notes Held in Bank- ing Dept.	Total Notes Issued (a)	Gold Coin & Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percent- age of (a)	Rupee Coin	Rupee Securities	Total Assets
1955-56*	1,339.39	17.08	1,356.47	40.02	656.52	696.53	51.35	106.87	553.06	1,356.47
1956-57*	1,475.77	18.75	1,494.52	40.02 (117.76)	454.61	585.63 (663.37)	39.95 (44.37)	115.93	755.22	1,494.52
1957-58*	1,529.36	23.18	1,552.53	117.76	329.65	447.41	28.79	1,30.06	975.06	1,552.53
1958-59*	1,593.88	19.34	1,613.21	117.76	182.04	299.80	18.58	133.99	1,179.42	1,613.21
1959-60*	1,730.90	19.86	1,750.77	117.76	167.62	285.38	16.30	131.50	1,333.83	1,750.77
Average of Fridays										
Nov. 1959	1,690.83	20.51	1,711.34	117.76	163.01	280.77	16.41	133.90	1,296.68	1,711.34
Dec. "	1,725.18	11.46	1,736.64	117.76	163.01	280.77	16.17	132.74	1,323.13	1,736.64
Jan. 1960	1,766.07	14.42	1,780.49	117.76	163.01	280.77	15.77	130.31	1,369.41	1,780.49
Nov. "	1,816.70	18.32	1,835.02	117.76	123.01	240.77	13.12	129.70	1,464.55	1,835.02
Dec. "	1,855.89	16.59	1,872.49	117.76	127.01	244.77	13.07	127.66	1,500.06	1,872.49
Jan. 1961	1,911.58	16.83	1,928.41	117.76	128.01	245.77	12.75	124.35	1,558.29	1,928.41
Week-Ending										
6-1-1961	1,901.25	16.39	1,917.64	117.76	128.01	245.77	12.82	124.82	1,547.06	1,917.64
13-1-1961	1,920.72	10.93	1,931.65	117.76	128.01	245.77	12.72	123.83	1,562.04	1,931.65
20-1-1961	1,914.87	17.11	1,931.98	117.76	128.01	245.77	12.72	124.17	1,562.04	1,931.98
27-1-1961	1,909.49	22.89	1,932.38	117.76	128.01	245.77	12.72	124.58	1,562.03	1,932.38

BANKING DEPARTMENT

(Rs. Lakhs)

Period	Deposits					Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad§	Loans & Advances to Governments	Other Loans and Advances	Investments
	Central Gov- ernment	Other Gov- ernments	Banks	Others	Total								
1953-54*	105.44	23.40	46.52	57.45	232.80	23.91	266.72	23.22	9.46	123.31	1.79	19.84	81.58
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
1955-56*	60.11	19.85	53.77	18.31	152.04	35.59	197.64	17.21	9.78	66.96	1.73	36.99	49.36
1956-57*	57.52	14.10	52.46	19.73	143.81	91.21	245.02	18.91	5.69	64.77	4.89	85.34	51.82
1957-58*	54.61	11.28	81.00	111.38	258.27	84.36	407.63	23.30	4.81	40.47	32.90	77.91	213.92
1958-59*	57.62	20.80	87.53	118.73	284.67	71.71	441.44	19.41	6.81	25.57	28.23	65.83	284.49
1959-60*	55.50	23.24	79.61	123.48	281.83	83.18	450.01	19.94	15.54	28.97	25.53	88.92	258.90
Average of Fridays													
Nov. 1959	50.55	20.41	81.23	119.16	271.35	78.47	434.82	20.60	13.19	39.88	23.77	83.31	243.33
Dec. "	55.33	18.65	73.41	117.59	264.98	83.86	433.84	11.52	15.82	44.82	23.80	90.67	235.92
Jan. 1960	54.26	23.94	81.52	120.76	280.49	86.67	452.16	14.48	39.44	46.55	21.53	106.74	210.48
Nov. "	62.29	14.72	100.64	89.46	267.10	97.00	449.10	18.41	10.53	17.49	32.85	120.42	236.37
Dec. "	60.25	15.71	95.20	91.78	262.95	104.08	452.03	16.69	19.52	26.35	37.78	136.04	198.94
Jan. 1961	53.43	19.71	79.57	93.82	246.58	174.12	441.93	16.91	57.41	19.54	41.17	145.25	144.11
Week-Ending													
6-1-1961	59.71	7.00	84.67	92.66	244.03	105.28	434.31	16.47	45.98	19.61	43.00	151.46	140.36
13-1-1961	51.04	18.42	78.61	94.31	242.38	194.95	437.33	11.01	62.72	19.47	45.08	150.79	130.74
20-1-1961	50.11	31.93	76.71	93.69	252.45	197.93	450.38	17.19	64.64	19.42	40.59	138.46	152.45
27-1-1961	53.05	21.47	78.27	94.61	247.40	198.30	445.71	22.98	56.30	19.66	36.00	140.28	152.89

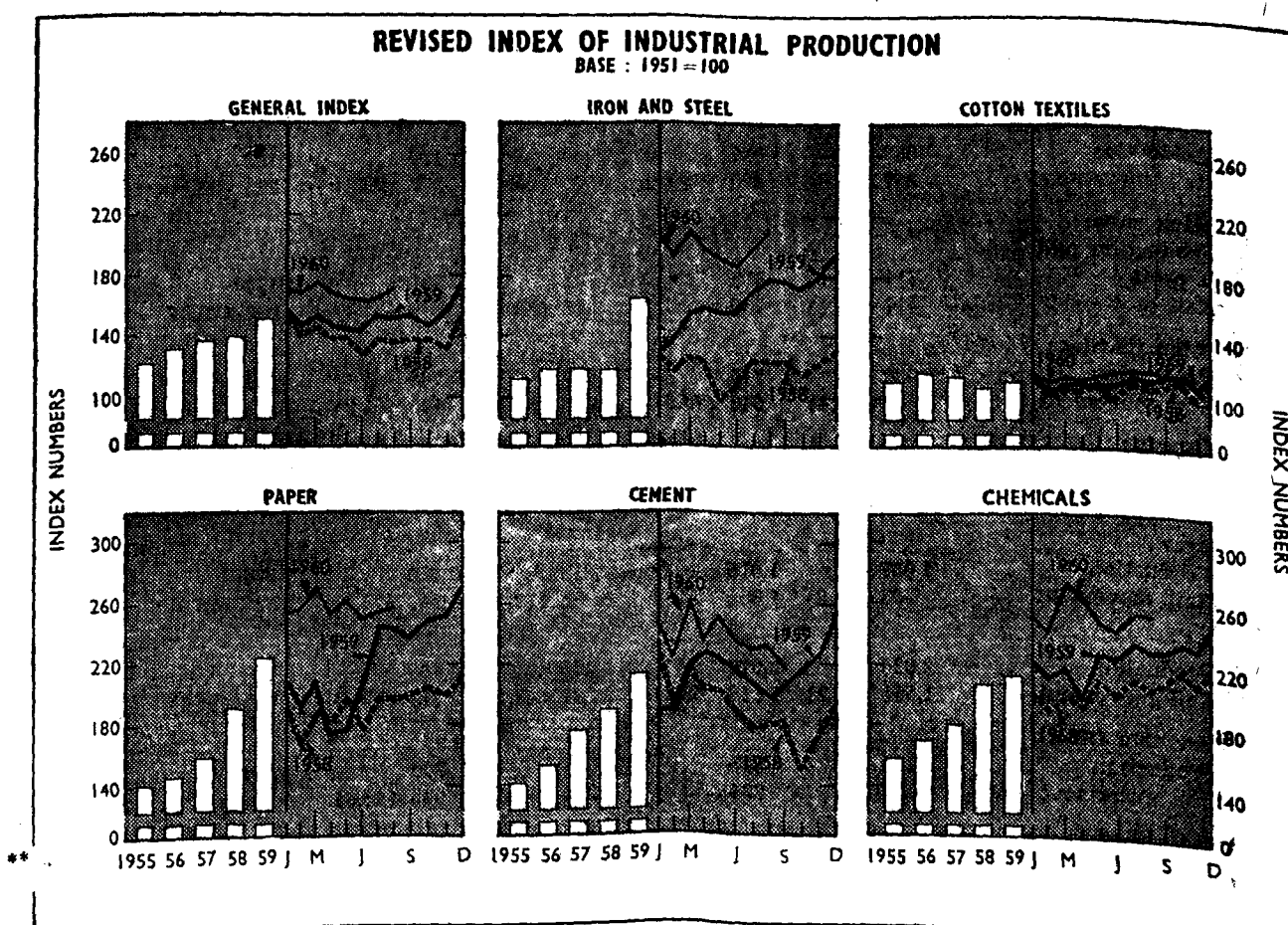
* Average of Fridays. ** Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores to June 28, 1957 and of Rs. 80 crores from July 5, 1957. † Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. § Includes cash and short-term securities.

THE REVISED INDEX OF INDUSTRIAL PRODUCTION

(Base 1951 = 100)

Year and month		Index General	Cotton Textiles				Jute	Chemicals	Cement	Iron and Steel	Gen.* Paper	Sugar	Tea	Electricity	
			Coal	Total	Yarn	Cloth									
			1	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	104.4
1953	...	105.6	104.5	109.1	108.4	109.5	101.1	130.0	118.3	95.7	108.9	105.9	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	102.0	127.0
1955	...	122.4	111.4	111.9	117.3	109.2	118.9	159.0	140.4	113.3	183.3	140.2	143.0	106.2	144.5
1956	...	132.6	114.9	117.5	122.0	115.2	127.3	171.1	154.2	119.4	218.1	146.6	166.5	106.0	164.1
1957	...	137.3	126.8	115.6	127.5	109.7	120.5	181.3	175.3	119.3	241.3	159.3	185.5	106.9	184.9
1958	...	139.7	132.2	108.9	123.1	101.8	123.9	206.2	189.9	119.1	254.1	191.8	175.5	113.8	209.0
1959	..	151.0	137.1	111.5	128.2	103.1	125.4	214.3	213.6	163.1	282.6	222.9	186.8	112.6	248.5
June 1959	..	142.2	133.4	108.7	122.7	101.8	120.3	223.9	215.0	155.1	271.9	206.0	0.2	140.1	245.9
July	...	153.9	135.0	115.3	131.6	107.1	129.7	236.9	207.7	168.5	293.7	245.9	4.8	184.0	256.2
August	...	150.8	131.2	111.5	128.2	103.1	124.2	230.0	197.8	179.2	288.1	242.1	10.0	207.6	254.8
September	...	153.1	137.7	114.6	131.7	106.1	130.3	230.4	206.8	176.3	292.2	239.5	11.1	213.4	253.4
October	..	146.5	126.2	114.3	131.1	106.0	123.6	236.3	215.0	172.0	242.4	248.1	21.5	201.9	259.4
November	..	155.1	132.5	107.6	126.4	98.2	123.9	232.2	226.7	178.0	309.8	252.2	193.0	136.8	253.1
December	..	175.3	150.2	119.0	139.3	108.8	132.4	247.7	250.2	196.6	335.4	273.8	463.7	47.1	266.5
January 1960	..	169.8	144.0	114.2	131.8	105.4	123.7	248.6	244.0	204.0	305.2	253.9	536.4	20.2	265.8
February	..	168.7	150.3	111.1	128.3	102.5	123.5	240.8	222.0	192.6	320.0	255.1	509.7	17.2	256.5
March	..	176.3	152.6	113.9	130.9	105.4	130.7	270.4	260.8	209.2	340.8	270.8	477.8	20.7	271.3
April	..	168.9	153.3	112.8	128.8	104.8	130.8	263.0	237.9	199.0	320.3	254.8	285.6	76.2	271.5
May	..	161.2	152.2	113.8	130.8	105.4	131.8	250.0	249.9	192.8	342.3	260.1	82.3	80.1	284.3
June	..	161.4	144.8	115.7	133.3	107.0	128.9	245.0	237.4	185.0	337.1	249.1	3.1	151.7	282.6
July	..	163.1	139.7	118.1	137.4	108.5	125.5	255.5	229.3	195.0	348.7	255.0	5.6	157.2	278.7
August	..	170.2	144.7	188.6	139.6	108.0	135.0	254.9	232.3	209.0	361.4	258.0	17.1	202.1	287.6
September	..	164.6	145.0	115.8	136.0	105.8	127.0	244.0	219.9	217.4	346.2	249.0	17.2	201.5	282.8
October	..	164.7	149.4	111.6	131.8	101.4	119.2	244.5	254.8	220.9	349.4	267.5	41.3	216.3	291.3

* General Engineering including Electrical Engineering. Source: Directorate of Industrial Statistics, Calcutta.



INDIAN RAILWAYS

COMMODITY MOVEMENTS IN RELATION TO PRODUCTION : 1950-51—1970-71

(In '000 tons)

COMMODITY	1950-51	1955-56	1958-59	1960-61	1965-66	1970-71
1. Coal :						
Production ..	32,307	38,226	45,300	53,000	97,000	1,70,000
Rail movement ..	30,423 (94.2)	35,337 (92.4)	42,252 (95.9)	49,847 (94.05)	89,200 (92.0)	1,61,500 (95.0)
2. Cement :						
Production ..	2,613	4,487	6,062	7,750	13,000	20,000
Rail movement ..	2,432 (93.1)	3,956 (88.2)	5,012 (82.7)	6,752 (87.12)	11,050 (85.0)	16,000(80.0)
3. Iron and Steel :						
Production and imports ..	1,724	2,661	2,971	5,100*	8,400*	16,050*
Rail movement †	2,707 (157.0)	3,655 (137.5)	5,595 (188.3)	7,308 (143.3)	8,400 (100.0)	15,248(95.0)
4. Metallic ores other than Manganese ore :						
Production ..	3,655	5,464	6,723	12,500	34,250	54,000
Rail movement ..	3,007 (82.3)	4,373 (80.0)	5,807 (86.4)	10,489 (83.19)	30,825 (90.0)	48,600(90.0)
5. Manganese ore :						
Production ..	883	1,584	1,200	1,800	3,000	5,000
Rail movement ..	867 (98.2)	1,378 (87.0)	974 (81.2)	1,680 (93.95)	2,850 (95.0)	4,750(95.0)
6. Foodgrains :						
Production and imports ..	50,235	66,494	76,673	76,030*	97,670*	1,20,000*
Rail movement ..	7,682 (15.3)	9,044 (13.6)	11,945 (15.6)	11,298 (14.9)	14,651 (15.0)	12,000(10.0)
7. Raw Jute :						
Production ..	586	712	925	944	1,246	1,339
Rail movement ..	463 (79.0)	512 (71.9)	728 (78.7)	802 (85.0)	1,059 (85.0)	1,071(80.0)
8. Tea :						
Production ..	271	284	316	324	379	446
Rail movement ..	261 (96.3)	258 (90.8)	285 (90.2)	304 (93.9)	356 (94.0)	419(94.0)
9. Paper and paper products :						
Production and imports ..	215	324	332	360*	820*	1,500*
Rail movement ..	189 (88.1)	256 (79.0)	364 (109.6)	310 (86.2)	705 (86.0)	1,200(80.0)
10. Jute manufactures :						
Production ..	839	1,027	1,062	1,100	1,100	1,400
Rail movement ..	267 (31.9)	290 (28.2)	261 (24.6)	277 (25.2)	275 (25.0)	280(20.0)
11. Cotton raw :						
Production and imports ..	714	818	892	941*	1,198*	1,750*
Rail movement ..	517 (72.4)	739 (90.3)	541 (60.7)	709 (75.3)	899 (75.0)	1,225(70.0)
12. Cotton textiles :						
Production ..	498	715	727	745	871	1,125
Rail movement ..	465 (93.4)	548 (76.6)	430 (59.1)	470 (63.2)	523 (60.0)	619(55.0)
13. Oilseeds :						
Production ..	5,076	5,643	6,919	6,992	9,200	13,000
Rail movement ..	1,570 (30.9)	1,766 (31.3)	1,497 (21.6)	1,890 (27.0)	2,484 (27.0)	2,600(20.0)
14. Sugar :						
Production ..	1,037	1,615	1,918	2,450	3,500	4,000
Rail movement ..	983 (94.8)	1,336 (82.7)	1,382 (72.1)	1,847 (75.4)	2,625 (75.0)	2,800(70.0)
15. Salt :						
Production ..	2,620	2,979	4,135	4,400	5,000	6,000
Rail movement ..	1,551 (59.2)	1,858 (62.4)	1,781 (43.1)	2,313 (52.6)	2,750 (55.0)	3,000(50.0)
16. Vegetable Oils :						
Production ..	N.A.	505	559	740	1,261	2,200
Rail movement ..	N.A.	264 (52.3)	224 (40.0)	345 (46.6)	393 (47.0)	880(40.0)

Note: Figures given in brackets are the percentages of the movement of commodities by rail to production.

† Includes machinery etc.

* Excludes imports.

N.A. Not available.

Source: Report of the Committee on Transport Policy and Co-ordination.

INDIAN UNION

RAILWAY FINANCES : 1950-51—1961-62

(Rs. Crores)

Heads	1950-51 (Accts.)	1955-56 (Accts.)	1956-57 (Accts.)	1957-58 (Accts.)	1958-59 (Accts.)	1959-60 (Accts.)	1960-61 (Revised)	1961-62 (Budget)
1. Capital at charge	827.04	968.98	1,071.71	1,222.44	1,356.59	1,432.28	1,559.37	1,740.19
2. Gross Traffic Receipts	263.01	316.29	347.57	379.78	390.21	422.34	458.00	499.02
(a) Passenger	97.84	107.71	116.33	119.10	116.74	125.62	130.97	145.52
(i) Upper	13.75	12.85	13.52	13.38	14.52	15.14	15.38	17.09
(ii) Third	84.09	94.86	102.81	105.72	102.22	110.48	115.59	128.43
(b) Other Coaching	16.64	20.87	21.09	24.23	23.59	25.41	27.11	27.11
(c) Goods	143.01	180.28	203.96	229.67	240.82	260.50	289.59	316.00
(d) Other Earnings*	5.52	7.43	6.19	6.78	9.06	10.81	10.33	10.40
3. Total Expenses (a, b, c, d.)	215.45	265.95	289.19	321.99	330.89	347.78	387.31	412.54
(a) Ordinary Working Expenses	180.23	212.95	233.94	264.17	276.33	289.53	326.31	332.53
(i) Administration	23.36	31.52	34.74	32.17	34.30	34.86	38.94	38.69
(ii) Repairs and maintenance	57.11	78.67	86.00	90.62	91.59	94.14	104.27	107.38
(iii) Operating staff	35.41	49.73	52.80	53.82	57.14	57.91	66.48	66.43
(iv) Operation (fuel)	30.72	23.58	27.28	48.03	52.47	57.98	62.82	64.41
(v) Operation (other than staff and fuel)	13.35	10.19	10.65	14.86	15.65	17.71	18.92	20.76
(vi) Miscellaneous	19.39	14.97	16.47	18.29	19.14	19.98	25.67	24.08
(vii) Labour Welfare	3.19	5.03	5.83	6.96	7.94	8.36	10.64	11.38
(viii) Suspense	-2.30	-0.74	0.17	-0.58	-1.90	-1.42	-1.42	-0.61
(b) Depreciation	30.00	45.00	45.00	45.00	45.00	45.00	45.00	65.00
(c) Payments to Worked Lines	0.25	0.26	0.33	0.26	0.11	0.10	0.09	0.13
(d) Miscellaneous Expenses	4.97	7.74	9.92	12.56	9.45	13.15	15.91	14.88
(i) Open line works	3.93	5.97	8.05	10.42	10.76	11.82	14.83	12.00
(ii) Others (net)	1.04	1.77	1.87	2.14	-1.31	1.33	1.08	2.88
4. Net Revenue (2—3)	47.56	50.34	58.38	57.78	59.32	74.56	70.68	86.48
5. (i) Dividend to General Revenues	32.51	36.12	38.16	44.40	50.39	54.43	56.66	65.34
(ii) Dividend to General Revenues in lieu of tax on railway passenger fares	—	—	—	—	—	—	—	12.50
6. Profit for the year (4—5)	15.05	14.22	20.22	13.38	8.93	20.12	14.03	8.64
7. Ratio of net revenue to Capital-at-charge	5.8	5.2	5.5	4.7	4.4	5.2	4.5	5.0
Operating Ratio**	80.0	81.6	80.3	81.5	82.4	79.2	81.1	79.7

** Defined as the ratio of total expenses (excluding miscellaneous expenses) to gross traffic receipts.

* Includes suspense.

TAX AS PERCENTAGE OF EARNED INCOME

India compared with Certain Developing Countries

(Married individual with two children)

Income (Rs.)	Income (£)	India 1960-61 (Re.=1s. 6d.)	Pakistan 1959-60 (Re.=1s. 6d.)	Ceylon 1959-60 (Re.=1s. 6d.)	Kenya 1959	Nigeria (Federal) 1959-60
13,333	1,000	6.4	5.8	3.8	3.6	3.2
26,666	2,000	16.5	15.2	10.9	9.3	10.7
40,000	3,000	26.3	23.3	17.9	15.7	16.5
53,333	4,000	34.5	32.0	25.0	21.6	21.2
66,666	5,000	40.7	38.7	30.5	26.4	25.5
80,000	6,000	46.0	45.0	35.2	30.4	30.1
93,333	7,000	49.8	50.0	38.8	34.0	33.9
1,06,666	8,000	53.1	53.9	41.4	37.3	36.7
1,20,000	9,000	55.7	56.7	43.5	40.5	38.8
1,33,333	10,000	57.9	59.0	45.1	43.5	40.6
2,00,000	15,000	64.2	66.0	50.1	54.0	51.7
2,66,666	20,000	67.4	69.5	52.6	59.2	57.5
3,33,333	25,000	69.3	71.6	54.1	62.4	61.0
Maximum Marginal Rate		77	80	60	75	75
Applies above the Income of Rs.		1,00,000	76,000	69,000	1,31,733	1,37,067

TAX AS PERCENTAGE OF EARNED INCOME

India compared with Certain Advanced Countries

(Married individual with two children)

Income (£)	Income (£)	India 1960-61 (Re.=1s. 6d.)	U.K. 1960-61 (Re.=1s. 6d.)	West Germany (DM 12= £1)	France (NF 13.80 = £1)	Norway (Kr 20 = £1)	U.S.A. (\$ 2.80 = £1)	Canada (\$ 2.75 = £1)	Japan (Yen 1008 = £1)
13,333	1,000	6.4	7.7	10.9	3.8	11.4	2.9	..	15.6
26,666	2,000	16.5	18.8	18.2	9.3	30.8	11.4	7.5	23.0
40,000	3,000	26.3	25.1	23.1	13.7	42.1	14.8	11.8	27.5
53,333	4,000	34.5	30.4	26.5	16.9	49.1	16.9	15.1	30.6
66,666	5,000	40.7	35.4	29.4	20.4	54.6	18.7	18.3	33.3
80,000	6,000	46.0	39.6	31.9	22.9	58.3	19.9	21.6	35.3
93,333	7,000	49.8	43.3	33.3	24.6	60.9	21.6	24.5	37.2
1,06,666	8,000	53.1	46.2	35.5	25.9	62.8	23.1	27.1	38.8
1,20,000	9,000	55.7	48.9	36.9	27.8	64.4	24.8	29.1	40.1
1,33,333	10,000	57.9	51.2	38.2	29.4	65.6	26.4	30.7	41.1
2,00,000	15,000	64.2	62.0	43.2	34.3	69.2	33.8	37.1	45.7
2,66,666	20,000	67.4	68.7	46.5	38.3	71.0	39.9	41.4	48.0
3,33,333	25,000	69.3	72.7	48.6	41.2	72.1	44.5	44.5	50.4
Maximum Marginal Rate		77	83.75	57.24	66	76.5	91	80	70
Applies above the Income of Rs.		1,00,000	2,04,000	2,52,000	2,17,333	50,667	19,16,000	19,53,333	6,61,376

Source: Taxation and Private Investment (NCAER)

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The Eastern Economist

FEBRUARY 24, 1961.

The Home Minister

IF a true measure of the importance of domestic, as against international, events were to be sought it could not have been better answered than in the spotlight of interest this week. Notwithstanding the fact that a major shift has taken place in the United Nations' views on the character of its responsibilities in the Congo—and an important Afro-Asian resolution in which India played a prominent part in its formulation—interest in Delhi at least has been centred elsewhere. It is at this moment tensely contained in the house on Maulana Azad Road where Pandit Gobind Ballabh Pant, the Home Minister, lies critically ill. A great sense of proportion has thus been exercised both by the people and the entire administration. He is admittedly a central figure in the Indian political scene at the present critical time and throughout he has played a great role.

An appreciation of Pandit Govind Ballabh Pant appears elsewhere in 'A Delhi Diary' in this issue. All that is necessary to say will probably be said again and again. This is the time for history to record that a great son of India has given far beyond his strength outside the range of his immediate responsibilities. Uttar Pradesh and the Punjab have been his anxious concern over the last four months, and it is no secret that crises in both States have undermined his resistance bringing about the serious setback experienced on Monday night. It is not without

significance that his last act, even before he was visited by this reverse, was to call in the Law Minister to give him instructions as to the line on which the debate on the President's address in the Rajya Sabha was to be answered. It is not without significance that, under these instructions, the Law Minister made the most effective speech he has made since he was called to the high office.

There will be speculation as to the time it will take for Pandit Pant to recover. In any case it would be impossible for him to discharge fully his duties as Home Minister with all the ramifications of political responsibility which have come upon him as a great hero of the Indian Revolution and as the seniormost adviser to the Prime Minister. A great gap is thus left in India's body-politic which, in the short period, it will be impossible to fill. Thus we are brought again face to face with that gap in India's top leadership, against which contingency Providence has given us no protection and which we, in our complacency, have tended to ignore. It is vital that the warnings that are coming to us through the ravages of time should now be heeded and the Congress Party should recognise that its middle leadership must be pushed forward if it cannot itself rise equal to the demands that this nation makes upon leadership at the topmost rungs of the democratic State.

The State of the Sino-Indian Border

THE first phase in the settlement of the dispute over the Sino-Indian border has ended in a total deadlock and there are no indications at the present time how it can be broken. The fact-finding conferences between officials nominated by the governments of the two countries have demonstrated beyond the shadow of any doubt that China is in no mood to explore the possibilities of an early settlement on the basis of a reasonable approach to the issue. This is unquestionably the central moral to be drawn from the report of the talks laid on the table of the Lok Sabha on February 14.

China's designs on the frontier between the two countries were vaguely revealed when she started the seemingly innocent cartographic invasions. But in the wake of the Tibetan tragedy and India's fearless stand in granting asylum to the Dalai Lama, she threw off the mask of respect for India's territorial integrity and launched an open campaign of aggression. Having imposed her military control on the territory she needed for a strategic link between Sinkiang and Tibet, she advanced the preposterous theory of "actuality," implying recognition of aggression. The report on the talks of the official teams brings the painful realization that China has advanced further. Actuality stands on a sandy foundation and China has little qualms in shifting her claims.

Throughout the negotiations the Chinese have betrayed an attitude of duplicity. Tibetan negotiations on some segments of the traditional alignment in the Western and Middle Sectors were quoted by them with approval obviously because they suited their conception of the frontier in those areas. The real bone of contention, however, is the Eastern Sector. But confronted with the straight implications of endorsing the negotiations concluded by Tibet in their application to the Eastern Sector, they had not the least hesitation in repudiating Tibet's right to confirm the boundary in this sector. One shift in the position led to still more shifts and ultimately the Chinese asserted that Tibet had no treaty-making powers whatsoever. The incongruity in the positions adopted by China was laid bare when she asserted that the Convention of 1904 between Britain and Tibet was invalid, although it was approvingly quoted by her in another Convention concluded with Britain in 1906. To cap all, she concluded with Britain how, if Tibet had no China could not explain how, if Tibet had no right of making treaties with foreign Powers, she accepted Tibet's plenipotentiary status of complete equality with her at the Tripartite Simla Conference of 1914.

These blatant shifts and new claims to territory advanced to suit expediency cannot be dismissed as minor modifications. They follow a calculated strategy. China's original claim to 25,000 sq. miles of territory within India's border has now been magnified into 50,000 sq. miles which gives a measure of the extent to which the shifts can be pushed. China is certainly in no hurry to settle the issue. She has thrown out clear indications that new issues could be raised and the dispute prolonged. Her refusal to discuss the segment of the boundary lying to the west of the Karokorum Pass is not casual, but it has a deeper implication, questioning, tacitly, the legality of the accession of the State of Jammu and Kashmir to the Indian Union. In April last year, Mr. Chou En-lai explained that his Government accepted the relationship between India and Bhutan as well as Sikkim. There is now a sinister shift with regard to this relationship. That is the only meaning of China's latest evasive stand on this part of the frontier.

In this first phase of exploratory talks China has adopted an attitude of intransigence in demanding complete delimitation on the basis of a joint survey of the entire boundary running into 2,400 miles. Delimitation of an artificial boundary as between the USA and Canada or between India and Pakistan is comprehensible. But where the water-shed principle is clearly applicable in parts and the Himalayas demarcate the limits of the two countries, to insist on survey and delimitation is to block negotiations.

The outcome of the talks lays bare in its ugly form China's expansionist ambition now that Tibet has been fully sucked within her orbit. It should be crystal clear that our frontier in the North, demarcated by Nature, treaty and usage, is reduced to a state of flux and the danger of shifting "actuality" lurks as a constant threat to our security. The talks between the officials and the voluminous evidence of something like 600 documents produced by India need not go totally in vain. They will serve to put India's case in perspective before the world which is as essential as pressing it in the bilateral talks. There could be room for adjustments in some segments of the frontier. But this is hardly what China wants. India's intense desire for peaceful settlement notwithstanding, pious hope that good sense will prevail on her neighbour to the North can be no substitute for military sanction behind her policy. In this matter she has no choice but to strengthen her strategic communications first and to build up her defensive potential. It means a draft on her industrial resources.

A Draft Revenue Budget for 1961-62

WILL the Finance Minister spring on the business world some unpleasant surprises on February 28, 1961, when he presents the budget for the first year of the Third Plan? Unfortunately, the budget for 1961-62 lies in the shadow of general elections next year. This is undoubtedly a factor which may curb the obligations of

a Finance Minister to raise additional revenue by taxation required by the Third Plan. But at the same time it needs to be underlined that the Third Five-Year Plan is much more ambitious than the Second and a slow tempo of development in the first year may not convince anyone that we are in earnest.

The Research Section of the *Eastern Economist* has attempted estimates for the probable revenue and expenditure for the current year as well as for the next year, and the results are summarised in the table below. It will be seen from this table that in terms of revenue, the Union excise duties are expected to pass the estimates made in the budget by as much as Rs. 35 crores. Credit for this buoyancy goes largely to sugar and cloth; the former had a spectacular rise in production—much beyond the installed capacity—and the latter for its remarkable recovery after three bad years. A sizeable increase has also been contributed by petroleum products because of a steady rise in consumption. The corporation tax and the tax on income, on present indications, are not likely to deviate much from the estimates made in the budget. In overall terms, the budget may record an increase of about Rs. 28 crores with the deficit on the revenue account (because of the happy windfall in excise duties) slashed by half from Rs. 60 crores to Rs. 30 crores. Defence expenditure continues to rise, and according to current indications, the total expenditure under this head is likely to be about 13 crores of rupees higher than stipulated in the budget. Similarly, on civil administration, the increase in the emoluments of the Central

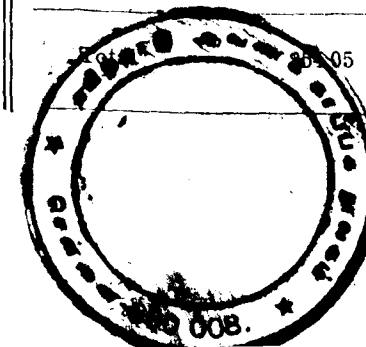
Government employees is likely to result in an increase of Rs. 12 crores.

The shape of the 1961-62 budget indicates a rise of expenditure of nearly 82 crores of rupees with the deficit on revenue account by around Rs. 50 crores. In line with the trend witnessed since 1959-60, it is estimated that the Union excise duties will be nearly Rs. 30 crores above 1960-61. The output of all commodities which come under the purview of excise duties has increased from 10 to 15 per cent per annum and this is likely to increase the yield at existing rates by Rs. 30 crores. Additional Rs. 50 crores are anticipated to be as a result of fresh duties on such items as paper, cloth and rayon and—if the Finance Minister has courage—on salt and kerosene. No increase under corporation tax and income-tax is provided; the nominal increase indicated may be all due to the natural growth in incomes. Equally no concessions are expected. It is unwise to leave any gap on revenue account uncovered; therefore, taxation of the order of Rs. 50 crores should not come as a surprise. There are serious problems on capital account with loan figures more difficult to attain with the stagnation in bank deposits. Deficit financing is also to be curtailed; all deficit financing may be well committed to meet shortfalls on the capital account.

DRAFT REVENUE BUDGET FOR 1961-62

REVENUE					EXPENDITURE				
					(Rs. crores)				
Heads of Revenue	1959-60 (Revised Esti- mates)	1960-61 (Budget Esti- mates)	1960-61 (E.E. Esti- mates)	1961-62 (E.E. Esti- mates)	Heads of Expen- diture	1959-60 (Revised Esti- mates)	1960-61 (Budget Esti- mates)	1960-61 (E.E. Esti- mates)	1961-62 (E.E. Esti- mates)
Customs	160.00	162.50	162.42	165.00	Direct Demands on Revenue	103.54	107.33	110.00	120.00
Union Excise Duties	350.82	379.94	415.00	445.00	Irrigation	0.14	0.17	0.16	0.20
Corporation Tax	78.00	135.00	135.00	140.00	Debt Services	65.14	74.59	76.00	85.00
Taxes on Income	152.00	105.00	105.00	120.00	Civil Administration	233.35	267.76	280.00	300.00
Estate Duty	2.85	3.00	1.91	2.00	Currency and Mint	9.86	10.27	10.00	13.00
Taxes on Wealth	12.00	7.00	3.51	4.00	Civil Works	18.94	20.32	20.00	25.00
Taxes on R/y. Fares	12.56	12.77	13.59	14.00	Defence Services (Net)	243.70	272.26	285.00	300.00
Expenditure Tax	0.80	0.90	0.53	0.60	Grants to States	48.98	51.81	52.25	60.00
Gift Tax	0.80	0.80	0.51	0.70	Miscellaneous	130.40	175.84	174.84	186.95
Opium	4.26	5.69	4.19	5.00					
Civil Administration	47.54	53.19	58.73	65.00					
Currency and Mint	55.87	57.22	70.00	75.00					
Others	56.31	64.59	75.33	80.00					
Deductions **	-95.15	-67.62	-67.47	-76.15					
Deficit on Revenue Account	15.39	60.37	30.00	—					
Total	854.05	980.35	1008.25	1040.15					
				+50.00*					
				1090.15					

** Share payable to States for Income-tax, Estate Duty and Taxes on Railway Fares.
* To be covered by new taxation.



A DELHI DIARY

GOBIND BALLABH PANT

THERE has been only one subject of discussion in New Delhi since Monday; that has been Pandit Gobind Ballabh Pant. The news of his stroke late on Monday night spread throughout Delhi on Tuesday morning and left the capital in gloom. Frantic efforts were being made to collect India's best physicians and in particular, Dr. B. C. Roy (without whose final diagnosis no senior Congressman is believed to have received India's best). On Tuesday night to Pressmen who eagerly awaited a piece of hopeful news, Dr. B. C. Roy's comment was, 'We must wait, watch and, perhaps, pray.' Most of us had a sinking of the heart at the suggestion of prayer, though I suppose, for religious people this is precisely what men should do on the frontier of a crisis beyond the skill of most doctors. One of the causes of anxiety is the fact that, in cases such as these, treatment depends primarily on the strength of the patient to withstand the first stroke. Pandit Pant has, for years, not been known to be in the best of health and fears that his reserves might be inadequate have added cause for concern. Nevertheless, as in his whole life, his courage and fighting power is, more or less, spontaneous. It rises to the surface through the bitterest of crises, and gravity has never terrified his mind or shaken his heart.

I have more than once in this Diary referred to the Home Minister's dedication to duty. Over the last two years his devotion, under great risk to his own health, has been beyond description. I recall when he had his first heart attack in April, 1959, it occurred after he had undertaken, unwisely, a road journey of over a hundred miles. The road journey at that time did not seem to be very important and the Home Minister had had a back pain. To the suggestion that he might avoid the journey, part of which was on a bad road, he returned the reply that the people who had invited him would be disappointed. He persisted on his course through pain, and through some premonitory symptoms of a heart attack — a heavy back pain and slight difficulty in breathing. It was only two days later that he agreed to call in the doctor just before the real heart attack came on. Many of us who have seen him in Delhi have been quite amazed at his capacity in sickness to perform a round of official duties such as would never be undertaken by "normal" persons in a state of "normal" health. His day starts at 6 a.m. and goes on till late at night. He has made it a point of honour to be accessible to all; the ununderstanding people refer to Pantji's Durbar, where "all and sundry" can appear. People come to see him and have a word or two. When he gives an undertaking, his mind retains it with a grasp, which to us, newspapermen, is always nearly a miracle. Some Secretaries to the Government have told me that they have gone in to see him on technical matters and they have found that while, apparently, a file passed through the Home Ministry in its desultory fashion moving round the corners of the Cabinet polygon, it has nevertheless been deeply studied. Pandit Pant can lay his hand on a particular paper inside the file to explain a point which he feels needs modification. Throughout his poor health in the last two years his mind has been crystal clear; his assessments are calm and in a miraculous way, untouched by the physical disabilities which he has suffered. There are few persons in Delhi who have not succumbed to the wonderful capacity and courage which has marked not merely his work in the Home Ministry but in every Ministry of the Government of India. He has been known to be the Prime Minister's main adviser; if he ceases to be Home Minister for a long period, there will be a major gap which would be almost impossible for the Prime Minister to fill. This

is largely because his advice has been disinterested; almost insular in its capacity to concentrate on the main political objectives of the Government with due weight to financial matters; self-interest, notwithstanding Mr. C. D. Deshmukh, has always been negligible.

HIGH FINANCE

One of the marks of his many-sidedness is the range of his experience. A lawyer by profession, his administration of revenue and financial matters has been so profound that he has been known for long as the leading financial authority in the Government. No Budget of the Indian Union is considered by the Prime Minister in isolation with the Finance Minister. Ever since Pandit Pant came to Delhi it has been a ritual that the Finance Minister should always consult him first. There are some who feel that, if he were the Finance Minister, things might have been even better because his intrinsic loyalty to his colleague lies in the fact that he does not correct fundamentals but only minor matters deemed by him to be in error. Nevertheless, it is fair to say that so long as the ritual is carried out, there is an assurance in the counsels of the Government of India that errors made will not be major. People tell me — I do not know with how much truth — that he opposed the taxation measures of the May (1957) Budget, recognizing their evil effects. He did not on that occasion prevail—worse luck!

AS A PARLIAMENTARIAN

With all his disabilities, he remains India's foremost parliamentarian. In giving information to the House he recognises the right of Parliament to probe, and even to criticise. On the other hand, he does not, in an Americanism, "stick his neck out" and provide pegs for the Opposition. In defence he is dignified and convincing, wasting no words on undignified criticism or personal references. He has brought a kind of senior statesmanship into the House, elevating standards of debates wherever he has participated. I am reminded of a comment by a Pressman to the effect that he represented in a great sense the sure movement of the caravan of India — "the dogs bark, the caravan moves on."

As a public figure he has responded not merely to official requests to open important functions or to appear at seminars (and other rituals of scholarship). He has a warm feeling for his friends and any of them can call him at any time of the day and night to a festive occasion. I believe he is more frequently seen at marriages than any other Minister of the Centre, for he knows with deep instinct that the paths to human relations are largely through the simple family occasions on which men's minds so frequently dwell. I have heard it said, again by a Pressman, that he is the greatest public relations expert of them all.

TO THE PRESS

Because he has such a deep understanding of the value of public relations, and because he senses instinctively the growing influence of the Press — even when its advice is constantly rejected — he has been an understanding friend of Pressmen. The National Affairs Committee of the All-India Newspapers Editors' Conference always looked forward to meeting him for a word of appreciation, encouragement and advice. The advice always has been deep and profound, the encouragement sincere. Thus it is that one can look upon this week with sadness and some longing. Not the least of those who are keeping an all-day vigil are Pandit Pant's journalist friends. I am proud to count myself one of these.

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THE WEEK'S NOTES

Shipping

STILL IN THE DOLDRUMS

ONE THING which is crystal clear from chairmen's speeches at the annual general meetings of shipping companies is that Indian shipping, like its counterpart in other maritime countries, is still caught up in the doldrums. Mr. Khatau's presidential address to the recent annual meeting of the Scindia Steam Navigation Company is the latest corroboration of this fact. This premier shipping company in India could manage to raise its gross freight earnings by Rs. 1.75 crores in its accounting year ended June 30, 1960, above the previous year by carrying higher cargo but at the cost of net earnings. The net earnings declined mainly because increased calls had to be made at different ports in a desperate attempt to capture cargo, even if at low freight rates, owing to the fierce competition of the entrenched shipping companies of the advanced countries.

The analysis which Mr. Khatau has made of the persistence of low freight rates is as revealing as it is objective. He has stressed the fact that the continued recession in the freight market is no doubt a major cause of the decline in freight rates. But tramp shipping, which has freedom to operate at any competitive rates, has pushed the level of freight rates to a low point and, to make matters worse, the foreign regular liner cargo ships, which are firmly established in international trades, pick up considerable volume of cargo at Indian ports en route. There is a tinge of irony in the arrivals of foreign ships which are otherwise most welcome inasmuch as they bring to us valuable quantities of foodgrains and fertilizers. These vessels have a choice between offering low rates absolutely unrelated to the cost of transport on their return trips and going back in ballast. It needs no particular mentioning that they prefer the first course. Thus it is that Indian ships engaged in international trades find themselves confronted with cut-throat rate-war even in the matter of cargo going out from Indian ports.

FACTS ABOUT OVER-EXPANSION

Against this background it is certainly amazing to find responsible organizations like the General Council of British Shipping levelling charges against under-developed countries for the fault of expanding their tonnage. Certainly it is unique logic to hold under-developed maritime countries responsible for the current difficulties of international shipping and arguing that the rate-war arises primarily from their expansion of tonnage at a time when the world freight market is not in a position to sustain it. Mr. Khatau has provided chapter and verse that the over-expansion, to the extent that it can be legitimately called as such, emanates from the advanced and established maritime nations. The figures of comparative growth of tonnage between 1948 and 1960 in respect of different countries have been tabulated in the summary of his speech which appears elsewhere in this issue. It is not necessary to repeat them here. Over-expansion has come, as the table speaks for itself, from countries of Europe (excluding the UK and Scandinavia) the Scandinavian countries as a single group, Greece, Liberia and Panama. Japan cannot be bracketed with them because her tonnage was destroyed during the war and whatever little she was permitted to rebuild in 1948 is no real basis for comparison of her tonnage in 1960.

Mr. Khatau has uttered a word of caution that no inference can be drawn to the effect that the imbalance

between the world tonnage and the demand of world trade for its services has been corrected from the fact that the laid-up tonnage has been reduced from 8.7 million GRT in October 1959 to 3.3 million GRT in January 1961. Freight rates still remain at a low level and so long as they are not lifted from their depressed points the imbalance cannot be said to have been corrected. Shipping will be able to move out of the present phase of doldrums in course of time, but it is high time real content was given to the professions of advanced countries to accommodate the growth of backward countries. In the sphere of shipping that spirit of accommodation is tragically lacking.

Indo-Soviet Trade

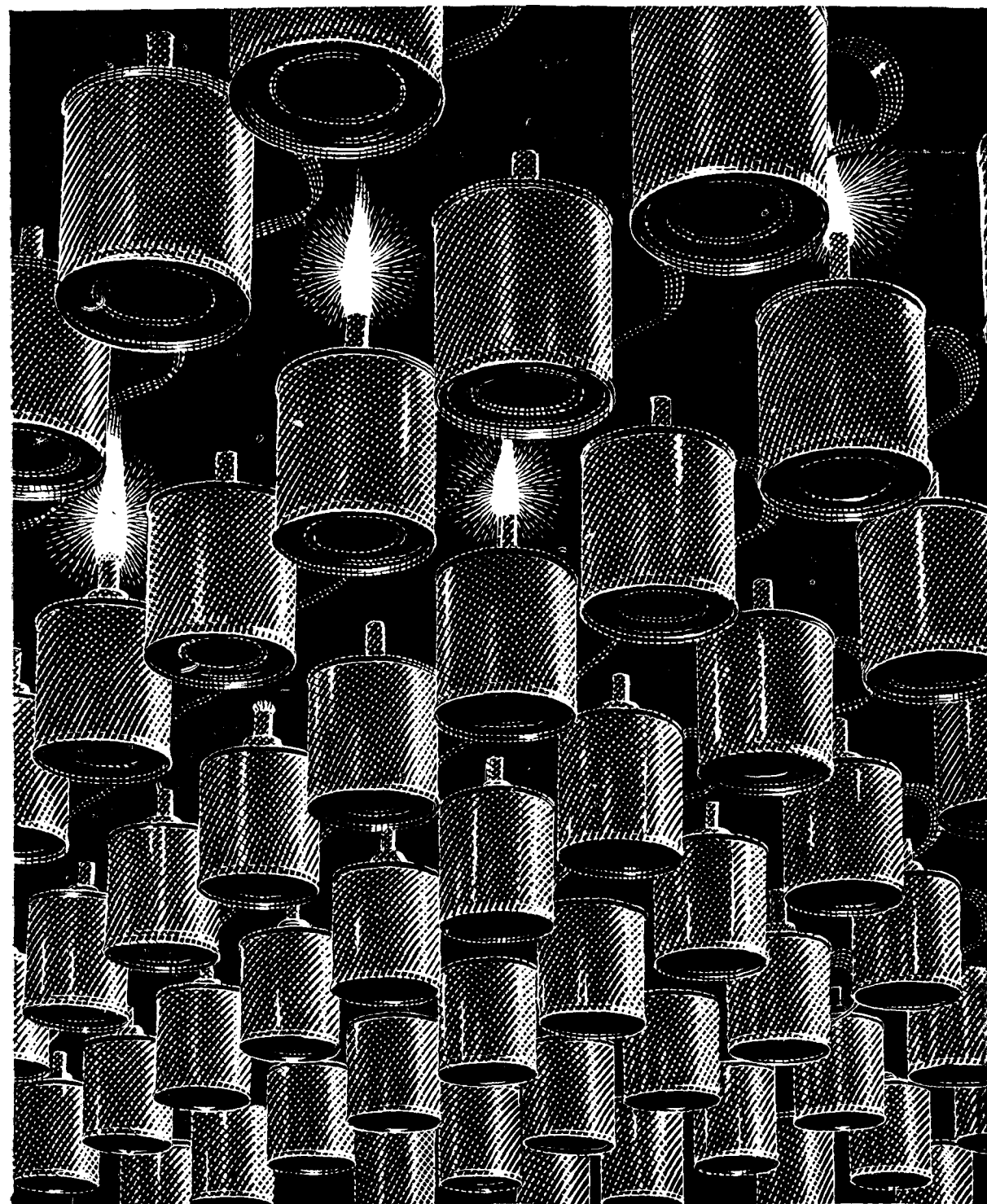
NEW BARTER DEAL IN THE OFFING?

THE FIRST Deputy Prime Minister of the U.S.S.R., Mr. A. N. Kosygin, who arrived in New Delhi on Monday on Prime Minister Nehru's invitation in connection with the signing of the agreement on utilization of the 112.5 million rouble (approximately Rs. 60 crores) credit made available by his country for India's economic development during the Third Five-Year Plan, is understood to have made an offer to the Government of India for a new barter deal involving exchange of Russian petroleum products for Indian textiles.

Russia's anxiety to find outlets for her petroleum products is not in the least surprising for she is now said to have appreciable exportable surplus of both crude oil and oil products. During the past two or three years, Russia has been supplying crude oil and oil products not only to some of the neighbouring Communist countries, but also to Japan, Great Britain, and Cuba. India bought kerosene from her only last year. But what is intriguing indeed is her desire to link these exports with imports of cotton textiles from here. Not that India had not exported cotton piece-goods to Russia before. But they until now have been one of the many export items from here to the Soviet Union and the volume of trade between the two countries in this commodity has been only small.

This new barter deal offer is perhaps another piece of evidence of growing estrangement between the Soviet Union and the People's Republic of China. China, according to her own claims, has big exportable surplus of cotton textiles; her export offensive in South-East Asia, of which textiles trade formed the spearhead, only a couple of years ago is adequate testimony to this fact. India, of course, will welcome the opportunity to step up her exports of cotton cloth to the Soviet Union; her textiles exports to the other countries, especially in South-East Africa, West Asia and Africa, are facing stiff competition not only from the indigenous industry that is coming up in these countries, but also from her eastern competitors — Japan and China.

In the meantime, the agreement on utilisation of the 112.5 million rouble credit has been signed. This credit, which brings the total assistance authorised by the Soviet Union to this country since 1955 to Rs. 385.41 crores, will be utilised for financing the following Third Plan projects: (1) Hydro-electric power station on the right bank of Bhakra; (2) Gujarat Oil Refinery with a thermal power plant attached to it; (3) Coking coal washery at Kathara, in Bihar; (4) refractories plant near Bhilai; (5) Exploration, development and production of oil and gas by O.N.G.C. in Cambay, Ankleshwar and other areas; and (6) preparation of techno-economic report for a pumps and compressors manufacturing unit.



The comforts of life are spreading

Rising standards of living are finding their way into the remotest village and are coming within the reach of people with quite modest means. Consider Kerosine, for instance, which by bringing illumination to the humblest home is playing a part in this welcome development. By the end of the Third Plan, Burmah-Shell estimates

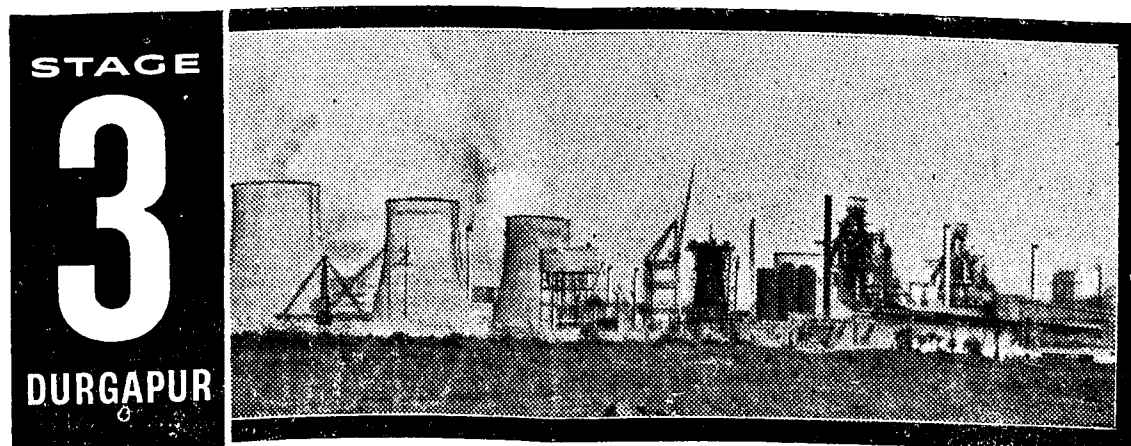
that demand for Kerosine will be around 2.9 million tons, or well over 800 million gallons a year. There can be no question that the first priority should be the exploration and production of indigenous crude oil; the second priority must be to expand refining capacity in India. Oil is essential to economic growth and Burmah-Shell believes that

for tomorrow's needs we must act today

NEARING ACHIEVEMENT

India's ambitious Durgapur Steelworks project is well on the way to completion. ISCON, the consortium of famous British engineering and electrical manufacturing companies, has been most successful and the end of the job is in sight.

Rolling mills, melting shop, blast furnaces, coke oven batteries and cooling towers have transformed the skyline. The birth of this new industry has already brought new employment to West Bengal. A steel city has been carved from paddy fields and jungle by people of two different nationalities and background, but working as a team with a single purpose. The result is a triumph for British industry and a better tomorrow for the people of India.



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BRITISH COMPANIES WORKING FOR INDIA

AK 20

The World Abroad

HOW TO SPEED UP ECONOMIC GROWTH

By ODYSSEUS

IN "INDUSTRIAL DEVELOPMENT: A Guide for Accelerating Economic Growth" (McGraw Hill, London, 1960, 58 sh.), Mr Murray D. Bryce, a Canadian economist and industrial research consultant, offers a practical, "Do-It-Yourself" text book for business men and government officials, called upon to prepare industrial projects in developing countries, but who lack the experience of how to collect and analyse the necessary facts, how to assess the potential returns of a project, whether big or small, and how to find the finance.

My Bryce covers such practical problems as the technical and financial investigation of a project, the analysis of its domestic and foreign market prospects, its comparative costs and threats of competition, capital-cost estimates, measuring working capital requirements, sales revenues, operating costs, and estimating the cash flow; the preparation of designs and specifications, tenders and contracts, the work of engineering consultants; the essentials of good management, the employment of foreign experts; how to seek local finance; the advantages of foreign participation, and how to attract foreign capital, particularly from the World Bank, the International Finance Corporation, and other U.S. sources. There is a major gap here in that Mr Bryce seems unaware that London finance houses have more experience in overseas investment than any other centre in the world. As Mr A. R. Conan says in his "Capital Imports Into Sterling Countries" (Macmillan, 1960), London has since World War II exported no less than £4,000 m. of private capital, and he observes that New York is not equipped to provide a flow of capital, at any rate to sterling countries, and has not, in fact, done so. World Bank loans are not market transactions and are therefore unpredictable because whether they are granted or not may depend on non-financial considerations. Nor is there any assurance that maturing loans can be financed by further borrowing. In 1955, for example, Australia had to redeem \$50 m. of a maturing loan because it was not practicable to re-finance it. Further, if dollar loans are secured, it is then necessary to provide for the annual interest due and for eventual repayment. The relatively short terms of many World Bank loans and the need to provide for early repayment are apt to make such loans troublesome. In business investment, problems soon arise over the transfer of dollar profits. It may not be easy to meet these commitments because of the special conditions attaching to dollar payments. Here there is a contrast with British capital. It is true that debtor countries have not always been able to find the exchange needed to service sterling debt, but in such cases there was usually only some temporary balance of payments difficulty. Some countries may be unable to service dollar loans even when their overall balance of payments is satisfactory.

NO WORLD CAPITAL SHORTAGE?

That the world is suffering from a shortage of capital is a truism, but Mr Bryce says that, provided a project has been realistically prepared, it has good chances of finding backers. Mr Bryce's point is a variation of the proposition that most professions are overcrowded with second-rate practitioners at the bottom, but that there is always a scarcity of outstanding men at the top. The overwhelming majority of local projects fail to secure foreign finance because they are ill-conceived, or rendered unattractive by conditions inspired by nationalistic feelings rather than by purely economic re-

quirements. It therefore seems arguable, paradoxically, that a real world shortage of capital will only emerge if all projects are prepared in accordance with strictly economic principles.

That Mr Bryce is sympathetic to the developing countries should dispose them to heed his warning of the errors made by many. The question that planners should ask is "How can the national income be most increased at the least cost?" Instead, they usually assume that wealth comes from industrialisation of itself, so they create uneconomic industries bolstered by tariff protection. They think that national safety requires self-sufficiency, so they build up defence and automobile industries, expensive to run because their output is limited by a small market. They consider that handicrafts are socially valuable, so they preserve them by subsidies. In order to protect their balance of payments, they invest in national shipping companies at uneconomic rates. Political pressures often prevent them from locating industries on the most economical sites and induce them to spread schemes evenly over the country. As Mr Maurice Zinken says in his "Development of Free Asia" (Chatto & Windus), "The list of errors into which the ignoring of profits leads is long. Separately, they can each be justified by some non-economic consideration, from defence to human charity. Together they are keeping the people of Asia in poverty and squalor and ignorance for longer than is necessary."

Mr Bryce also warns that unless a developing country has some unusual resource, such as oil, it would do better to build what it wants—industry—on the strength of what it already has—agriculture. Historically, agriculture has been the ore big paying activity from which industrialisation had been financed, and has provided the mass of consumers who constitute the market for new industrial goods. Agricultural development lacks the glamour of a steel plant, but it may be the sounder priority. The greatest improvement in the well-being of many countries would come from raising agricultural productivity. This does not mean that there is a conflict between agriculture and industry, but that their development is intermeshed. Unless agriculture modernises itself, industrial expansion is cut short by lack of markets because the masses cannot afford to buy industrial products.

Some argue that the base for all development is heavy industry and that this must be created first, even at sacrifice. For the world as a whole, heavy industry is essential to support other industries, but for an individual country, this is not necessarily so, and for many small developing countries, it is misleading. It is generally cheaper to import heavy products from countries that can make them economically for a world market. A developing country can build industry when, as in India, it has natural advantages in raw materials, such as good iron ore and coal for steel, but it will then be successful not because the project is heavy industry, but because it is sound in itself.

The way to industrial development is to look first for projects which will further, and thereby increase the value of, agricultural, mining, and timber goods already produced for export, and then to seek others which can produce economically goods already being imported in large quantities.

Mr Bryce concedes that where an industry is economically sound for a country, i.e., when in normal

ration it can produce at costs fully competitive with other countries, it is right to grant moderate protection to enable it to establish itself. But he warns that an industry started behind a substantial tariff does not experience the competition needed to make it efficient, and if it can only survive by protection it does not add to, but actually decreases, the national income.

WEAK STATE ENTERPRISES

Mr Bryce reports that although most developing countries claim that their state enterprises are run commercially, they are in fact usually run like government departments—and this from the highest motives: pay scales should be uniform throughout government services; central purchasing should lead to economies; accounting methods should fit government auditing rules; budgets should be centrally administered to ensure control; the policies of all government departments should be co-ordinated. The result is that state enterprises lack the speed, efficiency, and flexibility essential to economic success; they lumber along with the meticulous routine essential in government service.

To say that civil servants usually make poor directors of state enterprises is no reflection on their ability or intentions, for in many countries the civil service has attracted the best available talent. Government service needs men who are careful, thorough, and respectful of official regulations. Commercial enterprise needs men who are enterprising, cost-and-profit-conscious, calculating, yet bold and, above all ever ready to try out new ways, new ideas, and to take risks.

It is not difficult for a civil servant to run a factory below capacity. A good factory almost runs itself, if mediocre performance is acceptable. But the difference between this and full capacity production at high efficiency is usually the difference between substantial losses and high profits. It is easy to criticise managers of government factories for not taking risks or constantly experimenting with new ideas, and for not being more cost-conscious, but usually they gain nothing personally if, by great effort, they succeed in increasing

production or reducing costs. To do this involves risks, and they will incur official censure, perhaps jeopardise their future, if mistakes are listed against them. Even if governments wish to appoint non-civil servants as directors it is often difficult to secure the best talent, because most top level executives shrink from risking their business reputations by becoming mixed up with political projects. Too often governments get second rate business men who can't hope to attain the top flight in private enterprise.

A government enterprise almost always has trouble with labour. Most politicians have to watch the trades union vote and the inevitable result is concessions which raise costs far above those in other plants at home or abroad.

But what about the "excessive profits" of private enterprise? To investors, the "excessive profits" that come from new ventures are rewards for allowing their savings to be used for capital equipment instead of consumer goods. "Excessive profits" are payments by consumers to the entrepreneur for establishing and maintaining good management; they are insurance premia paid by society to the entrepreneur against the risk of loss inherent in all industrial investments. Under any ownership, someone must pay for the enterprises which fail. The difference between failure in state and private enterprise is that the latter faces disaster realistically, minimises losses, and salvages as much capital as possible, either by going bankrupt or by selling out to a more efficient management; whereas, since there is no such word as bankruptcy in the Socialist's vocabulary, a state enterprise is kept on, securing an uneconomic return on its capital, year after year, at the expense of taxpayers and consumers.

Mr Bryce concludes that in trying to secure industrial development through state enterprise, governments in Asia and South America have inflicted much greater losses on their economies than the price in dividends that would have had to be paid for private industrial development.

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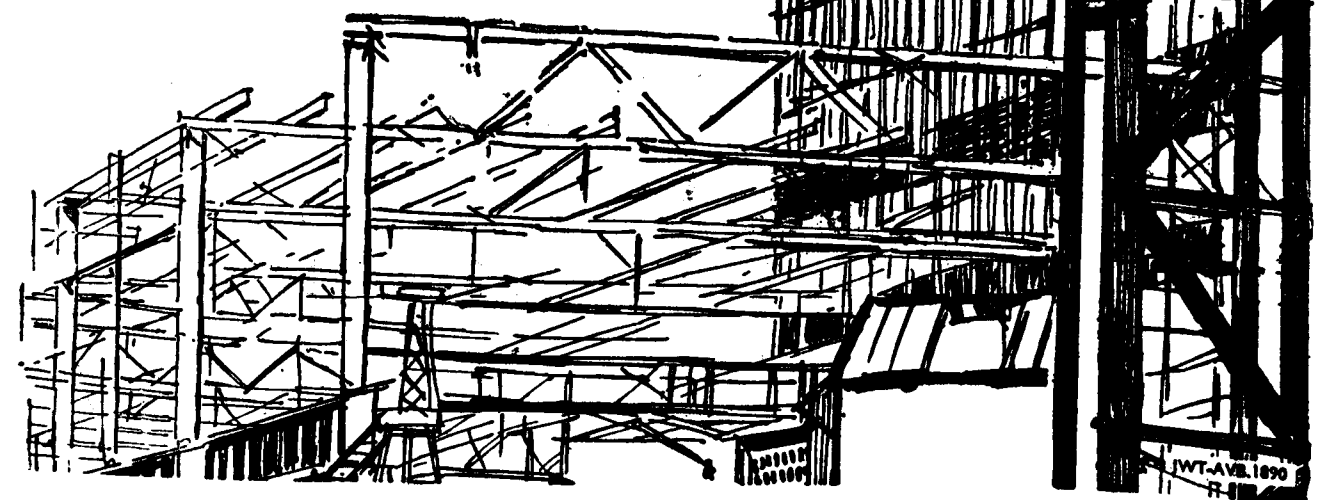
world-renowned designers and manufacturers of steam-raising plant for industry, and thermal power stations

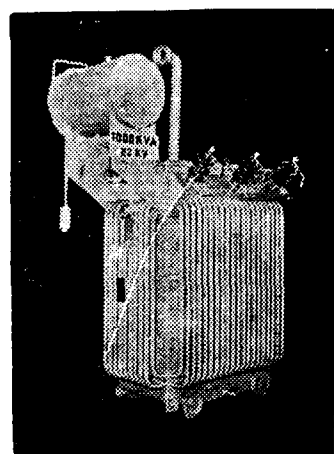
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The European Scene

CONSUMER MARKET RESEARCH IN EUROPE—II

From Our Special West European Correspondent

PARIS, February 19.

THE main use of consumer market research is to predict the evolution of demand, given certain assumptions which the market analyst accepts as data because they come from political decisions (e.g. the growth-rate fixed in a national plan) or from natural factors (population growth). It should be noticed that such predictions include no assumptions or guesses about prices or production. This might seem totally unrealistic: how can anyone presume to foretell how much X will be consumed in five years if he does not know the price and the supply of X? The answer is that the market analyst is not pretending to read the whole future, but to bring out trends in one factor, demand, which in reality largely determines the other two, supply and price. A forecast of future demand may be made on the assumption that relative prices will be stable, and although this is often false it expresses the main fact about free-market economies: that supply adjusts to demand, and only where it cannot, because supply is inelastic, do prices rise. The fluctuations of industrialised economies since the war show that demand is the deciding factor in free countries where private consumption absorbs about two-thirds of the national product.

Thus no separate forecasts of prices and production are needed. We are already as well informed about the future as we can hope to be when we are told that demand for a product will increase by so much, and that if the supply is there to meet it relative price will be stable; if not price will rise. Careful market study makes it possible to predict some such price rises very easily. Take the case of meat in the French market. Higher revenues lead to increased demand for meat, and to lower demand for bread, potatoes and rice. However, since it takes about five years for herds to grow, there must be a lag in the expansion of meat supply, with a consequent if temporary rise in the relative price of beef. More than that, market studies show that a 10 per cent rise in revenues leads to a 12 per cent rise in the demand for roasts and only a 1 per cent rise in the demand for stewing steak. Since anatomists assure us that cattle are completely inelastic, that they can provide only so much roasting meat for so much stewing meat, it follows that a rise in the price of roasts will be inevitable and permanent. This will be partly mitigated by the ingenuity of retail butchers who will label stewing steak "roast", but the trend is clear.

Or take the case of personal services, such as hairdressing and house help. Productivity is rising much slowly in these fields than elsewhere, so if we predict a general rise in personal revenues and increased demand for services of that kind, we can be sure of much higher prices for them; this is in fact one of the most striking features of American life today. However, meat and personal services are exceptions (among others); most of the things that Europeans demand more of when their revenues rise—durable goods, travel, health services and cultural equipment—can be produced in readily increased quantities given the demand. So the assumption of stable relative prices in consumption forecasts is not absurd.

If any separate predictions are required on the production side, they will concern research and development. For the medium term, of about five years, that is fairly easy, because there is usually a gap of about that length between scientific and technological

discoveries and their commercial exploitation. Thus the research people and the scientists can tell us pretty accurately today what new things industry will be offering in five years. Beyond that period, we are in the domain of science fiction. More surprisingly, perhaps, for shorter periods such as 12 months production is very difficult to forecast. But then so is consumption. Consumer market predictions for next year no doubt have their use, but they are less reliable than predictions for three or five years hence. To sum up: the market analyst needs to make no special forecasts of price and supply, because he knows that producers will produce what is demanded (that is what consumption forecasts tell us) if they can produce it (that is what research tells us); and if they do not or cannot, prices will rise.

That brings us back to forecasting demand, which is now established as the autonomous factor. How is this done? Naturally, there is only one way of predicting anything, and that is to extrapolate from a trend that we find in the present and recent past. The hazards of the operation are evident, and that is why market analysts prefer to speak of "perspectives" rather than predictions; they take the word from the demographers who provide "perspectives" of population growth on the explicit assumption that marriage, fertility and death rates remain stable, or at most vary in a foreseeable way. What will happen if there are notable changes in the circumstances that we expect to be stable, neither the demographer nor the market analyst pretend to know, and occasional use of the term "prediction" should not be taken as concealing such pretence.

Yet, naturally, if the market analyst were only saying "demand for X has increased by 5 per cent annually over the last decade, so I guess it will continue to do so in the next five years", this extrapolation would not be very informative—and it would probably be wrong. Before he makes any forecast, he analyses very thoroughly the causes of that 5 per cent rise during the last decade, paying particular attention to the role played by those variables about which he has information for the next five years to come. That information, we have said, he gets from the planners who have fixed a target figure for the growth of incomes, and from the demographers. So he is singling out the effects on consumption in the recent past of (a) increases in incomes, broken down for classes and regions, and (b) variations in population, especially the age distribution and geographical distribution. The last-named is vital in consumer studies, since the move from rural areas to cities causes changes in consumption perhaps as important as an increase in personal revenues.

Therefore consumption predictions such as are provided by the CREDOC institute in France are much more than extensions of known curves. Industrialists, who know well enough how production has grown in their industry in recent years, would have no need to call in market analysts if that were all there was to it. A gradually rising curve of demand for fresh fruit, for example, would permit only the most hazardous forecasts until detailed market study had shown the connection between it and urbanisation: demand for fruit is greater, steadier and less sensitive to variations in revenue, in the towns than in rural areas. It is only when those facts about the past are combined with the planners' predictions about urbanisation and revenue-changes, that a real perspective of fruit demand is obtained. The point will be even more evident

for goods that are, like clothing and household equipment, extremely sensitive at one and the same time to revenue, social class and region.

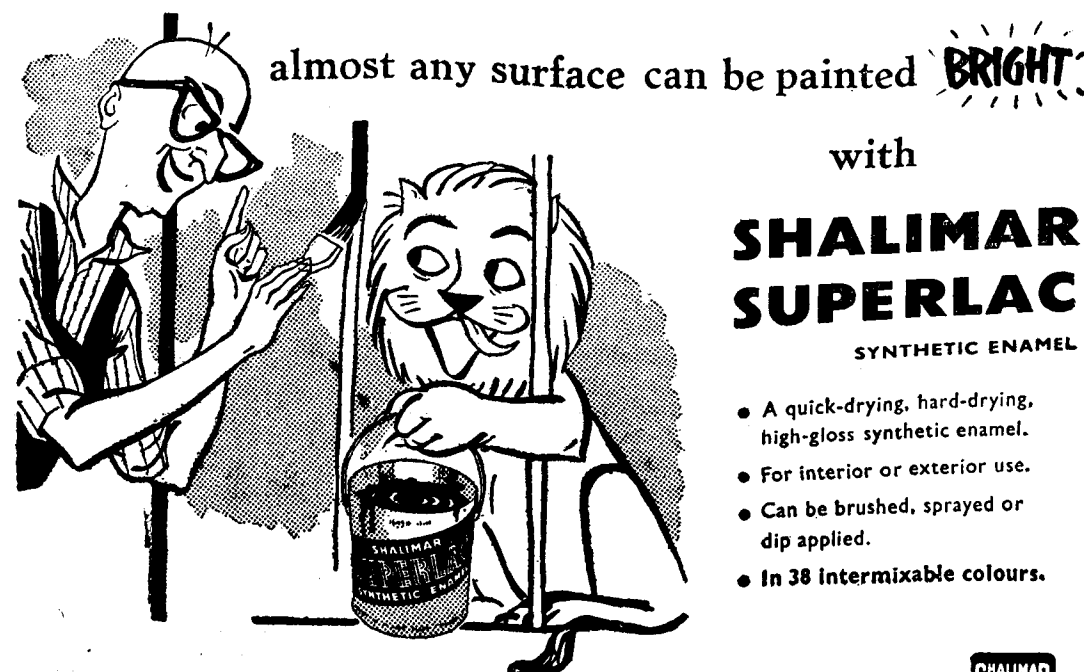
Although it is much more complicated than just extrapolating from an unanalysed curve, the technique remains fundamentally that of projecting present trends into the future. European consumption forecasters operate with numerous, mutually-interacting trends, and so their calculations are extremely intricate, but the essence of the method is always the same: extending a curve into the unknown. Only an analyst who wanted to be taken for a fortune-teller would pretend that there is anything else in his predictions. Yet there exists—for consumption forecasters in every country except the USA!—an excellent check on such predictions: the response of demand to higher incomes in other countries where those higher incomes have already been attained. That is why the history of recent evolutions of demand in the USA is one of the main guides of European analysts today, when European living standards are approaching US standards more and more each year.

The method of international comparisons has given some quite extraordinarily accurate results (e.g. for motor cars, synthetic textiles, etc.) but it has dangers of its own. There are some national differences that are truly irreducible no matter how much revenues rise—or, if you like to put it this way, some points on which a richer Europe stubbornly resists Americanisation. According to Engels' law and every other indication of market study, French food outlays ought to have fallen to the 30 per cent of family budgets that is normal in industrialised countries, yet they stick at 40 per cent, and in almost all classes at that. Similarly, French consumption of tobacco and cigarettes lags behind even that of poorer Italy, let alone any question of approaching British or US levels. These examples are simple and suggest the caution with which international comparisons should be used in India—where, moreover, comparison should be with countries not too far ahead in the living-standard scale, such as Japan and Algeria.

One could go into further detail about the different methods now in use in Europe for estimating demand

for durables as opposed to non-durables, about the volume and destination of savings (most of which are ultimately consumed some time, but in special ways), etc. But none of that perhaps, would convince the industrialist who thinks that consumption study cannot interest him because he doesn't make consumer goods. This is the merest illusion, of course. All industrialists, with the possible exception of the pharaohs who built the pyramids, work ultimately for consumption. A steel manufacturer is as much interested in consumption changes as a shopkeeper; it is just that he wants to know about changes in a year or two rather than next week. What the objection often means is that there is some powerful agent standing between the manufacturer and the ultimate consumer; as the doctor stands between the pharmaceuticals manufacturer and the patient, or the architect between the building goods industry and the home-buyer. The doctor and the architect decide which drugs and fittings will be consumed, and the consumer meekly obeys—so where is the use of consumer research?

This objection, that it is intermediate users rather than ultimate consumers who govern much production, might have some force in India where so much effort is devoted to building the infrastructure of industrialism—though even there it is evident that intermediate users' demand can be studied by market research techniques. In West Europe, it has been found to have no force at all. Demand for investor goods, pharmaceuticals and specialised equipment—things which the lay consumer seldom buys personally—cannot be forecast without study of ultimate-consumer preferences, and they can, indeed, be treated as, to all intents and purposes, ordinary consumer goods because they follow the same pattern. A survey by the Economic Commission for Europe has shown that, for this region at least, all the variations in production in the 1950's can be entirely explained in terms of two variables: ultimate consumer demand and the equipment of consumer-goods industries. In fact, the major part of industrial investment here has been in equipment for industries processing food, manufacturing furniture and electrical appliances, and for the retail trade—for reasons that can only be understood by means of consumer market analysis.



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initiative from the shop floor

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In the ten years up to 1960, Tata Steel employees have put forward a total of 10,165 major and minor suggestions—an average of three a day. In the latest year, 445 suggestions were received, 54 of which have merited rewards.

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JAMSHEDPUR THE STEEL CITY



The Tata Iron and Steel Company Limited

Economic Report from the U.S.

LIBERAL AID AND TRADE POLICIES

BY GUY SIMS FITCH

WASHINGTON, February 16.

IN virtually every major utterance since taking office, President Kennedy has affirmed his dedication to liberal aid and trade policies. And whenever the occasion has required, he has backed up his statements with appropriate action. At the heart of the Kennedy administration's foreign economic policies seems to be the assurance that the United States will not reduce its international obligations to fit its troublesome balance of payments situation. From one point of view, this may be interpreted as signifying that contributions to the economic advancement and the security of the United States and other free nations are taking precedence over the defence of the dollar. Taking issue with this viewpoint are those who believe that the dollar must be defended at all costs—even at the risk of curtailing U.S. economic and defence commitments and deviating from traditionally liberal trade programmes.

The fact is, however, that neither of these extreme and seemingly conflicting viewpoints need be dominant. Once it is conceded that a strong dollar remains the keystone of a strong international economic and financial system, it becomes clear that the welfare of both—the dollar and the system—go hand in hand. Thus, the Kennedy administration appears to be seeking a solution of the much-publicized deficit in the U.S. balance of payments against a background of economic and trade expansion, at home and around the world. In this context, it becomes easier to understand the strong emphasis Mr. Kennedy has put on domestic economic growth and the expansion of U.S. exports, and his rejection of import curtailment or exchange controls as meaningful facets of national policy. In fact, Mr. Kennedy has gone even further in several public statements, to stress the value of imports to the U.S. economy. As the arguments goes, other nations must sell to the United States if they are to have the resources with which to buy from the United States—a "quid pro quo" that works the other way around as well. Moreover, the evidence is that Mr. Kennedy and his advisers tend to look on imports as a positive economic "good." Through purchases from other countries, for instance, the United States obtains many raw and semi-raw materials it does not produce in sufficient quantity to feed its huge industrial complex, as well as other products that add to the living standards of the American people.

Just last week, the President had his first opportunity to apply on a practical level these basic ideas of liberal trade and an expanding U.S. and world market. The case involved was not particularly imposing in itself—the import of binder twine and cordage, mostly from Canada and Mexico. The U.S. Tariff Commission, in reviewing previous U.S. duty concessions on these items, had split on the question of whether the duties should be raised to protect the American industry from alleged harmful effects of import competition. Significantly, in this first major test of administration trade policies, the President put himself clearly on the side of liberalism, deciding against increased import duties for the two products. This does not mean that Mr. Kennedy necessarily will make the same kind of a decision in every subsequent ruling. Economic circumstances, after all, differ from case to case. Nor does it mean that the issue of trade policy has been settled

once and for all to the complete satisfaction of all the people of the United States. Discussion of trade policy, whatever the viewpoints involved, is a legitimate element in the democratic process, and it is to be expected that complaints about imports will continue to be heard from various sources in various industries in various parts of the country. These complaints tend to take on a particularly aggrieved tone during periods of economic recession, such as the present, when imports often are blamed, rightly or wrongly, for the nation's temporary business ills. Yet the evidence seems clear enough that the President and members of his administration are firmly wedded to the liberal approach in foreign economic policies—an approach that is being translated into specific actions, recommendations and programmes. This is seen in the espousal of export expansion and the rejection of import restriction. It is seen in the continued support for economic assistance to developing lands. It is seen in the endorsement of the projected Organisation for Economic Co-operation and Development (OECD), through which the United States would join Canada and 18 nations of Western Europe to help stimulate world economic growth by increasing and making more effective the flow of development assistance, particularly from those industrial nations—notably in Europe—which have now reached the economic position of being able to enlarge their share of the total aid effort. As one expert has put it, President Kennedy has indicated that "policies that build rather than restrict seem most likely to benefit all countries."

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WORLDGRAM

India

Fourth Open Hearth Furnace at Durgapur Commissioned: One more furnace in the steel melting shop of the Durgapur Steel Works went into commission on February 13. This is the fourth open hearth furnace out of the eight to be constructed in the steelworks. The first open hearth furnace was commissioned on April 25, 1960. The capacity of seven furnaces will be 200 tons each while the last one will have a capacity of 100 tons of special steel. The open hearth furnace will process pig iron from the blast furnaces into steel. Durgapur steelworks is designed to produce one million tons of ingot steel when all the furnaces go into commission.

Indo-Afghan Trade: The review of the working of the Indo-Afghan trade arrangements concluded in New Delhi recently and agreement was reached on the steps for further development of trade during the remainder part of the current Trade Agreement period, which expires in July 1961. The two governments have reaffirmed their desire to promote trade agreement between India and Afghanistan and take such special steps as might be found necessary. As a result of the talks held in Delhi during the last few days, it is expected that there will be further exchange of goods between the two countries. The main imports from Afghanistan into India will consist of dry and fresh fruits, asafoetida, cuminsseeds and hides and skins. Exports from India will consist of cotton and woollen textiles, tea, coffee, vegetable products, agricultural products chemical products, engineering goods, household and building requirements, hardware, rubber manufactures and leather manufactures. It may be recalled that an Indian trade delegation visited Kabul in October 1960 for finalising trade arrangements for the current Trade Agreement period beginning July 21, 1960 for a period of one year. The arrangements agreed upon in Kabul provided for a review of the trade which has not been completed.

Third Prize Bonds' Draw at 12 Centres: The following series of Prize Bonds will be eligible, in accordance with the terms of the notification for the issue of Five-Year interest-free Prize Bonds, 1965, for participation in the Third Quarterly Draw to be held on March 1, 1961:

Rs. 100/- denomination: Series A, B, C, D, E, F, G, H, J, K, L, M, N, Q, U, & V.

Rs. 5/- denomination: Series AA, AB, AC, AD, AE, AF, AG, AH, AJ, AK, AL, AM, AN, AP, AQ, AR, AS, AT, & AU.

The draws will be held at twelve places, namely, Bombay, Calcutta, New Delhi, Madras, Bangalore, Nagpur, Lucknow, Patna, Hyderabad, Ahmedabad, Jaipur and Trivandrum. They will be conducted, at each place, under the supervision of a committee consisting of prominent non-officials and representatives of the Central and State Governments and the Reserve Bank or the State Bank of India. The composition of the committees and the particular series for the draw at each station will be announced later.

Simplified Income-Tax Assessment Procedure: The Central Board of Revenue has clarified that the newly introduced simplified procedure for determining the income-tax payable by persons who derive small income from business is applicable also to persons de-

riving income from a profession or vocation. The essence of the new procedure which was initiated in November 1960, consists in doing away, in the case of small assesseees, with the examination of the accounts at the income-tax Office. It is designed to cut short the time spent in the assessment of cases which produce very little revenue. The scheme will not apply to cases where losses are declared, or where the income includes profits from speculation.

U.S.S.R.

Giant Earth-Digging Machine: A giant earth-digging machine which will move up to 3,000 cubic metres of earth per hour, is on the drawing boards at the Institute of Hydro-Engineering Design. This will be a dredge which will be capable of digging long canals up to 300 metres wide (surface width) and up to 18 metres deep. At the same time it will sluice up the embankments. As different from similar units, the new giant earth-mover will operate under its own power, for which purpose it will carry a 6,000 H.P. power plant. It will also have a 110 metre long slurry pipeline which will do away with the need for pipe communications with the shore. Mounted on hydraulic stilts the earth digger will be able to move independently in any direction during operation. The self-contained giant unit which will be automated to the utmost is well adapted for use in scarcely populated areas remote from sources of power.

World's Biggest Excavator: A rotor excavator, the largest of its kind in the world, capable of scooping up 11,200 cubic metres of loose ground an hour—enough to fill 340 railway dump cars—has been designed at the Novo-Kramatorsk Engineering Works, the Ukraine. It will be able to remove a 50-metre thick layer of earth in strip mining of minerals. This is the world's first powerful excavator to be fitted with combined walking and rail-supported drive gear in stead of caterpillar drive. In spite of its great weight of 4,800 tons the specific ground pressure of this earth-digging giant is less than that of a human foot.

Industrial Projects in Uzbekistan: The Uzbek Minister of Building Construction stated recently at a Republican Builders Conference that 80 major industrial projects will be completed in the Republic in 1961. New production capacities will be commissioned in the chemical, oil processing, ore mining cement and engineering industries. The volume of construction in Uzbekistan would grow 20 per cent this year as against 1960. The construction of five more large panel house-building combines will be started in the Republic to develop further housing construction and that the Tashkent house-building combine was being reconstructed.

Yugoslavia

"Geomasina" Factory now Producing for Export: The Yugoslav factory "Geomasina" has sold to Egypt 10 complete drilling sets with equipment for geological and mining prospecting and for work in quarries. Apart from this, negotiations to sell 12 more sets to the United Arab Republic are to end soon. The total value of the goods exported is some 5 lakh dollars. Geomasina has fully satisfied home requirements and is now exporting to other countries. Apart from Greece, who is already buying these machines, they will soon appear on the markets of India, Pakistan, Ethiopia the Syrian region of the U.A.R., Cyprus and a number of other countries.



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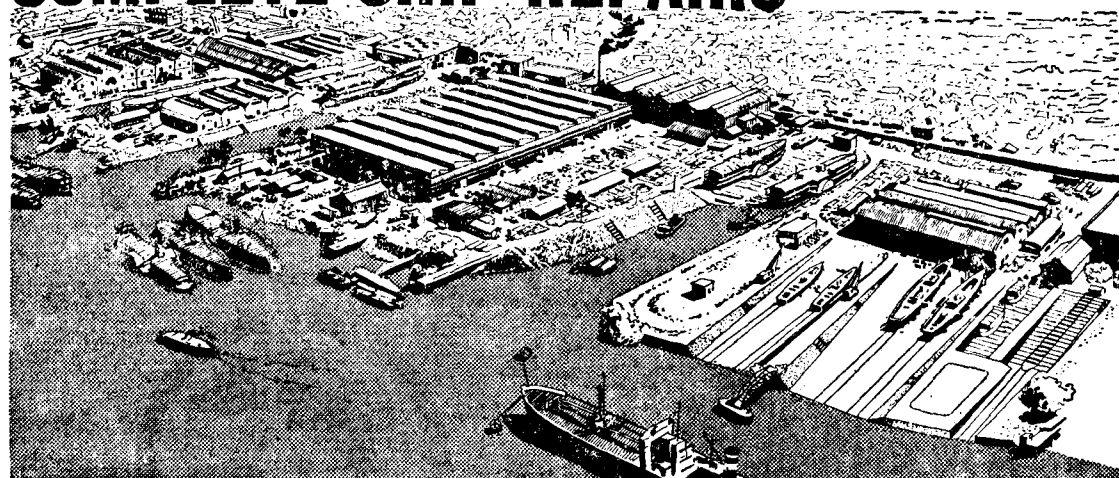
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PMBC 17

The Yugoslav machine manufacturing industry, which was almost non-existent before the war, has advanced the production of most complicated machine equipments and electric motors. Last year's production of machines and transformers in Yugoslavia amounted to about 60,000 tons. In 1965, the closing year of the five-year Plan, it will be raised by 1,50,000 tons.

Yugoslavia's Purchasing Power on the Increase: According to latest official data, the monthly earning of the Yugoslav population reached a record figure of 179 million dinars last December. At the beginning of this year, because salaries of public officials were increased by 10 per cent and earning in the economy were greater, total monthly earning in Yugoslavia continues to grow. Although there was moderate rise in the price of some items and service last year, earnings are much greater than expenditures. This is also borne out by the particular fact that savings deposits last year reached the record figure 92,000 million dinars or 24,500 m. dinars more than in 1959. Owing to the greater purchasing power of the population, commerce was much greater, which acted as an incentive also towards greater output of consumers' goods, which grew at a rate of 17 per cent quicker than the rate of the industrial output as a whole.

Japan

World's two Largest Oil Tankers Planned to be built: It is reported that the Idemitsu Kosan Co. of Tokyo issued orders on December 23, for construction of a pair of 1,30,000 DWT class super-tankers, the largest of their kind ever built. The two ships will be used for hauling Persian Gulf Oil to Japan. According to the Company's report to the Transportation Ministry, Idemitsu placed the orders with two Japanese shipbuilders, Sasebo Ship Industry Co., and Ishikawajima-Harima Heavy Industry Company. Idemitsu will pay for both the ships, each estimated at Y 5,300 m. with its own reserve funds without any borrowing. Each tanker is to measure 291 metres from bow to stern, 43 metres in width and 22.2 in draft and to be powered with a 28,000 H.P. engine, capable of developing a cruising speed of 60 knots. The new super-tankers are expected to shuttle between Tokuyama, Japan and the Persian Gulf an average of 8.5 times a year, carrying 1 million kilolitres of crude oil.

Norway

Subsidies for Norwegian Fishing Industry: The Norwegian Storting (Parliament) recently appropriated 59.7 million kroner for subsidies for cod and herring fisheries in 1961. The amount was arrived at after long consultations between the Ministry of Fisheries and the various organisations of the fishing industry, and was unanimously approved by the Finance Committee of the Parliament. The amount will be divided with 22 million kroner to the herring industry and 37.7 m. kroner to the cod industry.

Australia

Factory Production: The All-group Index (excluding power) of Australian factory production in October 1960 rose 2.0 per cent above the September 1960 level while the non-durable goods section of the index rose 3 per cent and the durables goods section only 1 per cent. For some important sections of the durable goods industries, the rate of monthly increase during the July-October period of 1960, is significantly below that of a year earlier. This applies particularly to the index groups, basic metals, motor vehicles and radio, gramophone, TV etc.

United Kingdom

Medium Term Credit for British Exports: To promote the availability of medium term credit for British export business, the Bank of England announced on February 6, that new arrangements have been made. The announcement was made after discussions between the bank and a committee of London clearing banks and representatives of banking organisations in Scotland and Northern Ireland. "Where members of these bodies have been given credit for a term of 3 years or more repayable by instalments, and covered by Export Credits Guarantee Department, the Bank of England will stand ready to re-finance those instalments of such credits which are within 18 months of maturity," the statement added. Because of this facility, the banks concerned will be able to transfer the portion of their export credits which it covers to their liquid assets. The banks consider that this arrangement will be of considerable help to them in maintaining the flow of finance for exports on medium credit terms. In so far as other banks give medium-term finance for exports on similar lines as a normal part of their business, the Bank of England will be ready to discuss the extension to them of similar re-financing facilities.

Rise in U.K. Exports: United Kingdom exports in January were valued at £330,100,000 imports at £404,700,000 and re-exports at £12,400,000, it was announced by the Board of Trade in London on February 14, giving provisional figures of Britain's overseas trade last month.

It is noted in London that there was an encouraging rise in British exports in January, when they increased by some £24,000,000 (comparing recorded values) over December. After allowing for the normal seasonal variation, exports in January were valued to £319,000,000 (a rise of £17,000,000 over the seasonally adjusted figure for December). Seasonally adjusted imports were valued at £401,000,000 in January, and re-exports at £12,000,000.

Paper Making Machinery: Three Scottish firms have formed a Rs. 10 lakh consortium to establish in Calcutta a factory to produce paper-making machinery. Mr John Kidd, Managing Director of Bertrams, Ltd., of Edinburgh, is visiting India shortly to settle arrangements on behalf of the consortium with the Indian Government. The three firms are Bertrams Ltd., Ernest Scot & Co., and James Bertram and Son Ltd., Edinburgh. Already, negotiations with the Indian Government are well advanced. Work on the conversion of a former jute mill in Calcutta into the consortium's plants is nearly complete, and paper-making machinery is expected to be produced there within the next few months. Mr Kidd told a reporter; "Our three firms have joined forces to start up in India because that is the satisfactory way of doing business there. Machinery and technical men have already been sent out. When the factory is in full production it will employ 500 local workers. Initially, a staff of Scottish technicians will be used to train them."

France

French Automobile Production in 1960: In 1960 French plants manufactured 1,369,263 vehicles, including 1,135,650 pleasure vehicles, compared with 1,283,304 vehicles including 1,085,177 pleasure vehicles in 1959. In December 1960 production decreased to a lower level than during December 1959. It totalled 105,666 vehicles (including 84,586 pleasure vehicles) compared with 110,068 (including 89,777 pleasure vehicles) in November 1960 and compared with 125,692 (including 104,327 pleasure vehicles) in December 1959.

NEWS IN BRIEF

INDIAN

Government contracts valued at over Rs. 2.5 crores were awarded in favour of the small scale industrial units during the 9 months ending December, 1960. Since April, 1957, when the scheme was introduced, the National Small Industries Corporation has assisted the small scale units to the extent of over 8.3 crores in this respect.

The Minister of Industry revealed in the Lok Sabha recently that production in H.M.T. had increased from 402 machines in 1957-58 to 552 and 702 machines in 1958-59 and 1959-60.

The Indian Standards Institution has recently published specifications covering a number of consumer goods. Among these are specifications for electric ceiling fans and regulators, electric table type fans and regulators, optical glass, automobile lamps, milk bottle crates, floating dairy thermometers, aviation turbine fuels, handloom silk dhoties, handloom silk cloth, dyed woollen blanket, distilled water and cigarettes.

The Union Deputy Minister of Works, Housing and Supply, stated in the Lok Sabha recently that the Government of Orissa had so far selected 239 villages, as against 200 villages allotted to them for development under the Village Housing Projects Scheme during the Second Five-Year Plan period.

The Textile Commissioner has decided not to entertain any fresh transfer applications regarding authorised powerlooms up to June 30, 1961, to enable his office to dispose of all pending applications expeditiously, according to a Press note issued by the office of the Textile Commissioner, Bombay.

Production of jute goods of all kinds during January declined sharply to 86,196 tons from 90,680 tons, in the previous month, according to figures compiled by the Indian Jute Mills Association.

It is reported welfare programme will receive priority in the tribal areas of Rajasthan during the Third Plan period. Of the 35 tribal development blocks to be set up in the State, seven will be initiated before the end of the current year.

Walnut stumps which exceed nine feet in length and contain more than 48 inches of clean trunk are not allowed for export, says a Press note issued by the Joint Chief Controller of Exports, Bombay.

The nine-man committee set up by the Planning Commission under the Chairmanship of Professor Mahalanobis to enquire into the pattern of distribution of the increase in national income is expected to submit its interim recommendations before the final draft of the Third Plan is ready.

A 25 acre agriculture-cum-horticulture farm is being set up in the remote Nabura valley area in the 12,000 ft. high Ladakh district of Kashmir. The setting of this farm is an example of the State Government's efforts to develop agriculture in the mountain-girded Ladakh district.

FOREIGN

Exports of Britain's chemical industry reached the record figure of £316 m. last year, an increase of £23 m. on 1959, the Association of Chemical Manufacturers announced recently. The latest total represented 10.5 per cent of the value of all U.K. manufactured exports, the Association added.

The U.K. companies, Maurice Lambot and Co., glass plant engineers and British Hartford Fairmont, are to help in the setting up of a £565,000 factory in Jamaica for the newly formed West Indies Glass Company.

World gold production, excluding Russia's rose for the seventh consecutive year in 1960, climbing 5 per cent above 1959 to some 34.3 m. fine ounces, according to the Engineering and Mining Journal, New York. This is 13.2 m. ounces above 1945, the post-war low, but still 2.4 m. ounces short of the record total of 1940.

Canada is the only one of the four major wheat exporting countries to record a decline in wheat exports during the August-November period, the first four months of current crop year. Canadian exports totalled 108.5 m. bushels, compared with 109.2 m. bushels a year earlier.

The Krupp concern has secured a contract valued at close on £1.7 m. for a complete power producing plant in Budapest. Competitors are known to have included a British Consortium, Rustyfa, whose tender is believed to have been about 30 per cent higher than that submitted by Krupp's.

The Federal Reserve return for the week ended February 8 shows that foreign deposits dropped \$30 m. to \$195 m. while foreign investments rose \$59 m. to \$5,866 m.

The Pakistan Government will shortly invite tenders for a steel plant with an annual capacity of 100,000 tons to be set up at Chittagong in East Pakistan. The Government has already invited tenders for another steel plant to be set up at Karachi in West Pakistan with a capacity of 250,000 tons a year.

The Bundesbank has cut its rates for money market paper across the board by 1/8 of one per cent as part of its drive to bring down German interest rates.

Under an agreement signed recently, a package design and information service for the European market is now available for British manufacturers.

A major programme for the expansion of the Russian paper industry has been drawn up in view of the very backward state into which the industry is officially admitted to have fallen.

A series of bond loans is to be issued this year and next in various countries by the Societe du Pipe-Line Sud-European, the Consortium set up by 19 oil companies in the U.S., Britain, Holland, Belgium, France and Germany, to build an oil pipeline from Marseilles to Karlsruhe via Strasbourg.

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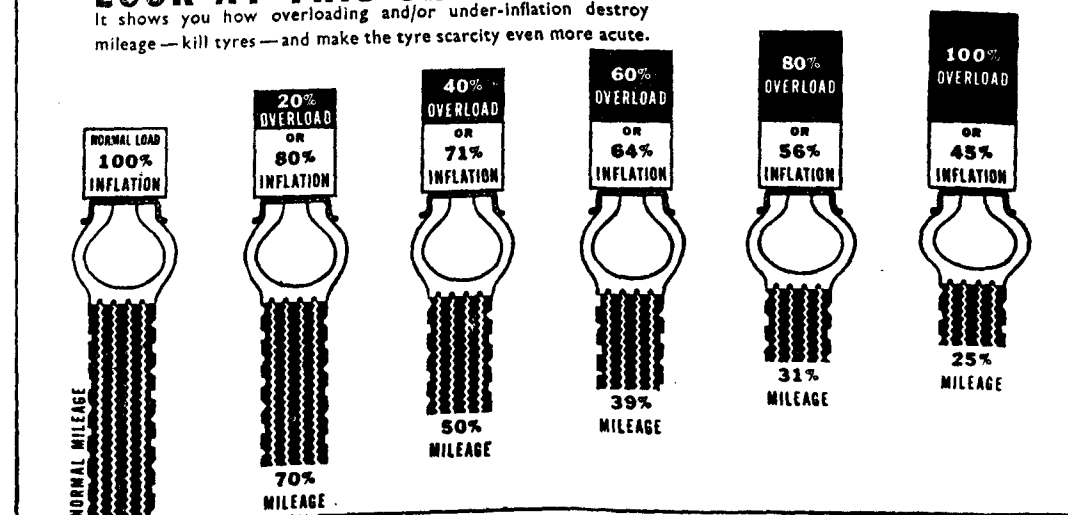
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THE BUSINESS WORLD

Bonus and the Bonus Commission

(SPECIALLY CONTRIBUTED)

THERE has been much hue and cry among employers in this country over the composition of the Bonus Commission as announced by the Union Labour Minister, Mr Gulzarilal Nanda. They have, of course, not objected to the setting up of this Commission.

The employers have taken exception to the composition of the Bonus Commission on three grounds. Firstly, they say, the chairman whose name has been announced is not the high-powered person which the Supreme Court wanted him to be in its judgments in the two famous cases, viz., the Associated Cement Companies Ltd. vs. Their Workmen and the New Manekchaw Spinning and Others vs. The Textile Labour Association. Secondly, the Chairman, who is expected to play a pivotal role in a Commission of this kind, has some pre-conceived ideas on the subject, having given, as Chairman of the Industrial Court, Bombay, decisions in a number of cases dealing with various aspects of bonus. Employers felt, and still feel, that it would be extremely difficult, if not impossible, for him to appraise the problem in a dispassionate manner. Thirdly, the Commission appeared to partake of the character of a Tribunal and not of a tripartite Board inasmuch as both employers' and workers' representatives had been excluded from membership.

As a result of the strong stand taken by employers, the Union Labour Minister has now offered to enlarge the composition of the Bonus Commission by including in it representatives of both employers and workers. He has also agreed to discuss the "terms of reference" at a tripartite Committee. He has, however, refused to change the Chairman-designate. One can understand and appreciate Government's stand on this last issue: having made the announcement, Mr Nanda cannot yield to pressure, particularly when the pressure comes from the quarter of employers.

It is not yet known if the employers' organisations would now associate themselves with the work of the Commission (they have taken six weeks' time to consult their constituents and re-examine their attitude in the light of the "concessions" announced by Mr Nanda), but it would be useful at this stage to consider why the setting up of a Bonus Commission is considered so essential, not merely by the Government but also by all responsible employers and trade unions.

"Bonus" has had a long history spread over nearly 40 years. During this period various types and quantities of bonus have been paid to workmen, either as a result of agreements or as per awards given by Industrial Tribunals. There has been considerable confusion regarding the nature of bonus and the circumstances in which it should become payable. Sometimes, it has been paid as a deferred wage, sometimes as a share in the profits and sometimes as a profit bonus to bridge the gap between the existing wage and an undefined "living wage." It has been awarded not merely when a company made huge profits, but also when it made a modest profit or even suffered a loss.

In 1950, an attempt was made by the Labour Appellate Tribunal (since abolished) to formulate the principles on which bonus should be paid. The L.A.T. formula (also known as the Full Bench Formula) was based on the theory that workers contributed to the profits made by an undertaking and were entitled to a share of it, so that they could improve their standard of living and bring it nearer to a "living wage." For this purpose, profits were to be calculated after allowing certain prior charges in respect of taxation, fair return on capital, statutory depreciation, provision for rehabilitation and fair return on reserves employed as working capital. A share of the profits so calculated would then be paid to workmen as bonus.

The L.A.T. formula was amplified and elaborated by the Supreme Court in several judgments which it had to give in the cases that came before it. It generally upheld the formula as the best available method for determining bonus, but gave its own interpretation of what constituted the "prior charges" and what did not. In recent years, there has been an appreciable shift from the concept of "bonus" as a bridge between actual wages and a "living wage": where an undertaking has made substantial profits, "bonus" has been awarded to workmen even though they were enjoying a living or near-living wage. The theory of labour's title to a share of the profits made by an undertaking has prevailed over other considerations.

In spite of the various norms laid down by judicial decisions in amplification of the L.A.T. formula, disputes regarding bonus have become a perennial source of friction between employers and employees; neither employers nor workers appear to be happy over the present situation. Some employers would like bonus to be substituted by suitable incentive wage schemes, while others would prefer a re-examination of the entire formula, particularly in view of the vast changes that have taken place during the past decade in the economic and fiscal position of industry. Workers' representatives, on the other hand, argue that, after the prior charges have been met, a major share of the profits should accrue to them on grounds of social justice.

There is no unanimity of opinion even as regards "prior charges." Employers complain that the present formula allows only normal depreciation, but not initial or additional depreciation, that the rehabilitation requirements of industry are not assessed on a uniform basis, that the return allowed on paid up capital and reserves is far too low and that no allowance is made for such taxes as wealth tax. They also point to the anomaly of Industrial Tribunals granting bonus to workmen in different undertakings at different rates—varying from nil to 9 months or more of basic wages—and urge that a ceiling should be imposed on the quantum of bonus to be paid to workers. Workers' representatives, on the other hand, find the L.A.T. formula too rigid and heavily weighted against workmen: they also dispute the right of shareholders to a further share of the distributable surplus.

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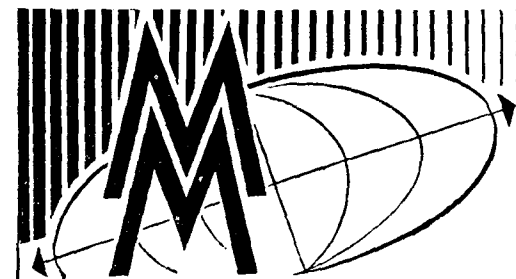
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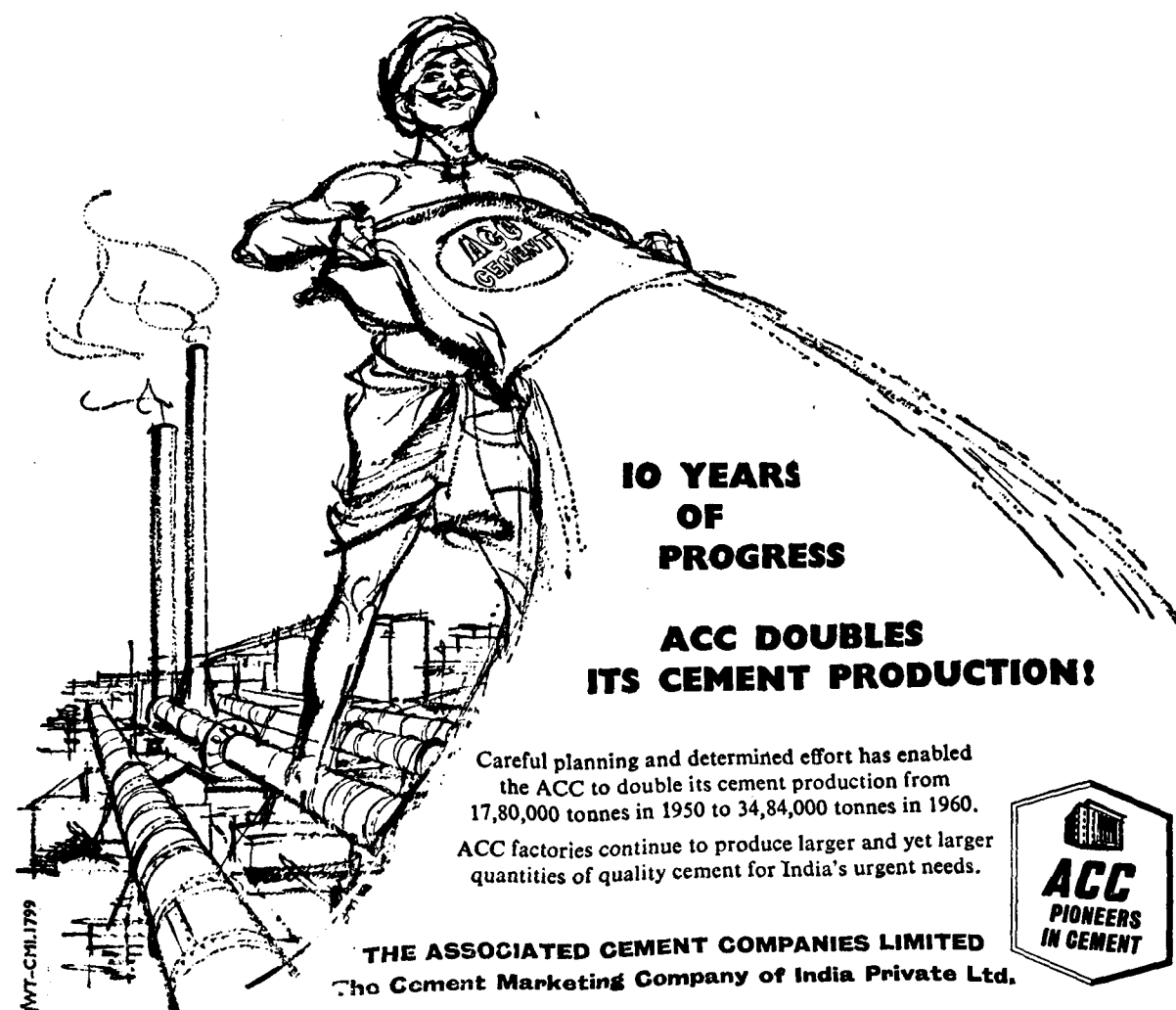
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Any Commission would find it extremely difficult to reconcile such widely divergent views. The L.A.T. formula, if rigidly applied to all industries, may lead to highly anomalous results. In the case of non-manufacturing (i.e. trading) concerns, for example, the formula is obviously defective inasmuch as there can be no charge for rehabilitation or depreciation and the return on capital would be insignificant as the capital invested is small. The prevailing formula does not also take into consideration other forms of bonus payments made to workers, such as production bonus, attendance bonus etc. Furthermore, in many undertakings, the management agreed to a high rate of production bonus on the distinct understanding that no annual bonus would be claimed by workers.

It may as well be mentioned that the type of "bonus" which is claimed by industrial workers in this country is virtually unknown in other countries (both developed and under-developed) of the world; it is not always conducive to efficiency or increased productivity.

Besides, the position of undertakings in the public sector has also to be considered. At present, no bonus of the type paid to workmen in private sector undertakings is given to workmen in public sector enterprises. There is no apparent justification for this discriminatory treatment.

It is for these reasons that the composition of the Bonus Commission is so important. The Commission would be expected to work out not just a new formula or even a set of formulae, but to view the problem in its totality. Whatever recommendations it makes, these will have far-reaching repercussions on industrial development and enterprise, and ultimately on the flow of investment. It is, therefore, imperative that on it should sit men who have no pre-conceived notions on the subject and who are able to take a broad, dispassionate and objective view of the entire problem. It is also a moot point whether the country does not need today a Price Commission rather than a Bonus Commission.

Business Notes

Tariff Inquiry

TARDY TITANIUM

BY REASON of its various uses in the paint, rubber and textile industries of the country, the importance of the titanium dioxide industry is almost taken for granted. Yet Mr K. R. P. Aiyangar, Chairman, Tariff Commission, felt it necessary to underline it whilst opening the public enquiry into the question of extension of protection to this industry for a further period beyond 31st December, 1961, last week.

The history of the Tariff protection for this industry since protection was first granted to it in 1953 is common knowledge. In fact, there has been only one manufacturer of titanium dioxide in India all these years, viz. Travancore Titanium Products Limited, Trivandrum. At the last tariff enquiry in 1957, the rated capacity of this single unit was assumed as 1829 tonnes per annum of anatase—the only grade that is being produced in the country. Generally, speaking, titanium dioxide is produced in two grades, anatase and rutile. The latter also is used for industrial purpose, but there is still another variety, namely brookite, which is less commonly used.

The total production of Travancore Titanium products, Ltd. was 1,701 tonnes (against a rated capacity of 1,829 tonnes) in 1957, 1,743 tonnes in 1958, 1,972 tonnes in 1959 and 2,503 tonnes in the first eleven months of 1960 (against the present capacity of about 2,947 tonnes per year with plans to raise it to 3,650 tonnes per year). The Company has further large expansion programmes. On the basis of the developmental plans envisaged at present, it desires to step up the existing capacity to 6,604 tonnes within the next two or three years. It has also set up a 50-ton sulphuric acid plant of its own.

Another new unit has been licensed—but the factory is expected to go into production only in 1963—in Maharashtra State, to produce 4,471 tonnes of titanium dioxide per annum, of which one-third would be of the rutile grade. The aggregate production capacity of both the units thereafter would be of the order of 11,075 tonnes per year, it is expected.

The demand for titanium dioxide has been steadily increasing, but, as in respect of so many other industries, the estimates of demand vary from source to source. For instance, at the time of the last enquiry by the Tariff Commission, it was estimated that the annual domestic demand would be about 2,642 tonnes in 1957 and that it would go up to 4,877 tonnes by the end of 1960. The Development Wing estimates show that the demand would be about 5,080 tonnes, 6,096

tonnes, 8,128 tonnes and 9,144 tonnes for the years 1961, 1962, 1963 and 1964, respectively. The sole producer, Travancore Titanium Products, Limited, on the other hand, estimates the current demand somewhat higher at 5,588 tonnes and also expects that the demand would go up to a slightly greater extent, that is to 6,706 tonnes in 1962 and 8,738 in 1963. If, however, sales and imports are taken as the basis for calculating the domestic demand, it was 2,253 tonnes in 1957, 2,538 tonnes in 1958, 3,279 tonnes in 1959 and about 4,500 tonnes in 1960, all lower, be it noted, than any of the three estimates as above, including even the Tariff Commission's. By the way, the figures as above are also inclusive of the rutile grade imports—360 tonnes in 1958, 786 tonnes in 1959 and 797 tonnes in 1960. The question of ascertaining the precise projected figure of demand, therefore, confronts the Tariff Commission again.

Meanwhile, the quality of the indigenous product is said to be satisfactory, but there is certainly room for further improvement. Fortunately for the industry, all the basic raw materials, such as scrap iron, ilmenite sand, sulphuric acid and other auxiliary chemicals, are available within the country itself; only a few items like antimony oxide and zinc dusts have to be imported from abroad.

Curiously enough, in spite of not issuing fresh licences even to established importers since 1957, the Tariff Commission chief pointed out, the imports of titanium dioxide have shown a rising trend. Thus, the imports were 552 tonnes valued at Rs. 14.75 lakhs in 1957, 810 tonnes valued at Rs. 19.72 lakhs in 1958, 1,480 tonnes valued at Rs. 34.25 lakhs in 1959, and 1,375 tonnes valued at Rs. 33.43 lakhs in the first nine months of 1960. The bulk of these imports during the last two years came from the U.K., Japan, and Germany.

Capital Goods

JAPAN MACHINERY CENTRE

A "JAPAN MACHINERY CENTRE" has been newly established in Bombay for the purpose of expanding the markets for Japanese machinery. This has been sponsored by the Japan Export Trade Promotion Agency—JETRO—which is stated to be the sole organisation for promoting Japan's foreign trade with government support. The abbreviation, which, for some reason, is JETRO (and not JETRA as the initial letters of the name of the organisation would seem to suggest) has at least one merit, namely that of reminding one of BETRO, set up by the U.K. after World War II. Obviously the objectives are the same and Japan now feels she is in a position to make a bid again to recap-

ture her lost markets and, if possible, to expand them further. Indicative of this ambition was the exhibition of Measuring Instruments in Metric System, organised jointly by the Japan Machinery Centre and Japan Federation of Measure Instruments Industry Association, Japan, in Bombay, last week. The great salesmen that the Japanese are, they later presented these exhibits to the people of Maharashtra, and the Chief Minister, Mr Y. B. Chavan, accepted the gifts on behalf of the Government and the people of Maharashtra.

Speaking on the occasion, Mr Tadashi Oki, President of Taisho Balance Manufacturing Company Ltd., who specially came down to Bombay at the head of a delegation of manufacturers of these instruments, said that, since India had adopted the metric system, the manufactures of Japan, backed by the considerable experience of the manufacturers of instruments based on this system for the past two decades, would prove useful not only to Government authorities but also to Indian manufacturers and actual users. He also opined that the relations between India and Japan had been getting closer year after year in the economic, cultural and other fields. Thanking the Japanese donors for their gift, Mr. Chavan said that there was a lot that the Indian people had to learn from the industrial development of Japan. He also added that he looked forward to the day when India would make a similar presentation to Japan.

Industry

DISPERSAL

ALTHOUGH THE State of Maharashtra is one of the highly industrialised States, the industrial development so far achieved is concentrated, in the main, in a few urban areas. As a result, the areas which are either under-developed or comparatively under-developed continue to remain as they were, which is neither desirable, politically, nor profitable from the point of view of the balanced economic development of the State. This position is by no means peculiar to Maharashtra; it applies to other States also, and the considered comments on this subject of the President of the Indian Merchants' Chamber, Bombay, Mr Pratapsinh Mathuradas during his speech at the 53rd Annual General Meeting of the Chamber last week, are, therefore, of interest not only to the people of Maharashtra but to those of other States as well.

As Mr Mathuradas observed, it has become imperative to think in terms of dispersal of industries from a few urban areas to other areas which are either totally undeveloped or under-developed, and the only way by which this can be achieved is for the State Governments themselves to take the initiative in providing the necessary economic overheads in the various regions, such as making available suitably developed land, electric power, water, roads, communications, etc. The State Governments could, for example, provide electricity and water to the industries in these new regions at concessional rates, at least in the initial period. It is only thus that Governments can hope to attract industries, both big and small, to the newly developed regions. Accordingly, whilst shifting the industries from the city limits to new (rural) regions, Mr Mathuradas urged that the Government should adopt a positive approach and offer adequate facilities. In this connection, he said, the question of local levies like town duties, octroi, etc. deserved consideration. There is certainly need for a re-orientation in the attitude of the different local authorities in the matter of taxation to ensure that no impediments are created, at least on this account, in the way of the spread and dispersal of industries in the interior regions. In this connection, the I.M.C. President welcomed the State Government's keen awareness of all these problems and its setting up a special agency—Board of Industrial Development—for establishing and managing indus-

dustrial estates. How this new agency will function remains to be seen.

Referring to the immediate need for raising the levels of productivity in different branches of industry by ensuring the maximum utilisation of capacity, Mr. Mathuradas could not but stress the need for provision of sufficient supplies of materials, fuels, etc. on a continuous basis, whether by way of imports or from indigenous sources of supply. This means, as he rightly urged, that, in the matter of allocation of foreign exchange resources, the requirements of industries on 'maintenance' account should be fully taken care of.

Transport difficulties also figured prominently in IMC Chief's speech as a serious impediment to industrial production. The innumerable difficulties faced by industries in regard to movement of adequate and regular supplies of coal and other essential raw materials, leading to interruptions and dislocations in their production schedules, are too well known to need reiteration. Periodic shortage of coals have affected not only the working of important industries, including thermal power stations, but also national output, as well as valuable foreign-exchange-earners when the industries affected happen to be export industries. The IMC President sought no special favour, therefore, when he appealed to the Government for adequate transport facilities and also stressed the need for co-ordination in regard to the work of all the authorities concerned.

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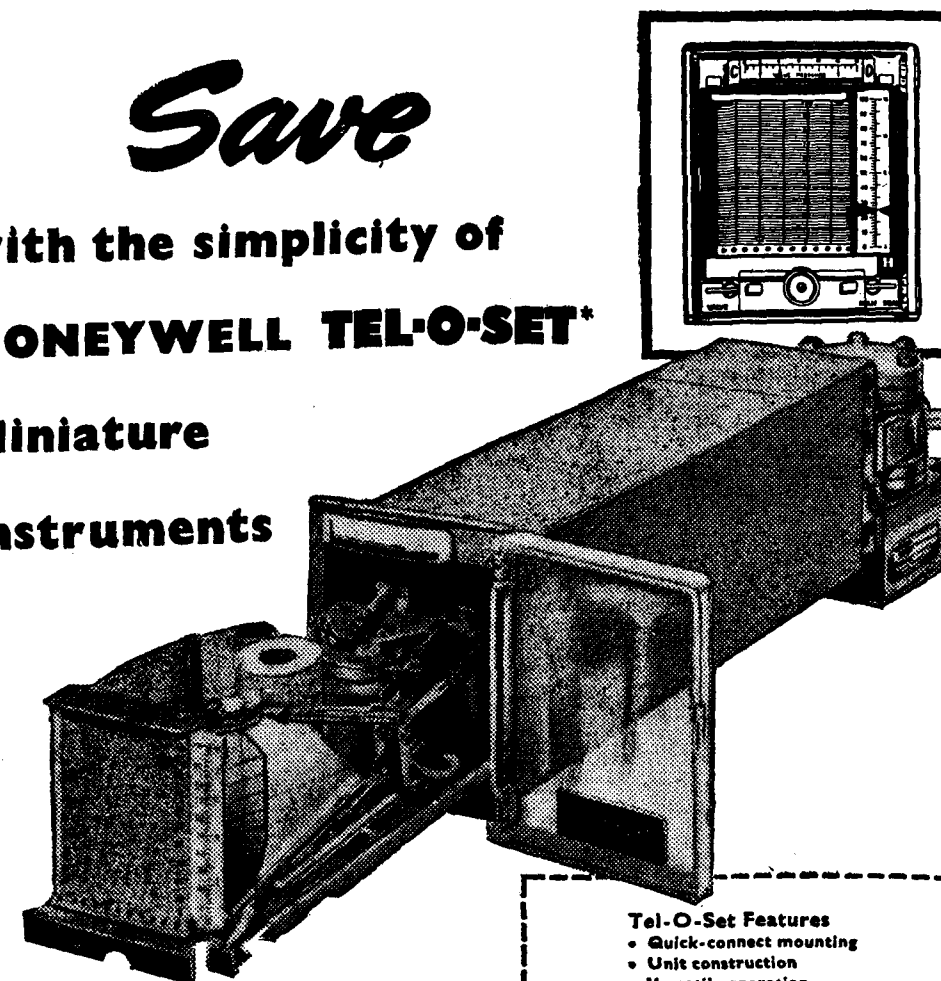
PROGRESS DURING 1960

DETAILS OF the progress in the business operations of the Industrial Credit and Investment Corporation of India in its sixth year ended December 31, 1960, will be found narrated in the speech of the Chairman, Mr G. L. Mehta, at the last annual meeting, which appears elsewhere in this issue. Two broad financial indicators may be mentioned here, namely, the increase in the Corporation's profits before tax to Rs. 62.60 lakhs in 1960 as against Rs. 50.66 lakhs in the previous year and restoration of the dividend to the shareholders which works out at the net rate of 4 per cent.

The year 1960 was a year of expansion in the share and loan capital of business concerns in India and some of it was obtained by them from industrial finance institutions. The Corporation has met substantial contribution in the field of provision of industrial finance when assessed in qualitative terms. Its total assistance sanctioned last year was Rs. 13.43 crores out of which Rs. 7.62 crores were in the form of foreign exchange assistance and the minor share of Rs. 5.81 crores was in the form of rupee assistance. Mr. Mehta has rightly emphasized that the implications of this assistance go much deeper than what they appear on the surface. The catalytic effect of assistance extended by an industrial finance institution is to be seen in the direct stimulation of investment in industry. In the case of the Corporation, last year's assistance of Rs. 13.43 crores was granted to 39 companies to finance new projects. These companies raised for their requirements an aggregate investment amount of Rs. 55.22 crores. Undoubtedly the Corporation's assistance gave a decisive acceleration to the tempo with which the aggregate investment resources were found.

The Corporation has completely committed the second loan of \$10m received from the World Bank and it has obtained a third loan from the Bank which is of the impressive order of \$20m. It is also negotiating in the current year a loan of \$5m. from the Development Loan Fund. The prospect of the Corporation strengthening its activity of granting assistance in foreign currency, which is so sorely needed, has brightened.

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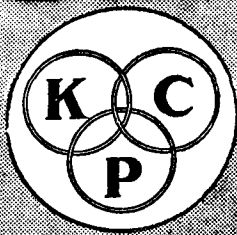
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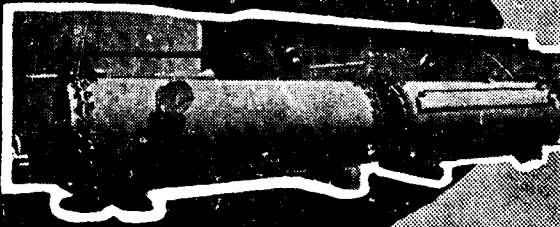
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FROM THE CAPITAL'S CORRIDORS

STEPPING UP COAL OUTPUT

THE four-man team of foreign coal mining experts, consisting of Mr. R. E. Salvati, President, Island Creek Coal Company, Mr. H. E. Jones, Junior President, Amherst Coal Company, Mr. E. R. Phelps, President, Pittsburg and Midway Coal Mining Company, and Mr. B. C. Saunders, Technical Assistant to Mr. Salvati, which visited India last year to suggest measures to step up coal production during the Third Plan period has made some useful recommendations which, if accepted by the Government, can go a long way in raising output of coal to the target level of 97 million tons by 1965-66.

The various recommendations of this team are as follows:

(1) There are adequate proven reserves to support the growth and development programmed for India's coal industry during the Third Plan period (April, 1961-March, 1966). Their aggressive exploratory programme should be continued and expanded, if possible, in order to provide verification of present planning and additional proven reserves for future use.

(2) Transportation shortages are impairing productive output of present-day operating mines, and unless corrected promptly will seriously impair the attainment of the Third Plan growth objectives. Serious consideration should be given to the necessity for additional and larger rail-road cars, locomotive power, etc., and a full car supply for their coal operations. This single item could in itself increase the output from present-day operation by as much as 20 per cent, and at the same time reduce considerably the present-day cost of putting coal in storage at the mines and then loading from storage to rail-road cars—a costly operation at best.

(3) Much of the present-day mining equipment is from time to time made idle by the need for repair parts. This situation will become more critical as more rail-road cars are available and the mines are called upon to produce to capacity. Efforts should be made to simplify parts procurement, enlarge inventories and expedite deliveries from parts depots to points of need.

(4) While great strides have been made in training manpower and obtaining trained personnel for their operations, the coal industry, both public and private, faces a shortage of trained personnel, skilled in the maintenance and repair of mining equipment. A gigantic effort should be made to alleviate this situation and it is believed this can best be accomplished by the use of training programmes on a specialised rather than a general over-all basis.

(5) India is to be congratulated upon its planning for the use of coal washeries. It is believed that despite the excellence of planning to date, additional washeries will be needed over those already contemplated. In order to justify the use of washeries, their cost should be offset through increased prices paid by consumers. The improved quality of the washed products at point of consumption will more than repay the consumer for the increase in cost per ton.

(6) To attain higher coal production, the various Government bureaus having control of various aspects of coal output should be consolidated.

PRIVATE SECTOR'S ROLE

(7) Of fundamental importance to the Third Five-Year Plan coal target is the output of the private sector

mines. They must be given every incentive to carry out their part of the programme. The measures suggested in this regard are: (a) A reappraisal should be made of the coal reserves to allow the private sector mines a greater share of the undeveloped coal reserves of the nation; (b) The private sector should be allowed sufficient financial incentive to develop new mines. One such incentive would be a depletion allowance to permit the private miner to charge off his reserves and accumulate a sum of money for acquisition of new reserves; (c) The simplification and easing of import licences so that the private sector mines can more promptly obtain necessary spare machine parts is of fundamental importance; (d) Some credit assistance will be needed by the private sector mines. This should be made available on the same terms as offered to the National Coal Development Council mines.

(8) Of equal importance to the deep and strip operations in both the private and public sectors of the industry is the matter of employee relations. Safety pays dividends in both production and employee morale. There is ample opportunity for substantial gains through expanded safety programmes, use of protective clothing such as hard-toed shoes, hard hats, etc., safeguarding of equipment and the use of electric cap lamps in underground mining. Also, it is believed that production can benefit from the improved employee relations that would ensue if the workers in the major coal-producing communities had available to them good merchandise at reasonable prices, through company-operated stores. Today's facilities are meagre. This one suggestion could do much toward relieving employee absenteeism, which appears unnecessarily high.

(9) The "strip mines" of the National Coal Development Council are excellently equipped and management is to be congratulated on the degree to which standardisation has been accomplished through the selection of equipment.

(10) India's "deep mines," unlike her strip mines, lack the advantages that result from standardisation of equipment within a given operation. It is believed important that this matter be carefully reviewed before any additional equipment is purchased for the projected or operating NCDC deep mines. It is not suggested that all mines need to have the same equipment, but there are numerous advantages in having all equipment in a given mine produced by the same manufacturer.

NCDC PLANS

(11) The management of NCDC should be complemented upon their underground electrical system and as rapidly as improved transportation is provided for moving coal to points of consumption, they should continue their programme of mechanisation. This applies equally to both the private and public mines.

(12) Present NCDC plans call for reactivating the old Jarandih Mine. This mine operated in the Kargali seam which was very gassy, had bad roof conditions, and was interspersed with numerous faults. The seam is a high quality metallurgical coal for which there is great demand. Adjacent to the old Jarandih Mine is a mine working in the Jarandih seam. Below this seam is reported to be a deposit of the Kargali seam.

(13) A new mine at the location of the present Jarandih Mine in the Kargali or 12-foot seam would seem much better than re-opening the old mine with the faults, gas, and bad roof. This location has the further advantage of offering ample room for a washer and

a good supply of sand from the nearby river. The present management of the mine is perfectly capable of handling the problems incident to the development of a new high-capacity mine in this body of metallurgical coal. Additional diamond drilling should be done to substantiate this recommendation.

(14) National Coal Development Council plans to open a large mechanised mine called the Bisanpur Mine that will be operated with loading machines and shuttle cars dumping directly into mine cars which will be pulled to the surface by locomotives. This mine appears to be very well planned, and it is highly recommended that plans be pushed to rapid completion so that construction can be started promptly in order for the tonnage to be available during the Third Five-Year Plan.

(15) The Sudamdih Mine will be in the Jharia coalfield and it is tentatively forecast that it will produce 1.5 million tons of metallurgical coal through a shaft 2,000 feet deep. This project is one of the major problems of the NCDC plans for the Third Five-Year Plan, and the Team is doubtful whether the NCDC has the technical know-how to embark on a project of this magnitude. The sinking of the shafts alone will be a tremendous problem. Similar mines have already been developed in the private sector. In the opinion of the Coal Team, incentives should be offered to private operators through improved market yields, financial assistance, etc., to develop this particular mine either individually or jointly.

(16) The Korba Mine is under planning and subsequent construction by the U.S.S.R. It appears to the Coal Team that the Russian plans for this mine were very highly developed. However, if the information given to the Team regarding the cost is correct (reported to be 500 million rupees), the Coal Team is of the opinion that this cost for a mine of 2.5 million ton capacity is too high. It is believed that such a mine should be opened for not more than 100 million rupees, and it is suggested that the cost of this installation be subjected to review.

The team's report concludes: "The problems confronting India's coal industry, if it is to attain the production targets set for the Third Five-Year Plan, are numerous and challenging. Errors will be costly in time, money, and the over-all economic growth of the nation. Even utilising the best of planning, engineering, and technical advice available, the attainment of 37½ to 40 million tons of additional coal production during the period 1961 to 1966 will be a most difficult task and, having done so, India will have solved only her coal supply problem for the present and will continue to face a supply problem for the future. India's continued dependence upon coal for her economic growth and improvement makes it all the more important—in fact compelling—that all growth and expansion planned for her coal industry during the Third Five-Year Plan be of the very best possible order and that to the extent possible, within the limits of financial and physical availability, the United States of America provides every possible aid."

TECHNO-ECONOMIC SURVEY OF MADRAS STATE

The key to an effective solution of the problems of poverty and unemployment in Madras State lies in rapid industrialisation, says the Techno-Economic Survey of Madras, prepared by the National Council of Applied Economic Research. But as Madras is deficient in physical resources, industrialisation in this State, the survey adds, can advance only if recourse is taken to establishment of industries in which skills play a greater part than material resources.

The survey suggests two types of large-scale industries which are specially suitable for Madras State: (1) chemical industries based on marine resources and Neyveli lignite deposits; (2) Engineering industries based on Salem iron ore deposits. The survey envisages

the emergence of three new nuclei of industrial growth in Madras—the Neyveli (fuel-cum-chemical) complex, the Salem (iron and aluminium) complex and the Tuticorin marine (chemical) complex. These three complexes would be the new spear-heads for accelerating industrial growth in this State.

For the fullest development of these industrial possibilities, the survey says, there are two important over-head investments that should be given priority. They relate to the development of power and transport links with sources of coal and steel. In both these respects, the survey points out, Madras faces serious, though not insurmountable, problems. By the end of the Third Plan, this State would have utilized practically all its hydro-electric resources; the addition to power supply from the exploitation of hydro resources and from Neyveli will not be sufficient to meet the requirements over the next 10 years. It is, therefore, necessary that resort should be taken to greater zonal co-operation for development of power supply. Alternatively, there will be need to set up in the near future an atomic power station in the State to make available the requisite amount of energy for industrial purposes.

The power resources (both hydro and thermal) of the entire Southern region, according to the survey, are also not likely to be sufficient for any long period of time. It is, therefore, recommended that possibility of generating atomic power should be examined sometime during the Fourth Plan period.

As regards the transport problem, the survey says that although Madras has a good network of internal transport, the railway bottleneck at Vijayawada is one of the most serious hinderances to rapid industrialisation of the State. Heavy investment is required to remove this bottleneck. In addition, the existing port facilities, both at Madras and Tuticorin, need to be developed so as to provide better and cheaper transport.

For increasing agricultural output in the State, the survey suggests greater use of irrigation, fertilizers and improved seeds. As a good portion of Madras is in the rain-shadow, the survey points out that development of irrigation facilities is crucial to increase agricultural production in this State. Irrigation resources of Madras—both major and medium—are likely to be exhausted by the middle of the next decade. So, the survey suggests, there is need for greater zonal co-operation with the adjoining States of Kerala and Andhra Pradesh which have substantial water resources to meet their own requirements and leave sufficient surplus for Madras. Apart from striving to get the co-operation of these States for a zonal irrigation system, the survey recommends that Madras must explore its ground water resources through improvement of tanks and wells, location of underground water sources and adjustment of cropping pattern to the supply of water.

To relieve unemployment in urban areas, which is likely to continue despite agricultural and industrial development in the next few years, the survey recommends initiation of a public works programme.

WHEAT UTILIZATION MISSION'S REPORT

The Wheat Utilisation Mission, which visited India last year under the "Food for Peace" programme, has expressed the opinion that under average climatic conditions, India would have to import for the next two years four to five million tons of cereals and pulses annually if the present level of consumption is to be maintained. Similar quantities of foodgrains, it says, will have to be imported for another three years if any improvement in diet is to be achieved. Wheat imports, it opines, can go a long way to meet these food deficits. The Mission, therefore, has recommended that the aid-giving countries should give serious consideration to make available to India for the next five years adequate quantities of wheat at concessional rates.

The Mission further recommends that friendly countries should consider establishment of a wheat reserve in India, subject to the provision of satisfactory facilities for the handling and long-term storage of such wheat.

The Mission has also expressed an opinion on utilisation of the rupee proceeds from the sale of wheat supplied at concessional rates. It recognises the great importance of relating the use of these rupees to the total money supply, to the maintenance of internal financial stability and to the planning process for economic development. The Indian Government can sell the wheat supplied on concessional terms and may thus provide an excellent offset to the inflationary pressures of deficit financing by absorbing excess purchasing power.

Donor countries, the Mission says in its report, are, however, understandably anxious to know the "specific projects" to be financed from wheat sales funds. This anxiety, it points out, arises out of the donors' desire to demonstrate that they are "directly" and not only "indirectly" assisting specific development projects.

The dilemma of balancing the donor's desire to assist a specific development project and the recipient's wish to fight inflationary spiral of rising costs and prices by withholding rupee expenditure, the Mission opines, can only be resolved by proper understanding and co-operation between the parties concerned. One useful solution, according to the Mission, might well be that both the donor and recipient countries begin planning for the use of rupee sales fund as early as possible, based on estimates of the amounts which will be derived from sales rather than on the basis of sale proceeds actually accrued. "Thus, in India's case, donor Governments may well wish to consider the desirability of having mutually agreed rupee expenditure proposals ready sufficiently in advance, so that they can be included in the annual readjustment of the Five-Year Plans characteristic of the present Indian procedure."

INDO-U.A.R. RICE DEAL

The Government of India has signed an agreement with the United Arab Republic for the import of 50,000 tons of Egyptian rice worth about Rs. 2 crores. The sale proceeds of this rice will be utilized by the U.A.R. for the purchase of Indian tea, jute and some non-traditional items like sewing machines, diesel engines, motor pumps, dry batteries and pharmaceuticals; 30 per cent of the proceeds have been earmarked for import of tea, 20 per cent for import of jute goods, 25 per cent for the purchase of non-traditional items for which no tenders will be required and the remaining 25 per cent for the purchase of non-traditional items for which Indian firms will be required to submit tenders to be accepted by the U.A.R. Government.

In the event of the purchase of non-traditional items falling under the latter category not materialising within six months of the date of signing of this agreement (February 18, 1961), the U.A.R. authorities will have the option to transfer the whole or part of this portion of the sale proceeds to increase by 5 per cent the provision for non-traditional items for which no tenders will be required. The balance will be utilized for increased purchases of tea and jute goods in the ratio of 3:2.

The purchase of all goods by the United Arab Republic under this agreement will be additional to the normal purchases made by the Egyptian region of the U.A.R. The goods purchased will be utilized for consumption in the Egyptian region and shall not be re-exported.

DEFERRED PAYMENTS LIABILITY

Details are now available of the deferred payments liability incurred by India up to October 1, 1960. The payment falling due in the second half of the current

financial year is of the order of Rs. 13.64 crores. The payment liability for the Third Plan period aggregates to Rs. 104.99 crores. The following is the break-up year by year:

Year	(Rs. crores)
1961-62	24.96
1962-63	29.76
1963-64	22.15
1964-65	16.70
1965-66	11.42
Total	104.99

As interest in most of the cases is included in the total cost of the goods imported, the figures given above relate to the gross payments that have to be made.

U.S. INVESTMENTS IN INDIA

During the period July, 1948, to December 31, 1958, U.S. investments in India increased by 435.8 per cent from Rs. 11.17 crores to Rs. 59.85 crores. British investments during this period increased by 93.2 per cent from Rs. 206.02 crores to Rs. 398.03 crores.

At the end of 1958, U.S. investments in India were spread over the following industries:

Industry	Amount (Rs. lakhs)
Petroleum	41.18
Manufacturing	14.88
Trading	2.52
Utilities and Transport	5
Mining	9
Financial	40
Plantations	6
Miscellaneous	67
Total	59.85

LIC BUSINESS IN 1960

The total amount of business completed by the Life Insurance Corporation of India in 1960 has been of the order of Rs. 419.38 crores. Of this, foreign business amounted to Rs. 7.96 crores. Zone-wise the business done by L.I.C. last year is as follows: Northern Zone, Rs. 62.40 crores; Central Zone Rs. 57.72 crores; Eastern Zone Rs. 86.86 crores; Southern Zone Rs. 107.41 crores; Western Zone Rs. 97.48 crores.

FICCI SESSION

The 34th Annual Session of the Federation of Indian Chambers of Commerce and Industry will be held here on March 25. It will be inaugurated, as usual, by the Prime Minister.

At a two-day meeting last week, the Committee of the Federation decided that resolutions for this session should be drafted on (1) Third Plan, (2) export promotion, (3) streamlining of administrative machinery, (4) transport capacity and movement bottlenecks and (5) coal production and movement.

The Committee also finalised a communication to be addressed to the Government of India on price regulation and return on capital. The Federation, it is learnt, has already taken up with the Union Ministry of Commerce and Industry the point that the recommendations of the price fixing authorities do not always take note of the needs of the industry to provide for a fair return to the investors and for rehabilitation and expansion of plant and equipment after meeting the growing operational expenses.

SETTING UP OF UNIT TRUSTS

The Reserve Bank of India, it is learnt, has sent a note to the Union Government on the establishment of investment and unit trusts in India. The note is now said to be under examination of the Union Ministry of Finance.

COMPANY AFFAIRS

THE BHOPAL SUGAR

The Chairman of the Bhopal Sugar Industries Ltd. has pointed out that the Madhya Pradesh Government fixed the ex-factory price of sugar but Government nominees were not in a position to lift sugar at the controlled ex-factory prices. Ultimately the selling part was left to the Company with the result that it had to compete with imported sugar from U.P. and Bihar, which is sold at a price lower than that fixed by the Madhya Pradesh Government for the Company's sugar. The Chairman adds that there has been no change in the minimum price payable for sugarcane which has been maintained at Rs 1.62 per maund. Pursuant to the provisions of the Sugar Export Promotion Act the factory was asked by the Export Agency Division of the Indian Sugar Mills' Association to sell internally 1515 bags of sugar out of the season's production. An amount of Rs 81,450 being the estimated loss on the same, the Company has adjusted by reducing the value of 1515 bags from the stock as on September 30, 1960.

Regular crushing was started on December 23, 1959, the duration of the season being 99 days as against 103 last year. The total quantity of sugarcane crushed was higher at 72,608 tons against 70,092 tons last year. The average recovery was maintained at 10.11 per cent against 10.10 per cent last year. The average yield from the farms of the Company was lower at 30.88 tons per acre as against 32.48 tons of last year. The profit and loss account for the year to September 30, 1960, shows a net profit of Rs 11.44 lakhs after providing for depreciation to the extent of Rs 2.03 lakhs and cess on sugarcane to the extent of Rs 2.37 lakhs. The Directors have recommended the provision of Rs 4.50 lakhs towards taxation. A dividend at the rate of 5 per cent on preference shares (subject to deduction of tax at source in accordance with the provisions of the Finance Act, 1960 and subject to increase that may be permissible under the Preference Shares (Regulation of Dividends) Bill 1960] absorbs Rs 62,500. Dividend on equity shares of Rs 10 each fully at Rs 2.25 (subject to deduction of tax) will absorb Rs 3.94 lakhs. A sum of Rs 1.50 lakhs is transferred to General Reserve.

The Government of India has approved the application of the Company for extending the crushing capacity of the factory from 750 tons to 1250 tons. According to the first phase of the expansion programme the crushing capacity has been increased to 1000 tons per day by additions of new machinery worth approximately Rs 7 lakhs. The machinery has already been installed and will be brought into use during the current season. This will result in efficient crushing of cane during a short period and higher recovery.

SENDRA & CHURULIA AMALGAMATION

The Directors of the Sendra Coal Company Ltd. have under consideration a scheme of amalgamation whereby the undertaking of Churulia Coal Co. Ltd. will be amalgamated with the Sendra Company in consideration of the issue by the Company to the members of Churulia Coal Co. Ltd. of one Ordinary (Equity) Share of Rs 10 in the Company for three Ordinary (Equity) Shares held of Rs 4 each in Churulia Coal Co. Ltd. The scheme of amalgamation will be contained in a scheme of arrangement to be effected between Churulia Coal Co. Ltd. and its members with the sanction of the Calcutta High Court under Section 391 of the Companies Act, 1956.

The question of the undertaking of Churulia Coal Co. Ltd. by the Sendra Company will enable the Sendra Company to carry on its business on a wider basis as both the companies now function as investment companies and the profit earning capacity of the Sendra Company is thereby to be increased. The Directors are of the opinion that the proposed scheme of amalgamation will be beneficial to the Company. The basis of exchange of shares was arrived at after consideration of the break-up values and present stock market quotations of the issued shares of both the companies and the record of dividends declared. Both the Companies belong to the same group within the meaning of Section 372 of the Companies Act, 1956, as the majority of the Directors of Sendra Coal Co. Ltd. constitutes a majority of the Directors of Churulia Coal Co. Ltd.

SANDOZ PRODUCTS

Dr S. Radhakrishnan inaugurated the new Pharmaceutical Plant of Sandoz Products Pvt. Ltd. at Kolshet, near Thana recently. The Sandoz factory is licensed for the manufacture in India of several basic pharmaceutical products, the most important of which are calcium and ferrous gluconates, and for the local finishing of all Sandoz specialities. The Vice-President pointed out that this collaboration between Switzerland and India in the development of this much needed industry, should be welcomed. He added that all efforts should be made to train Indian personnel in the making of drugs.

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Company Meetings

THE SCINDIA STEAM NAVIGATION COMPANY, LTD.

Address of Shri Dharamsey M. Khatau, Chairman, The Scindia Steam Navigation Co., Ltd., delivered at the 41st Annual General Meeting of the Shareholders of the Company, on the 22nd February, 1961.

In his address to the Shareholders of The Scindia Steam Navigation Co., Ltd., at the 41st Annual General Meeting, Shri Dharamsey M. Khatau, Chairman of the Company, referred to the performance of the Company during the year ended 30th June, 1960, that while the cargo carried was higher by over two lakh tons and the freight earnings were higher by over Rs. 1.75 crores, as compared to the previous year, there was a fall in the net earnings due to the low level of freight rates and increased expenditure directly attributable to the increased calls made at different ports, charter hire and direct expenses by way of stevedoring, marine and canal dues. Excluding the provision for special depreciation amounting to Rs. 101 lakhs and not taking into account the surplus on sale of assets of Rs. 6.74 lakhs, the working of the Company showed a profit of Rs. 74.53 lakhs which, under the depressed conditions in the shipping industry the world over, could not be regarded as unsatisfactory.

The Dividend proposed is 60 nP. per share, subject to deduction of tax, to be paid out of the General Reserve.

The low level of freight rates in the overseas trades, the Chairman remarked, was due to severe impact of general depression in shipping, continued low level of tramp rates and the increased competition by tramp and liner vessels which called at Indian ports en route while engaged in international trades not directly connected with India. There was also the competition offered by tonnage bringing foodgrains and fertilizers to Indian ports which could offer to carry cargoes on the way back without regard to economic rates of freight. Shri Khatau, confirming the recent arrangements between different Liner Companies engaged in the India/U.K.-Continent trades, referred to the discussions between the Scindia Company, India Steamships and the other Conference colleagues and observed that the shipping services have been reappraised in the light of modern developments and measures aimed at co-ordinating the services of the Member Lines taken to ensure the best utilisation of ships employed and to provide optimum coverage for loading/discharging ports. This he added was a scheme of rationalization no different from what is normally followed in any other well-organised group of industries and was meant to give a more satisfactory and efficient service.

Referring to the criticism levelled against the efforts made by under-developed countries in the matter of expanding their national shipping, by the General Council of British Shipping recently, Shri Khatau said it was unfair to foist the responsibility for the present day difficulties experienced by shipping the world over on countries like India. Shri Khatau stated that the difficulties presently experienced by shipping in the international field had been brought about by over-acquisition and over-building of tonnage year by year by traditional maritime nations who should have had a better appraisal of the situation and should have taken precautions to adjust their tonnage from year to

year to the world trade requirements. He instanced an increase in tonnage by some of the countries as under:—

Tonnage as at 1st July each year:

	(in millions of G.R.T.)				
	1948	1955	1958	1959	1960
World Total	80.3	100.6	118.0	124.9	129.8
Of Which					
U.K. & Northern Ireland	18.0	19.3	20.3	20.8	21.1
U.S.A.	26.9	23.9	23.1	22.8	22.3
Countries of Europe other than Scandinavia & U.K.	8.1	14.7	18.5	19.6	20.1
Scandinavian countries	7.3	11.7	14.7	16.3	17.2
Greece	1.3	1.2	1.6	2.1	4.5
Liberia	—	3.9	10.1	11.9	11.3
Panama	2.7	3.9	4.4	4.6	4.2
Japan	1.0	3.7	5.5	6.3	6.9

In commenting on the future trend, Shri Khatau referred to the decrease in the world laid-up tonnage from 8.7 million G.R.T. in October 1959 to 3.3 million G.R.T. in January 1961, but observed that the rates of freight had however not registered any increase to justify an inference that the imbalance between world tonnage and world trade had been sufficiently adjusted.

Dealing with the coastal and adjacent trades Shri Khatau referred to the diversion of salt and coal cargoes by rail, delays to coastal shipping both at loading and discharging ports owing to slow dispatch consequent upon the inefficiency of unloading operations and lack of wagons. These factors coupled with restricted loading due to unsatisfactory drafts in the Hooghly River meant a considerable wastage of shipping tonnage employed on the coast. These problems, he said, had been placed before the National Shipping Board and also before the Neogy Committee. He urged the need for a proper co-ordination of all modes of transport and an early solution of the difficulties which the coastal shipping had to face.

Referring to the tonnage programme, Shri Khatau said, that efforts had been made to improve the efficiency and competitiveness of the Company's services by adding new and recently built vessels to the fleet.

Shri Khatau stressed the urgent need for establishment of War Risk Insurance Scheme by the Government of India by which it would be possible to save foreign exchange presently spent abroad. He pleaded for an early adoption of the proposals before the government. Shri Khatau referred to the increasing cost of building new tonnage and rise in the cost of operations and pleaded for a suitable policy in the matter of economic rates of freight for shipping either employed in the coastal or international trades. He said, in making this plea the ship-owners asked for nothing more than what was conceded to every shore industry of importance. Shri Khatau further emphasised the need to bring about the expansion of Indian tonnage on a planned basis so as to ensure maximum

utilisation of the available tonnage and to avoid wasteful and unhealthy competition between Indian Lines and with this end in view, he pleaded that further licensing of vessels should be only for routes either new or not adequately covered by Indian Lines presently. In referring to the operations of the subsidiary companies Shri Khatau stated that B.S.N. (1953) Pr. Ltd., which operated on the Konkan coast had made a further loss of Rs. 6.95 lakhs, which brought the cumulative loss to Rs. 28.63 lakhs. He hoped that the Government of India will arrive at an early decision on the report recently submitted by the Konkan Shipping Services Committee. The Scindia Workshop Pr. Ltd., showed a small net profit of Rs. 1,673. Shri Khatau referred to the acquisition of one of the Ship Repair Firms in Bombay by the Government and urged that there should be no change in the usual practice of the Government Shipping Corporations to invite tenders from all the workshops for ship repair work and to entrust to the lowest tenderer as hitherto, thus ensuring that the Corporations enjoyed the benefit of economic repair costs. Operation of the Jalanath Insurance Ltd., he observed, had brought an increase in insurance premium by about Rs. 1.88 lakhs and added that effective from 1st January 1961 the Company had been able to enter into reciprocal treaty arrangements in the U.K.-Continent and Far Eastern Countries which would benefit the Company further.

In conclusion Shri Khatau thanked Dr. Subbarayan, the Minister for Transport, Shri Raj Bahadurji, Minister of State for Shipping, the Secretary to the Ministry of the Transport, and the Director General of Shipping and his Officers for their efforts in furthering the cause of Indian Shipping. He further thanked all the Company's patrons, shippers and consignees at home and abroad and looked forward to their increased support to the Company's services.

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Deposits as at 31-12-1960	Rs.	2,00,07,37,976

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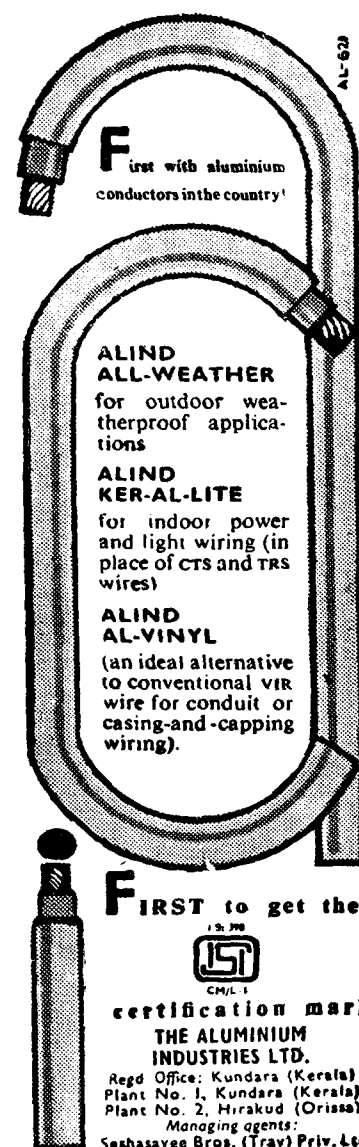
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THE ALUMINIUM INDUSTRIES LTD.
Regd Office: Kundara (Kerala)
Plant No. 1, Kundara (Kerala)
Plant No. 2, Hiralud (Orissa)
Managing agents:
Seshasayee Bros. (Trav) Priv. Ltd.

Authorised Dealers for Covered Aluminium Conductors:

Assam & Bengal:

N. S. KRISHNAMURTHI
35, Chitharanjan Avenue
Calcutta-12.

Bihar:

OCTAVIUS STEEL & CO.
14, Old Court House Street
Calcutta-1.

Bombay:

VIVIN & COMPANY
31, Cama Chambers
23, Meadows Street, Fort, Bombay-1.

KILICK, NIXON & CO.
PRIVATE LTD.

Engineering Department
31, Murzban Road, Bombay-1.

Delhi, Madhya Pradesh & Rajasthan:

ALLIED ENGINEERING CORPORATION
Post Box No. 280, New Delhi-1.

Orissa State:

ORISSA SUPPLY AGENCY
Station Road, Cuttack-3.

Punjab:

RADIO ELECTRONICS CORPN.
PRIVATE LTD.
3/17-A, Asaf Ali Road, New Delhi.

Uttar Pradesh:

MARTIN BURN LIMITED
Electrical Engineering Department
P-12, Mission Row, Calcutta-1.

THE INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA LIMITED

Statement by the Chairman, Shri G. L. Mehta, circulated to the Shareholders with the Directors' Report and Accounts for the year ended December 31, 1960

The Annual General Meeting of the Shareholders of the Corporation will be held at the Registered Office of the Corporation, 163, Backbay Reclamation, Bombay 1, on Thursday March 23, 1961, at 4 p.m.

I have great pleasure in welcoming the Shareholders to the new premises of the Corporation, to which the Corporation's registered office was transferred in May, 1960, and in placing before them the Sixth Annual Report of the Board of Directors of the Corporation for the year ended December 31, 1960.

2. In many ways, 1960 marked an important stage in the planned development of India. After the foreign exchange difficulties in 1957 and 1958, the country was able to consolidate its position in this sphere, thanks partly to the aid of friendly countries. Industrial production increased by about 15 per cent over the level reached in 1959—the result of completion of earlier efforts. Available reports indicate a favourable situation as regards agricultural production. Credit which appeared plentiful at the beginning of 1960, however, became subsequently scarce. Inflationary pressures in the economy have been largely contained. The situation has improved sufficiently to embolden Government to plan on a larger scale for the Third Plan period, an effort underpinned by the successful negotiation of a large and long-term agreement for the import of food grains and other agricultural commodities from the U.S.A.

TRENDS IN INDUSTRIAL FINANCE

3. Of more immediate interest to this Corporation were developments in the field of industrial finance. The upsurge in investment to whose beginning I had referred in the last year's statement, assumed much larger proportions during 1960. This upsurge was reflected in the capital market both in the number of new issues floated on the market and in the heavy over-subscription of these issues of capital and the premiums quoted on new shares. A gratifying aspect of this trend was the widening of interest in industrial shares, as evidenced by the large number of applications made for the issues. I would also refer to the fact that the interest apparently was confined to variable dividend securities rather than to fixed interest bearing securities. Considerations of growth appear to have outweighed considerations of yield.

4. This phenomenon has, however, to be interpreted with some qualifications. It is likely that a part of the demand for the new issues was based on short-term considerations of quick capital appreciation, as frequently happens in a rising market. Moreover, with investors failing to secure required shares in one issue, it was often the same applicant and perhaps the same money chasing successive issues. Besides, as over-subscription became a common phenomenon, people may have tended to apply, even with borrowed funds, for larger amounts than their investment requirements,

in order to ensure at least a part allocation on their application.

5. But even after allowing for staggering of new issues, double-counting of many applications and inflation of demand, it is possible to infer that there was a substantial increase in genuine investment demand for industrial securities. The upsurge has proved to be transient as the results of more recent issues indicate; nevertheless, the shift in investment habit, once acquired, is likely to have an enduring impact, although the intensity of its manifestation is bound to vary with market psychology and the general climate.

6. There are one or two aspects of this phenomenon which are of importance from the view-point of sound industrial development. There seems to be a strong demand for equity participation in industrial enterprises, more so where there is foreign collaboration. In this connection, I should like to welcome the recommendation of the Committee appointed by Government to invite, as an experiment, minority public participation in a few selected public sector companies. The success of this experiment, however, will depend upon the choice of issues, their timing and the care bestowed on details as well as adequate preparation for ensuring satisfactory public response. Unduly high expectations about public subscription to such issues should not be entertained in the initial stages; the benefits of this policy will be realised over a period of years.

7. In the private sector also, it is necessary that the present opportunity be used to improve the gearing of share capital. There are various factors which appear to favour an increasing resort to debt-financing in private industry. A smaller equity base considerably improves the profitability of a company. Very often, the amount of equity capital fixed is based not on the requirements of the project but on the financial resources of the entrepreneur, with the result that where an entrepreneur takes up a very large project and tries to retain controlling interest, he keeps the equity low and seeks to obtain the balance of the cost of the project by means of borrowing. Most finance institutions also cater to supplying loan capital rather than providing assistance in the form of underwriting of or subscribing to share capital. Finally, foreign exchange, because of its shortage, is available mostly by way of loan capital (except to the extent financial participation is forthcoming from foreign collaborators) instead of being purchased with rupees raised on the capital market, as was previously the case.

8. I cannot help feeling, however, that excessive reliance on loan obligations in the capital structure,

particularly of new companies, has its risks which entrepreneurs are, in their optimism, prone to overlook. Such borrowings lead to an accumulation of interest charges in the early non-productive (construction) years of a new enterprise, which can be avoided by raising equity. Moreover, while in prosperous times it may be apparently easy to service debt obligations, when the winds of competition blow, such enterprises would be hard put to meet their growing commitments. Further, the existence of debt obligations may reduce the capacity of a company to borrow in difficult times when borrowing alone may be possible and becomes unavoidable.

9. It would, therefore, be prudent for private industry to raise the required resources by way of share capital when circumstances permit. Times like the present should be used to strengthen the capital structure rather than to seek capital appreciation by keeping equity low. Financial institutions should have the necessary flexibility for providing assistance in this direction.

10. I am aware of the fact that there are different views on this subject. Undoubtedly, the capital structure appropriate for a company depends upon several factors such as the nature of its business, the magnitude of its requirements, the stability of its operations over a period of time, and the climate of the capital market. What I have tried to indicate are some of the considerations relevant to sound finance which should not be overlooked when we desire not merely rapid but also healthy industrial development.

WIDENING OF THE FINANCIAL MARKET

11. The investment market is being broadened by the expansion of the functions of finance institutions. Many commercial banks have started giving medium-term loans; the existence of the Refinance Corporation should further strengthen this development. Commercial banks have also entered the underwriting field. As regards finance for small industries, the benefit of the guarantee scheme operated by the Reserve Bank of India, available to commercial banks, has been extended to State Finance Corporations.

12. The widening of the financial market is also indicated by the growing practice of giving guarantees. Guarantees are now being given by one set of financial institutions to another: as, for example, by commercial banks on behalf of Indian borrowers to foreign financing agencies like the Export-Import Bank and the Development Loan Fund as well as to Indian financing agencies; or by finance institutions on behalf of Indian purchasers to foreign suppliers of machinery as by the Industrial Finance Corporation for deferred payments.

13. ICICI's contribution to these developments has to be judged in relation to its resources: it is, therefore, more qualitative than quantitative. ICICI has always kept in view a broader objective, namely, to help foster the growth of a capital market in India. To this end, it has consistently tried to keep in touch with other finance institutions, to exchange information on matters of common interest and to take up joint underwriting and other financing operations. We have done joint financing also in respect of foreign exchange loans thereby augmenting the foreign exchange resources available to the country. We have done so in cases where we could have met all the requirements ourselves and although it was not necessary to invite other institutions to participate. We consider such operations to be also in the interest of ICICI in so far as they help to reduce risk by spreading it.

ICICI'S OPERATIONS

14. ICICI's own operations during 1960 reflect some of the trends noted earlier, ICICI benefited from the upsurge in investment activity in the country, as shown by the total volume of assistance, Rs 13.43 crores, sanctioned by it. A large proportion of this assistance was in the form of foreign exchange loans since, with the acute scarcity of foreign exchange, ICICI became an important source of foreign exchange for industry. At the same time, as a result of its policy of limiting its stake in any one unit (which, in view of foreign exchange shortage, often took the form of foreign exchange loans) and because of the buoyancy of the share market (which reduced the need for underwriting and encouraged other finance institutions to take up such business as became available), ICICI's own rupee operations, although higher than during 1959, tended to grow less rapidly. With indications of hardening money conditions and a slackening of demand for shares, ICICI's rupee operations during 1961 may well rise further.

15. The amount of gross assistance sanctioned by ICICI during 1960, as already mentioned, was Rs. 13.43 crores to 44 companies, consisting of rupee assistance of Rs. 5.81 crores and foreign exchange assistance of Rs. 7.62 crores. Of this, an amount of Rs. 11.21 crores was sanctioned to 39 companies for new projects. A finance institution is a catalyst in the sense that it helps bring into being investment much larger than the amount of its own assistance. For example, the total amount of investment in the new projects of the 39 companies assisted by ICICI in 1960 would be Rs. 55.22 crores (of which Rs. 43.69 crores would be for fixed assets)—almost five times the figure of ICICI assistance. The foreign exchange component of the fixed investment of Rs. 43.69 crores was Rs. 17.84 crores, of which ICICI provided about 40 per cent; the balance of the foreign exchange requirements was met from Government releases of foreign exchange to the companies concerned, participation by foreign collaborators and deferred payment terms given by suppliers. The turnover of these projects when completed is estimated to amount to about Rs. 39 crores.

16. The companies financed this total fixed investment of Rs. 43.69 crores by raising ordinary share capital of Rs. 18.75 crores, preference share capital of Rs. 2.15 crores and long-term loans of Rs. 21.22 crores; working capital requirements of Rs. 11.53 crores were more than fully covered by bank credit and internal cash accruals of Rs. 13.10 crores. I would like to add that the larger reliance on long-term loans in these cases was partly due to the fact that a substantial part of the requirements was in foreign exchange which, except in the case of cash licences or foreign participation, can be obtained only by way of loans; besides, old companies can more safely go in for preference shares or loan commitments than new companies.

NEW LOANS TO ICICI

17. With the increasing tempo of ICICI's operations, it was found necessary to augment our resources, particularly of foreign exchange. The Second Loan from the World Bank was fully committed during 1960, much earlier than originally anticipated. I am glad to report that during the last year ICICI obtained a further foreign exchange loan of U.S. \$20 million from the World Bank. This is the third and the largest foreign exchange loan obtained by ICICI, the first two being of U.S. \$10 million each. We are grateful to the World Bank for its increasing confidence in this Corporation. I would take this opportunity to thank the distinguished

President and the staff of the World Bank for their understanding and co-operation. We are also obliged to the Government of India for its helpful attitude, and particularly for its guarantee to the World Bank in regard to the Third Loan.

18. ICICI has also successfully negotiated during the year a loan of \$5 million from the Development Loan Fund of the United States Government. Some formalities remain to be completed in regard to this loan, and it is hoped the agreement would be signed at an early date. I take this opportunity to thank the officials of the Development Loan Fund for this loan and for the interest they have evinced in the activities of this Corporation.

WORKING RESULTS

19. Reflecting the rising tempo of operations, the Corporation's profits before tax increased from Rs. 50.66 lacs in 1959 to Rs. 62.80 lacs in 1960. After providing for tax (Rs. 26.94 lacs), the balance carried to revenue appropriation account is Rs. 35.66 lacs in 1960 against Rs. 28.23 lacs in 1959. As required by Clause 163 of the Corporation's Articles of Association, we have set aside Rs 9 lacs out of this to the General Reserve; we have also transferred the entire amount of realized profit on investment, being a sum of Rs. 24.87 lacs (net), to Capital Reserve.

20. The directors recommend a dividend at the rate of 5.75 per cent. After deduction of tax at source, this leaves in the hands of shareholders an amount slightly above 4 per cent. Thus we have been able to restore to the shareholders the cut in dividend necessitated by the change in the system of company taxation. We have represented to the Government that the present tax system bears heavily on finance institutions of which there are about twenty at present,

which do not benefit from the various tax incentives like development rebate and tax holiday made available to manufacturing concerns. It would therefore be equitable to extend to these institutions tax concessions as has been done in some countries. In view of the need to encourage the saving and investment habit in the country and in recognition of the catalytic impact of finance institutions on industrial development, I trust the Government will see its way to extending these reliefs to finance institutions.

GENERAL

21. I should finally like to refer to two matters of general interest to investors, in which ICICI played an important role. A legislative measure of considerable importance to the investor—the Preference Shares (Regulation of Dividends) Act 1960—was enacted during the year under review. While the Bill was under discussion, your Corporation, as a matter of public service, jointly with other institutions, made representations to the Finance Minister as also to the Select Committee. The Government has seen its way to grant some relief to shareholders as a result of these efforts.

22. I had referred last year to the proposal to form an Investment Centre. I am glad to report that the Indian Investment Centre has now been set up in New Delhi. ICICI has played a prominent part in its establishment. The Government has chosen five Members of the Governing Body of the Centre from among the Directors of ICICI; I have the honour to be the first Chairman of this body. I have every hope that, as a result of the Centre's activities, the flow of foreign investment to India will increase.

23. The staff have carried out their duties loyally and efficiently. I take this opportunity to thank them for their valuable services.

a
cup
of
COFFEE!

*We help to produce
some of it....*

YEAR	INDIAN CROP IN TONS	OUR CROP IN TONS
1956	34042	2096
1957	41663	3179
1958	44205	2462
1959	46520	2803

THE CONSOLIDATED COFFEE ESTATES (1943) LTD.
POLLIBETTA, COORG.

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Manufactures							All Comme- dities
		Food articles & Tobacco	Liquor Lubricants	Fuel Power Light and	Industrial Raw materials	Inter- mediate Products	Finished Products	Total	
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55	..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	..	115.2	95.4	115.6	115.6	110.3	108.4	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.6	117.1
November 1959	..	121.4	104.6	117.4	122.5	116.1	111.0	111.7	118.3
December "	..	118.2	103.7	117.0	127.2	118.0	112.6	113.4	117.9
January 1960	..	117.5	100.9	116.8	130.9	121.6	115.1	116.0	118.8
November 1960	..	120.2	116.8	120.1	148.0	131.6	124.7	125.7	126.0
December "	..	117.2	112.1	120.3	149.6	132.3	125.0	126.0	124.8
January 1961	..	116.4	111.2	120.2	154.6	113.9	126.6	127.6	125.6
14-1-1961	..	116.1	110.9	120.2	153.8	133.8	126.3	127.5	125.2
21-1-1961	..	116.6	111.2	120.2	155.8	135.0	126.5	127.7	125.9
28-1-1961	..	116.5	111.6	120.2	156.4	133.5	127.8	128.6	126.2
4-2-1961	..	116.9	111.6	120.1	157.3	133.7	127.8	128.6	126.5

*Revised.

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

Period	BOMBAY										
	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	—	—
1954	..	342	359	244	138	327	408	373	341	148	140
1955	..	322	338	218	130	321	371	364	321	134	135
1956	..	336	352	244	142	347	424	397	358	152	146
1957	..	352	368	259	150	364	448	422	374	157	157
1958	..	376	394	274	150	384	468	447	401	157	169
1959	..	393	412	309	153	384	469	498	429	166	173*
1960	..	401*	420*	—	158*	397*	476*	512*	462*	—	—
1960 April	..	402	421	288	155	392	463	511	446	162	163*
May	..	402	421	295*	153	396	461	510	452	166	163*
June	..	403	422	297*	154	399	460	510	462	167	164*
July	..	404	423	299*	160	406	484*	515	467	169	164*
August	..	402	421	302*	160	410	484*	515	470	169	168*
September	..	399	418	—	161	403	489	520	472	167	168*
October	..	402	421	—	162	396	488	517	477	171	164*
November	..	404	423	—	159	392	489	509	484*	171	168*
December	..	400	419	—	160	385	478*	507	488*	—	—
1961 January	..	—	—	—	—	—	—	—	470*	—	—

†Base 1944=100. *Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)
WEEK ENDED

	17-2-1961			10-2-1961			3-2-1961			27-1-1961		
	High	Low	Aver- age	High	Low	Aver- age	High	Low	Aver- age	High	Low	Aver- age
Gold (per 10 grams)	122.60	121.10	121.86	123.20	120.00	121.12	121.65	119.85	120.82	121.20	119.35	120.65
Silver (per kilogram)	208.45	206.95	207.66	209.30	207.00	207.90	209.25	206.90	207.96	208.60	204.40	206.91

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)
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	328.20	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	60.68	339.74
1955-56	608.64	407.95	1,016.59	34.64	52.52	8.69	514.37	118.08	63.02	370.71
1956-57	653.34	453.92	1,107.26	36.94	50.23	7.96	626.08	155.56†	71.39	359.35
1957-58	723.89	619.19	1,343.08	39.34	77.55	8.72	723.79	167.32†	66.77	385.54
1958-59	735.93	860.33	1,596.26	40.30	83.99	7.74	766.56	133.27†	56.37	565.14
1959-60	745.83	1,086.79	1,832.62	44.84	75.81	6.58	842.75	144.49†	53.87	725.20
Average of Fridays										
August 1960	792.95	1,212.04	2,004.98	46.35	110.46	7.82	986.68	149.15†	55.65	739.09
September	779.24	1,188.44	1,967.68	46.46	102.53	7.57	980.18	146.48†	57.26	734.02
October	791.28	1,155.68	1,946.95	48.25	101.04	7.67	965.97	150.43†	57.34	703.55
November	790.80	1,141.27	1,932.07	46.65	97.56	7.46	954.21	153.78†	57.32	688.21
December	794.20	1,128.10	1,922.30	45.61	91.21	7.12	991.46	155.21†	59.65	662.44
January 1961	793.54	1,103.32	1,896.85	44.79	78.39	6.49	1,042.22	169.59	63.89	621.24
Week Ending										
13-1-1961	787.73	1,104.88	1,892.61	43.03	77.95	6.39	1,040.62	168.28	63.87	625.01
20-1-1961	789.75	1,098.23	1,887.98	43.44	77.12	6.39	1,044.67	168.20†	64.24	606.46
27-1-1961	803.89	1,094.41	1,898.30	47.61	74.54	6.43	1,051.61	174.13	64.56	610.19
3-2-1961	801.04	1,095.03	1,896.07	45.77	74.05	6.32	1,060.87	177.95	65.34	605.97
10-2-1961	794.38	1,098.49	1,892.87	44.83	69.77	6.05	1,074.36	180.95	66.32	597.13

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Lakhs of rupees.)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabi- lities of banks	Other deposits with Reserve Bank†	
(1)	(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1953-54	1,793.97	1,229.43	564.54	549.83	14.71	+29.26
1954-55	1,920.63	1,311.77	608.86	599.16	9.71	+126.65
1955-56	2,184.32	1,505.09	679.23	667.22	12.01	+263.69
1956-57	2,312.89	1,556.50	756.39	744.74	11.65	+128.57
1957-58	2,384.83	1,606.60	782.22	762.36	19.87	+75.94
1958-59	2,498.75	1,724.53	774.23	754.98	19.25	+109.92
1959-60	2,702.19*	1,861.78*	840.41*	818.62*	21.79	+203.44*
June 1960	2,702.31	1,869.02	833.28	810.37	22.92	-22.66
July	2,670.79	1,827.19	843.60	813.42	30.18	-31.72
August	2,658.92	1,807.02	851.90	819.26	32.63	-11.87
September	2,630.56	1,819.65	810.91	791.63	19.28	-28.35
October	2,640.82*	1,823.95*	836.87*	812.16*	24.71	+30.26*
November	2,669.48*	1,844.00*	825.48*	804.39*	21.09	+8.66*

* Provisional.

* Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

INDIAN RAILWAYS

FREIGHT EARNINGS: 1954-55 — 1959-60

(Selected Commodities)

(Rs. lakhs)

Commodity	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60
Coal, Coke, and patent fuel for the Public	21,96	21,41	26,05	30,10	38,92	40,03
Rice and Paddy	5,96	5,76	5,86	5,68	6,60	8,15
Gram, gram flour, and Pulses	4,66	6,45	5,65	7,19	7,23	8,38
Wheat, and wheat flour	2,54	3,33	4,65	6,61	9,41	7,75
Oil seeds	3,43	3,96	3,98	4,62	4,75	4,57
Cotton raw (pressed and unpressed)	3,21	3,86	3,78	4,00	3,94	3,77
Fruits and vegetable fresh (including sugarcane) ..	2,65	2,83	3,39	3,60	2,95	3,36
Marble and other stones	4,38	5,42	6,96	9,14	10,10	11,14
Salt	3,47	3,66	3,59	4,68	5,02	5,14
Manganese ore	2,10	2,25	2,63	3,67	2,27	2,82
Other ores	3,51	3,64	4,38	6,04	6,86	10,11
Oil fuel and other mineral oils	3,52	4,04	4,13	4,98	5,41	6,64
Kerosene oil (in bulk and in tins)	3,67	4,42	4,85	4,89	5,39	5,95
Petrol (in bulk and in tins)	4,05	4,34	3,91	3,98	4,27	4,96
Wood unwrought	2,91	3,28	3,99	4,92	5,35	5,79
Sugar, refined and unrefined	3,91	3,98	4,83	6,21	5,76	6,06
Cotton manufactures	3,38	3,81	3,45	3,74	4,56	4,47
Vegetable oil and other edible oils	2,09	3,08	2,72	3,35	3,34	3,34
Cement and cement manufactured products	5,08	5,89	6,30	7,99	8,80	10,99
Iron and steel wrought	10,44	12,64	15,13	19,19	22,37	26,33
Provisions	3,21	3,64	3,35	3,51	3,55	3,38
Tea	1,45	1,45	1,51	2,12	2,09	1,78
Jute raw	1,15	1,41	1,73	2,06	2,43	2,66
Jute manufactures	1,02	1,43	1,28	1,57	1,67	1,56
Total Earnings* (including earnings from carriage of other commodities)	156,45	177,92	201,09	225,71	237,04	256,12

* Earnings from 'carriage of goods' shown here exclude earnings from demurrage, wharfage etc., whereas "total goods earnings" are inclusive of these amounts.

PROGRESS OF THE INDIAN RAILWAYS* 1950-51 — 1959-60

Items	1950-51	1955-56	1956-57	1957-58	1958-59	1959-60
Capital at charge (crores) Rs.	838.18	975.91	1,078.23	1,228.67	1,362.89	1,438.75
Route mileage as on 31st March	34,078.94	34,735.60	34,744.05	34,888.87	35,080.65	35,212.92
Gross Earnings (crores) Rs. (1)	264.62	317.51	350.55	382.95	392.33	424.06
Total Working Expenses (crores) Rs. (2) ..	214.39	260.17	280.13	311.17	324.58**	337.48
Operating Ratio (per cent) (3)	81.02	81.94	79.91	81.26	82.73	79.58
Number of Passengers Originating (million)	1307.79	1,297.36	1,382.54	1,430.29	1,440.87**	1,534.03
Passenger Miles (million)	41,671.74	39,083.29	42,194.47	43,328.50	42,496.77**	46,303.51
Earnings from Carriage of Passengers (crores Rs.)	99.22	108.75	117.39	120.05	117.58	126.50
Average earnings per Passenger mile, nP. ..	2.38	2.78	2.78	2.77	2.77**	2.76
Freight tons originating (million)	92.34	115.27	125.38	133.69	136.56**	145.48
Freight ton miles (million)	27,007.52	36,471.85	40,224.69	45,644.40	46,809.23**	50,191.44
Earnings from carriage of goods (crores) Rs. (4)	139.77	177.92	201.09	225.71	237.04	256.12
Average earnings per freight ton mile, nP ..	5.18	5.78	5.89	5.85	5.99	6.11
Total train miles (million)	185.11	209.50	217.82	226.97	230.06*	237.22
Gross earnings (1) per train mile, Rs. ..	14.6	16.0	17.0	18.0	18.2	19.1
Working expenses (2) per train mile, Rs. ..	11.8	13.2	13.8	14.8	15.2	15.4
Net earnings per train mile, Rs.	2.78	2.75	3.24	3.19	2.97*	3.67
Net earnings per mean mile worked, Rs. ..	14,515	16,483	20,238	20,629	19,350*	24,642

* Including non-government railways. **Revised.

(1) Excludes suspense. (2) The amounts are the sum total of the ordinary working expenses and the appropriation to the depreciation fund. (3) Operating Ratio defined as the percentage of working expenses to gross earnings. (4) Earnings from 'carriage of goods' exclude earnings from demurrage, wharfage etc. Total goods earnings include these amounts.

RAILWAY FUNDS: 1950-51—1961-62

(Rs. crores)

Period	Depreciation Reserve Fund			Development Fund			Revenue Reserve Fund		
	Appropriations	With-drawals	Closing balance	Appropriations	With-drawals	Closing balance	Appropriations	Net Accretion	Closing balance
1950-51	33.59	26.63	123.65	10.52	5.35	19.44	5.40	5.41	13.58
1951-52	33.79	35.87	122.02	10.65	7.70	22.48	19.12	19.30	33.72
1952-53	34.42	40.89	116.36	12.76	8.10	27.14	2.26	2.30	36.05
1953-54	33.97	38.02	112.79	3.29	9.81	20.62	1.13	1.13	37.18
1954-55	33.72	45.82	100.69	9.70	12.78	17.54	1.18	1.18	38.36
1955-56	48.67	45.89	103.47	7.57	12.14	12.97	8.51	8.53	46.89
1956-57	48.90	43.68	103.14	20.65	19.84	13.75	1.52	1.52	48.07
1957-58	49.38	63.62	88.89	13.63	25.53	1.85	1.61	1.61	49.68
1958-59	48.40	80.72	56.70	19.11	28.06	1.69	1.09	1.09	49.37
1959-60	47.96	68.36	37.30	35.12	25.54	8.91	1.90	1.90	51.60
1960-61 (Revised)	46.79	69.96	14.13	17.84	30.07	..	1.85	1.85	53.45
1961-62 (Budget)	66.49	65.00	15.62	32.36	53.19	..	1.80	6.77	46.68

INDIAN RAILWAYS

PROGRESS OF EXPENDITURE : 1956-57—1960-61

(Rs. Crores)

Plan - Heads	Original Plan Provision	1956-57 Actuals	1957-58 Actuals	1958-59 Actuals	1959-60 Actuals	1960-61 Revised	Total
1. Rolling stock (excluding stock provided as part of electrification projects) ..	3.80	93.75	84.38	75.10	57.20	72.93	383.36
2. Machinery and plant	**	4.13	4.13	3.54	2.73	3.68	18.21
3. Track renewals	1.00	19.41	33.66	50.07	43.73	41.02	187.89
4. Bridge works	24	0.75	3.20	6.09	7.76	8.04	25.84
5. Ganga bridge	9	2.38	2.33	2.45	0.16	0.16	7.48
6. Traffic facilities	1.86	15.80	30.09	45.79	40.30	48.05	180.03
7. Signalling and interlocking works, etc. ..	25	1.58	2.08	3.79	4.41	7.28	19.14
8. Workshops excluding those provided as part of electrification projects ..	65	3.41	4.76	7.09	6.53	9.63	31.42
9. Electrification (electric traction) ..	80	4.08	13.78	6.49	10.94	21.77	57.06
10. Staff quarters	(..)	6.77	8.95	7.26	6.25	7.72	36.95
11. Amenities for staff	(..)	1.36	2.08	2.07	2.81	3.80	12.12
12. Passengers and other railway users' amenities	15	3.91	3.24	2.72*	2.37†	2.91	15.15
13. New lines (excluding electrification and Ganga Bridge Projects) and restoration of dismantled lines	66	8.39	14.05‡	13.22	16.59	27.56	79.81
14. Investment in road services	10	1.45	0.46	0.75	1.17	1.70	5.53
15. Other structural works	21.5	5.05	8.71	7.24	5.76	4.85	31.61
16. Increase or decrease in balances under :							
(a) Stores suspense	90§	18.00	30.52	16.48	—21.37	—6.02	37.61
(b) Manufacture suspense		0.64	1.11	2.24	—1.47	—2.57	—0.05
(c) Miscellaneous advances			8.58	—0.32	+3.62	—4.79	7.09
17. Credits or recoveries :							
(a) Credits for released materials		—4.66	—4.10	—5.93	—8.75	—9.32	—32.76
(b) Other credits		—7.25	—0.54	—0.97	—0.98	—0.92	—10.66
TOTAL		11,21.5	1,78.95	2,51.47	2,45.17	1,79.76	2,37.48
		10,92.83					

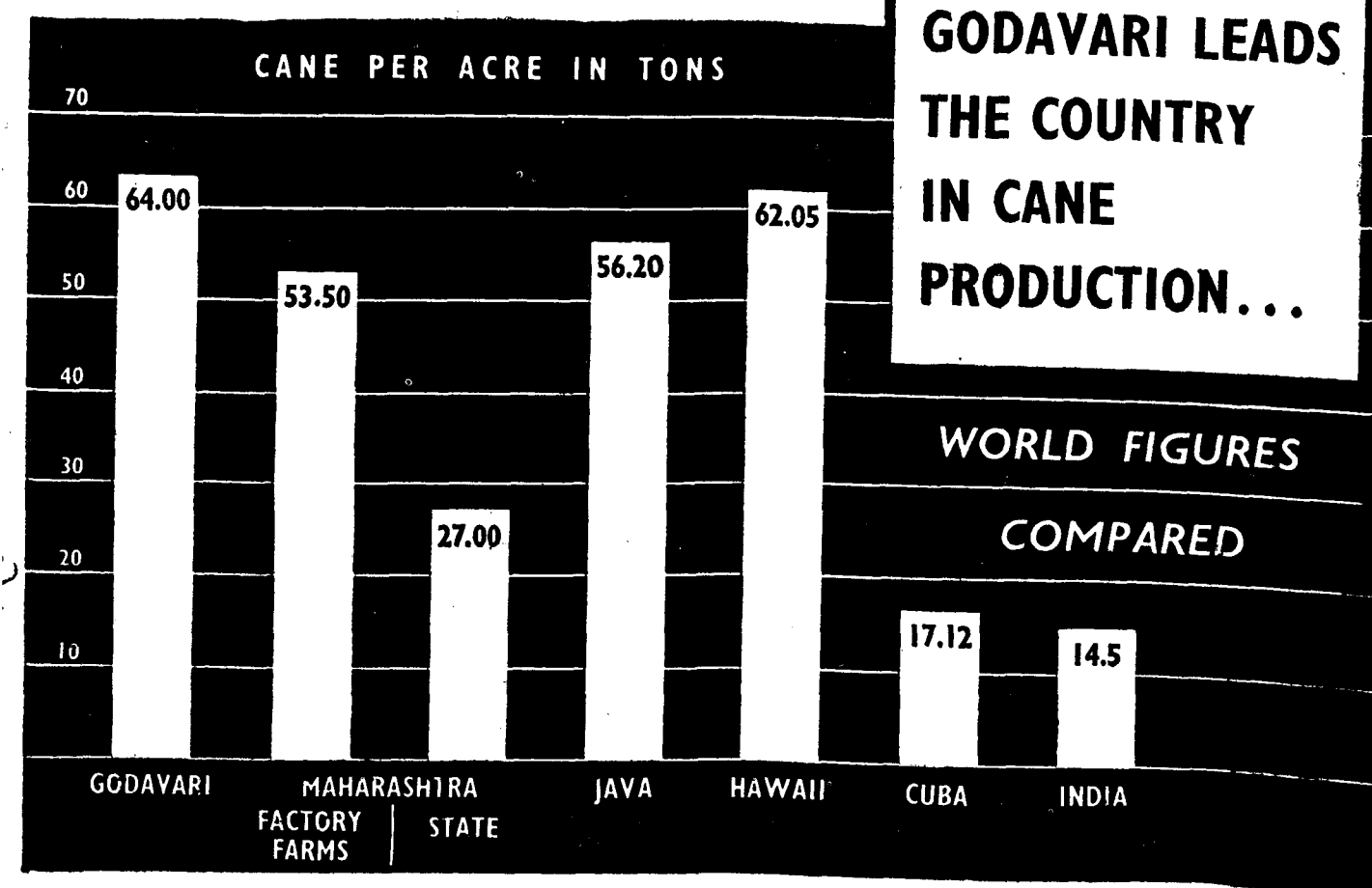
*Inclusive of Rs. 4 lakhs on replacement account charged to the depreciation reserve fund.

†Includes Rs. 1 lakh on replacement account.

‡Includes Rs. 80.43 lakhs paid for the purchase of financial interests of Salem and Tanjore district board lines—a charge against 67-C Capital contributed by Railway Companies towards outlay on Indian Railways—discharge of debentures—and excludes Rs. 3.5 crores in respect of Visakhapatnam Port transferred to the Ministry of Transport and Communications with effect from 1 October, 1956.

§Includes Rs. 40 crores on account of extra provision for imported steel.

**Included under item 8 above.



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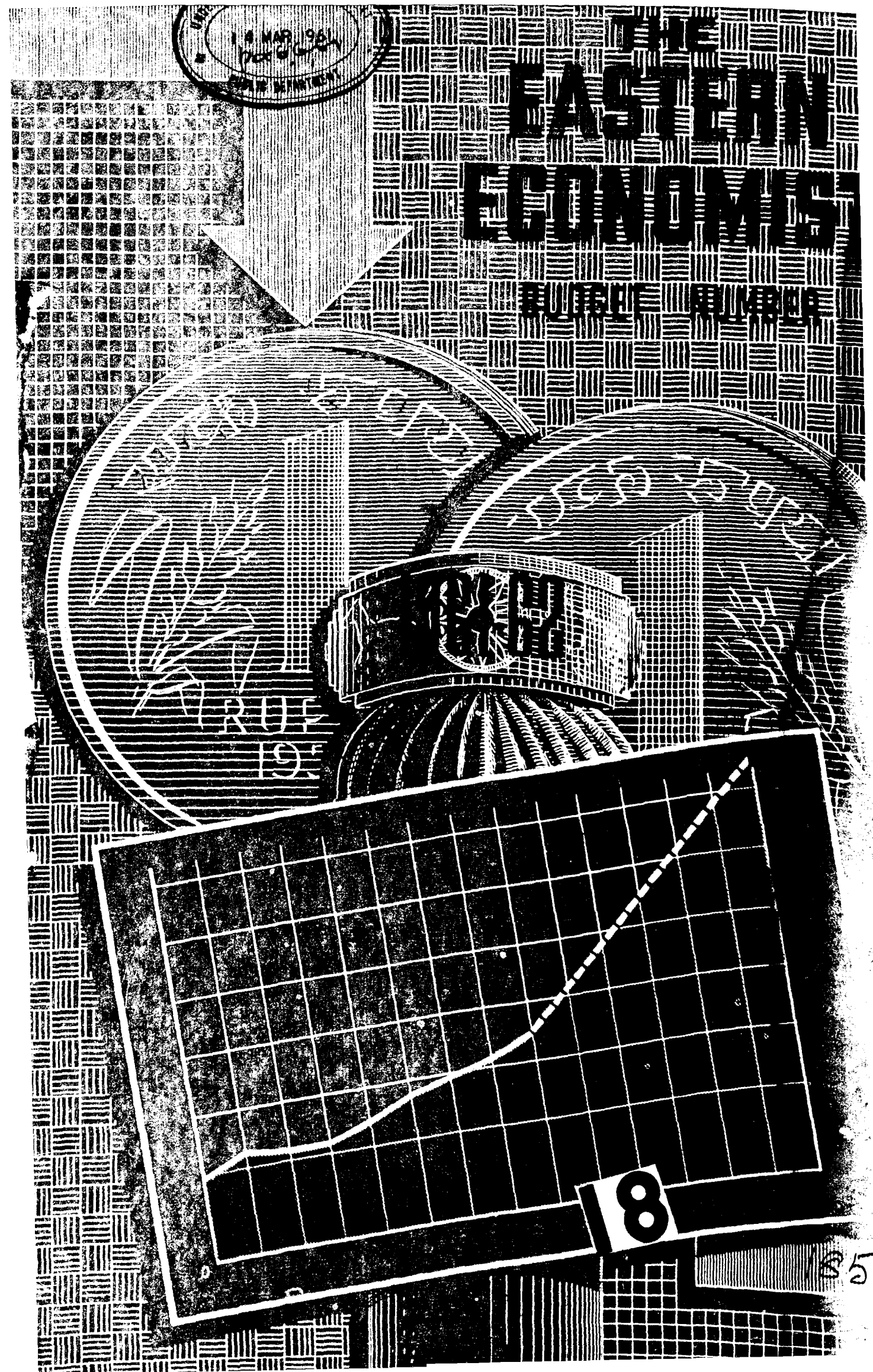
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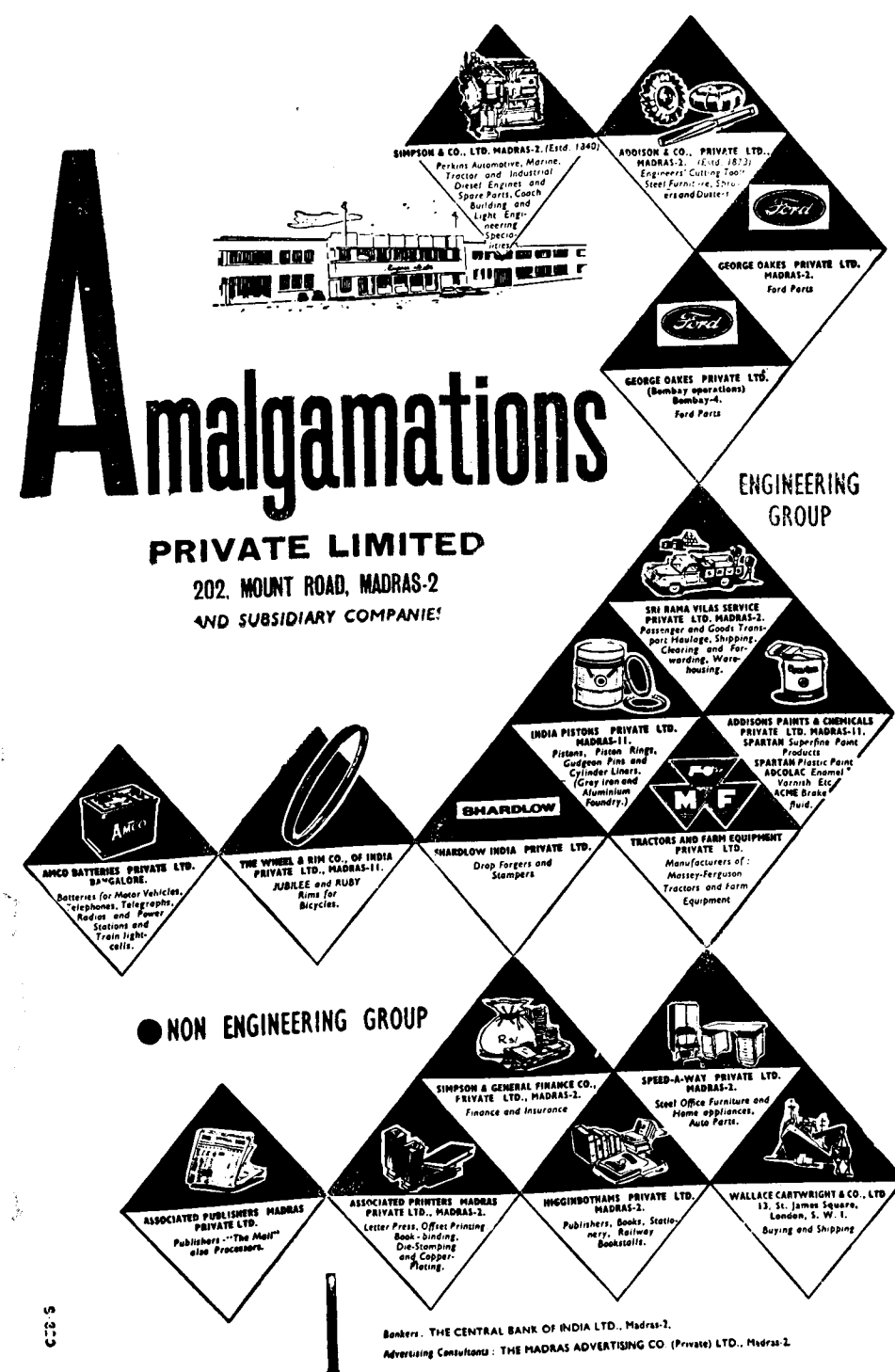
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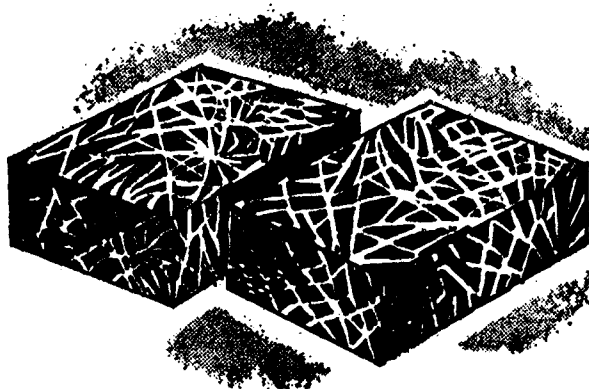

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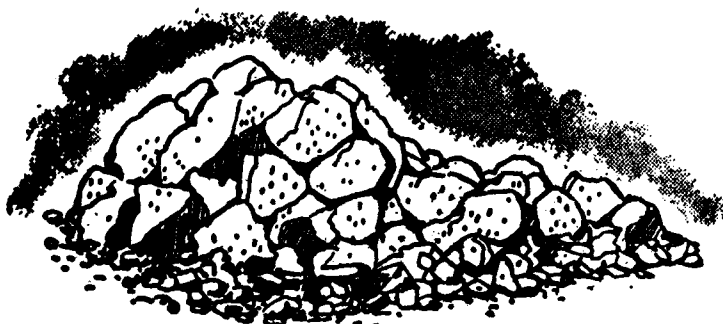
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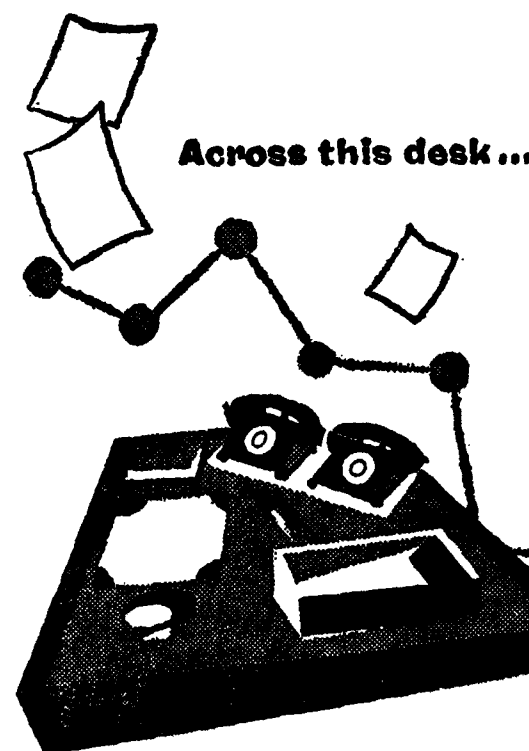
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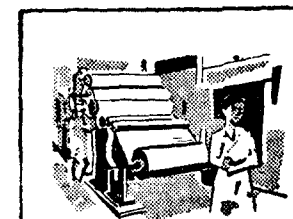
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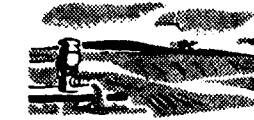


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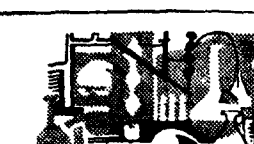


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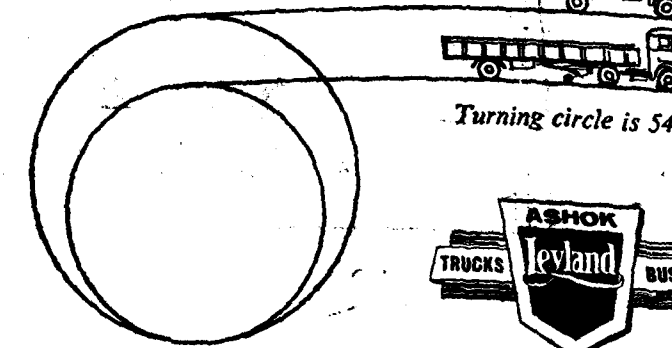
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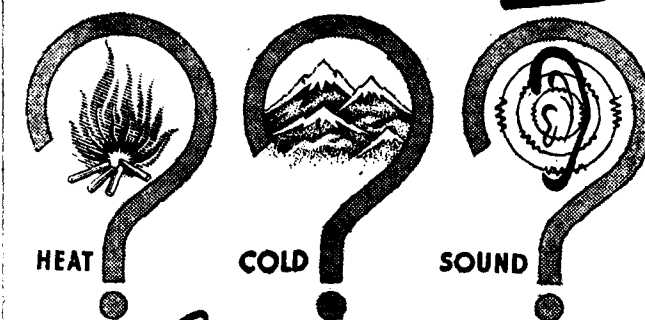
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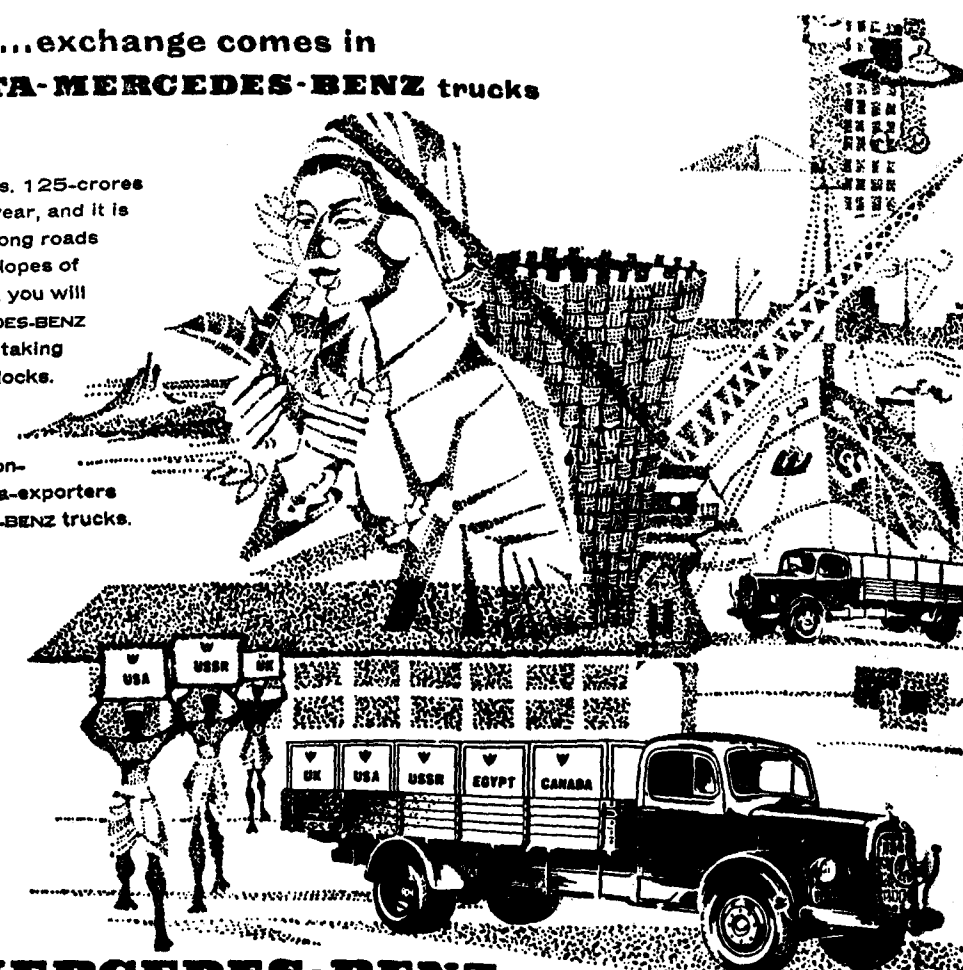
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THE EASTERN ECONOMIST

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NEW DELHI: MARCH 6, 1961

FOUR RUPEES

*With a Supplement
on
THE THIRD PLAN*

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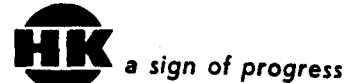
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Courage with Confidence

"COURAGE with Confidence" was a leading article in *The Eastern Economist* Special Budget Number two years ago when Mr Morarji Desai introduced his first Budget. It could, more appropriately, be the description of the Budget which he introduced last Tuesday for the financial year 1961-62. 1959 was a mid-Plan year and one might have been tempted then—as indeed the Finance Minister allowed himself to do in 1960-61—to relax unduly after the pressures of the first two years of the Plan. 1961-62 again is a year before the elections and there were confident predictions that the Finance Minister, acutely conscious of political currents, would subdue his economic obligations to his political imperatives. All those who judged the Finance Minister, wrongly on this occasion, as a creature of expediency have done him a grievous wrong. In the event he has subdued all political temptations to play to the gallery and has faced squarely, even a little harshly, the supreme responsibilities of preparing the Indian nation, both psychologically and materially, for the responsibility of the Third Five-Year Plan. There was a powerful display of both courage and confidence in his Budget speech, noted for its directness and clear understanding of the Plan's larger objectives of which finance is only the means. As fire draws fire, his courage and faith have awakened a splendid response. This is proof that the Indian people are prepared for the sacrifices which he has demanded from every group. It is an error to assume that the Indian people are not equal to the destiny which they have proudly given to themselves.

In the two articles which follow an attempt has been made to highlight the Budget proposals in terms of two major elements which must dominate the economic scene. These are incentives for production on the one hand, and the containment of prices on the other. Here it is necessary only to assess the stewardship of the Finance Minister over the year which has ended, and the economic philosophy with which he approaches the next exacting round. In one respect he should be cheered forthwith. The original Budget provided an overall deficit for the year 1960-61 of Rs 153 crores. The deficit is expected now to come down to a meagre Rs 15 crores, all on revenue account. In other words, the whole of the capital programme has been financed without deficit financing as such, although there is some little doubt as to whether or not the method of the Reserve Bank's taking out long-term securities and increasing currency, and the utilisation of P.L. 480 funds is not an indirect form of deficit financing. Nevertheless, the basis of *The Eastern Economist's* criticism last year that the Finance Minister in an inflationary situation was deliberately budgeting for further inflation has been disproved by the volume of "overall" deficit financing. He is not the villain of the considerable price rise that has taken place. One of the most intriguing questions in Indian economic discussion now is: how did the steep price rise come about? With production at its peak and deficit financing negligible, where is the villain of the piece? An attempt, by no means final, is made in special articles in this issue to locate the demon of inflation.

The dilemmas which a Finance Minister in the Indian Union faces today are at least threefold. In the first place, he is obliged to arrange for a sub-

stantial rate of development to assist the "take-off" of the Indian economy, but is firmly admonished against any material price rise; in other words, production and prices cannot be allowed to rise together. Secondly, in the difficult process of finding resources his capacity to tax must be exercised with supreme discretion so that the uneasy balance between town and country and the classes and the masses is not imperilled. Thirdly, and not the least important, as the Finance Minister clearly showed in his Budget address, the climate must be made attractive not only for Indian private initiative, but also for the entry of foreign capital. This is a formidable array of objectives and only a supreme skill could have enabled the Finance Minister on this occasion to accomplish the rare combination of practical balance with political imagination.

During the last two years the criticism has been made—for the most part justly—that the Finance Minister was unduly hesitant in using the weapon of taxation on a wide enough basis to harness to the Plan not merely the resources of middle class urban dwellers, particularly those who paid income-tax, but also the very large number of lower income groups who, in the villages, were almost outside the realm of contribution. There has been an undue bias in favour of taxing the income-tax groups in the towns and recoiling from the thought of placing burdens squarely on the masses, whether in the towns or in the country. This bias has been completely removed this year by taxation on practically all items of necessity—tea, coffee, betelnuts, tobacco, medium quality cloth, silk, rayon, matches and kerosene. It is true that token gestures to the rural areas have been made, particularly in regard to kerosene, of which the inferior varieties used in rural areas are exempted; there are also certain limits on taxation of cotton yarn used for handloom industries. But the great sweep of the taxation proposals has now blurred the old dichotomy between the urban and the rural areas and the classes and the masses of the Indian people. The total effect has been, like all great instruments of unification, to produce not resentment but appreciation.

Because in this Budget the Finance Minister emerges as a courageous leader of the whole nation, refusing to be intimidated by the fear of the loss of votes and by the recriminations of those who argue that he is burdening the poor in order to protect the rich, and because he has employed the corrective to excessive deficit financing and inadequate taxation, he should be marked out as a notable Finance Minister. The present Budget shows that he is also possessed of far greater calibre and that, faced with the responsibilities of the highest office next to the Prime Minister of the country, he can place the country's interests before his personal popularity and minor advantages to his party. Thus there has emerged not merely an impersonal document of great worth; there has also been with this Budget a notable accretion of strength in India's top leadership. We are not so happily placed in regard to this capacity to abstain from "leadership from behind" that we should fail to applaud the great display that the Finance Minister has made of political courage with economic confidence.

The Budget and Production

THE sweep of the Finance Minister's taxation proposals, including the reduction in the development rebate and concessions to foreign technicians, are obviously invested with an impact on the structure of costs and incentives in Indian industry. At first sight, the Stock Exchanges have assumed that the absence of direct taxation was itself so strong a bull point that the heavier import duties on capital goods, the reduction by five per cent of depreciation allowances on assets installed after March 31, 1961, and the higher taxation on earned incomes over Rs. 1 lakh could well be taken in the stride of rising profits. This is a view which calls for much more detailed examination.

On the one hand, the imposition of a very large number of excises on finished goods will, to some extent, reduce the market and consequently, at least in those industries operating under increasing returns, there will be a rise of manufacturing costs per unit. Secondly, there are significant duties on many raw materials—caustic soda, dyes from coal tar, paints, vegetable products, copper and zinc and fuel—for example. Thirdly, capital costs are directly increased for expanding units by a revenue duty of general machinery from 10 to 15 per cent. In the case of instruments, the rise is from 40 to 50 per cent. In a Special Article elsewhere in this issue it is argued that the rise reflected in the general index of prices might be of the order of 0.98 per cent. For industries which are to import their plants after March 31, 1961, there is a higher customs duty and, for both imported and indigenously fabricated plants, there is a loss of development rebate up to 5 per cent. It would be wholly wrong, because of the jubilation in the absence of a change of corporate tax, to ignore the point that industry has suffered losses which might have been similar effect to a straight rise in corporate tax.

First calculations suggest that the rise in 'costs' might result in a fall of about 5 per cent of gross profits. With the corporate rate of tax of 45 per cent, the Government might lose about Rs. 24 crores from Corporation tax, while shareholders would lose about Rs. 24 crores. In effect, the yield of "direct" taxes of Rs. 3 crores (unless it is an under-estimate of its own account) is likely to be largely negated so far as actual realisation goes because of the fall they induce in corporate profits.

The view that is being canvassed that these burdens on industry, — particularly the rise in duty on machinery and the reduction in the development rebate—are on revenue grounds insignificant is justified. But there are two factors which must be borne in mind in respect of both measures. So far as the general public is concerned, at least a token gesture was required to indicate that corporate profits would bear some of the large burden which is necessarily involved in the financing the Plan. It is unthinkable that the corporate sector would possibly have argued that all taxation should be indirect. And it is difficult to raise personal direct taxes much further, even though the Finance Minister has done so in respect of earned incomes over a lakh of rupees. These are measures which are not primarily designed to raise revenue, but are token offerings to the gods that preside over the socialist pattern of society. It is wise for Indian industry to re-

cognise that token gestures of this kind will need to be made in every year of the Third Plan in order that the Finance Minister should be able to withstand the criticism that all his taxation is regressive and is designed to hurt the poor.

The question which is important is not whether the taxation is material from the revenue point of view or whether it raises the costs of industry (it certainly will) but whether, on balance, it is such that it will not hinder the broad pattern of India's industrial growth. It is in this context that one must view the Finance Minister's other proposals. In the context of the building up of self-reliance and opportunities in Indian industry one must welcome the new duties placed in the way of the imports of capital goods. This is not primarily because of the shortage of foreign exchange; for if foreign exchange is not available, the goods will not be imported. The enhanced Revenue duties on capital goods are designed to raise internal costs for machinery, thereby giving additional incentives to producers of machinery, on the one hand, and, secondly, — and this may well be much the more important of the two—to give incentives to managers to extract as much as they can from existing equipment. A Special Article published in *The Eastern Economist* of February 17 over the name of Mr. Morris J. Solomon pointed out that in some of India's best engineering factories, the utilisation of machines is something less than 50 per cent of working time. There was argued a case for the reorganization of work adding, if necessary, to labour, but subtracting from plans for capital additions to the extent that productivity could be built into existing equipment. This does not eliminate the need for capital goods; some will be necessary to secure a balance with increasing production because there are some machines on which productivity will advance faster than on others. Nevertheless, the emphasis is now, fairly and squarely, on restraint on import of certain capital goods and the utilisation of those that are already in the country. It is quite true that substantial imports of capital goods in certain areas—particularly transport, power and fertilisers — is unescapable, but the idea that applications for capital goods should be liberally licensed begins at the wrong end. It is one of the virtues of the Budget that it makes an attempt to drive home this point by creating disincentives for capital goods imports. In a sense, the reduction of the development rebate is also a step in the same direction. The temptation has always been great to have as high a development rebate as possible, and therefore, to increase fixed assets in some cases unduly. Reluctantly, in the case of the development rebate reduction, more positively in terms of the increased duty on capital goods, *The Eastern Economist* applauds the Finance Minister's attempt to divert industry's attention from the amassing of capital goods to the better utilisation of existing plants. Viewed in this context the criticism of the President of the Federation of Indian Chambers of Commerce and Industry is mistaken.

Apart from the opportunities that exist for much greater productivity from India's engineering plants and in many others, there is the great opportunity which the Third Plan provides for the expansion of the markets where selling can be imaginatively done. We cannot, it is true, be oblivious of the real difficulties in marketing with a significant price rise as in medium grade 'A'

cloth, and a very large number of items such as rayon, synthetic fibres, paper and paper board, plastics and cellophane, refrigerators, air-conditioning machinery and so on. But the rise in prices should be a challenge to India's salesmen to develop techniques of "hidden persuasion" which have in this country been conspicuous by their absence. At second round, the money released by planned expenditure will be seeking outlets in consumption goods, notably the new range covered by travel, durable goods and entertainment. What Indian industry loses by a higher cost structure and a higher selling price it can offset by certain expansion of markets.

A last factor in the Finance Minister's approach to industrial production should not be ignored. These are the measures to foster private

foreign investment by changes in the rates of tax for minority share holdings and also by permitting foreign technicians to have an exemption for twentyfour months after the initial period of thirty-six months after arrival in the country. A Special Article elsewhere in this issue deals with the character of the changes in terms of taxation of foreign companies which are either subsidiaries or minority shareholders of Indian companies. It is possible that particular industries, such as cotton textiles, may not share in the general growth. No Finance Minister can ensure that measures designed for the economy as a whole will be completely impartial in the fruits they bestow on different industries in the country; he can only ensure "overall" progress; this he can claim to have done.

The Paradox of Prices

NOT a little surprise has been caused by the revised figure of deficit financing by the Government of India in the year 1960-61. It was ordinarily assumed that the overall deficit estimated in the original budget at Rs. 153 crores had been incurred, and this was the prime cause of the rise in prices between 5 and 6 per cent in the General Index. Current estimates are incomplete but provisional estimates of the Research Section of *The Eastern Economist* are to the effect that at 1952-53 prices the national income of the Indian Union might be represented by a figure of Rs. 13,100 crores. Real income might have increased by 7 per cent, although in the Economic Survey issued with the Budget papers, the figure of 6 per cent is suggested. For prices to have risen by between 5 and 6 per centage points with a rise of real national income of about 7 per cent has suggested that an evil monetary factor must have operated to raise prices. If, on the other hand, the overall deficit is now only Rs. 15 crores instead of Rs. 153 crores, there was the concealed prime mover of inflation within the year.

It is extremely likely that the paradox of prices thus presented can only be explained in terms of the operations of the Reserve Bank of India and the banking system, so to speak, inside themselves. The Central Government's figures have not, so far as treasury bills are concerned, been operative in creating new money. Indeed, the increase in Government indebtedness to the banking system in the calendar year of 1960 is reckoned at only Rs. 25.6 crores (completely compensated by a loss of Rs. 26.9 crores in foreign exchange assets) as against Rs. 247 crores in 1959 and Rs. 417 crores in 1958. What has brought about a variation in money supply has been primarily the marked change in the increase in private indebtedness to banks, mainly due to the increase of bank credit which in the year 1960 was Rs. 246 crores against only Rs. 128.80 crores in 1958-59 and Rs. 21.8 crores in 1958. The Economic Survey makes the good point that, while expansion in credit was, to a large part, in response to increasing requirements of trade and industry, the rate of increase has been "on the high side." The prime inflationary factor in the Indian economy is now not money in circulation but bank advances. In order to obtain the money for advances the banks reduced their investment by nearly Rs. 154 crores in the calendar year 1960 while their time liabilities increased only by Rs. 10 crores as against Rs. 236 crores in 1959. In other words, the banking system, hard pressed for resources, sold Government investments of

the order of Rs. 154 crores to create money supply of the order of Rs. 217.4 crores, the difference between the two figures being met by a rise in the ratio of advances and the bills discounted to deposits. This factor, namely, that the money supply is now primarily in the hands of the banks, has justified the concern expressed by the Reserve Bank of India on the rate of rise of advances. But the concern might have been much more effective if, instead of curtailing good advances, it had shown some more positive means of raising deposits.

For an expansion of economic activity obviously some increases in money supply are necessary. But that the increases in money supply this year have been excessive is shown by the extent of the price rise. The Economic Survey makes the point that over the whole five-year period, while real income seems to have risen by about 19 per cent, money supply has risen by about 35 per cent. It would seem that India's money supply is increasing, roughly, at twice the rate at which real income is increasing. The Table below shows the position year by year and indicates that the inflationary component, while fluctuating, has been substantial in every year. There, in fact, has been no year in which the percentage increase in money supply has not been greater than real national income. But the last year has been significant in that, for the first time in the five years, it was not the public, but the private sector which was generating marked increases in money supply.

It is not likely in these circumstances that currently the taking up of securities by the Reserve Bank (and the issue of corresponding currency to some extent) or the utilisation of PL 480 funds is the true villain of the piece. In the current year with a target of Rs. 235 crores of public borrowings in India and Rs. 96 crores of PL 480 funds, it is unlikely that the sources of inflation are contained within the Capital Budget. They are much more related to advances of the banks uncompensated by rises in deposits. To state that money supply in the banking system has been the major operating factor in the rises of prices is by no means to argue that advances can be curtailed. Economic activity is now at a level which requires banking activity to be sustained and while certain small curbs on unwise banking advances can be made, great damage can be done by a blanket control of advances by the Reserve Bank of India. This is the time to consider much more the other alternative which is the extension

of the banking habit, if necessary, by compelling all salaried income groups to receive payments by cheque and by generating confidence in the banking system. Perhaps the system of deposits insurance could be effectively worked to allay concern such as arose with the liquidation of the Palai Central Bank. While substantial energy is thrown into the market borrowing programme, the attempt to revive the rate of rise in deposits has been both half-hearted and ineffective. Yet surely, here, more than anywhere else, since the banking system is creating new money nearly twice as fast as the rise in notes in circulation, one needs to consider an urgent and positive campaign. No better indication can be found of the interdependence of the private and public sectors than this marriage of policies, designed to raise general savings as well as banking deposits, as the main weapon against inflation.

The Budget, Prices and the Third Plan

THE first thought of those who are looking upon the Budget in terms of its repercussions upon the Third Plan must be an anxious enquiry as to how a philosophy which extends so considerably into the range of indirect taxation and, therefore, induces a rise in prices will alter the basis of the Plan on which tentative investment estimates "at constant prices" have already been agreed. One of the great weaknesses of India's Five-Year Plans is that they have been conceived in terms of these "constant" prices; no allowance has been made for a rise in prices even though everyone knows that these rises are inevitable. In point of fact, therefore, the Plan underestimates both investment and income at current prices which, if the budget of the current year is any guide, will rise steadily throughout the five years.

In a Special Article elsewhere in this issue a detailed calculation has been made in regard to the effect of the budget proposals on the structure of prices likely to result from the impositions in the Budget. It will be seen that the rates at which they impinge on different elements in the Wholesale Index of Prices are different. The percentage rise in respect of food articles (vanaspati, tea, coffee and betelnut) comes to 0.41 per cent of the index for food articles. For liquor and tobacco, the rise is substantial at 6.34 per cent, but the weightage is correspondingly lower. For fuel and power there is a rise of 0.85 per cent because of the kerosene and diesel oil. For intermediate and manufactured goods (cotton yarn, rayon yarn and metals) the figure is 4.3 per cent. For finished manufactured articles the figure is substantial at 2.11 per cent. This covers the duties on textiles, caustic soda, dyes, paints, patent medicines, machinery, matches, paper and pottery and glass. Put together and allowing for the weightage of each of these groups of the general index of the whole of sale prices, the taxation proposals provide for a rise of 0.97 per cent or nearly 1 per cent in the coming year.

The General Index of Wholesale Prices is not a full reflection of the rise in costs. The cost of living is bound to be affected. The Economic Survey makes the point, as against a general index of rise of between 18 to 20 per cent in the Second Five-Year Plan, the cost of living rise was somewhat lower between 14 to 15 per cent depending on the area chosen. If one assumes that the cost of living corresponding to the taxation proposals will rise by 1 per cent each year, one would pro-

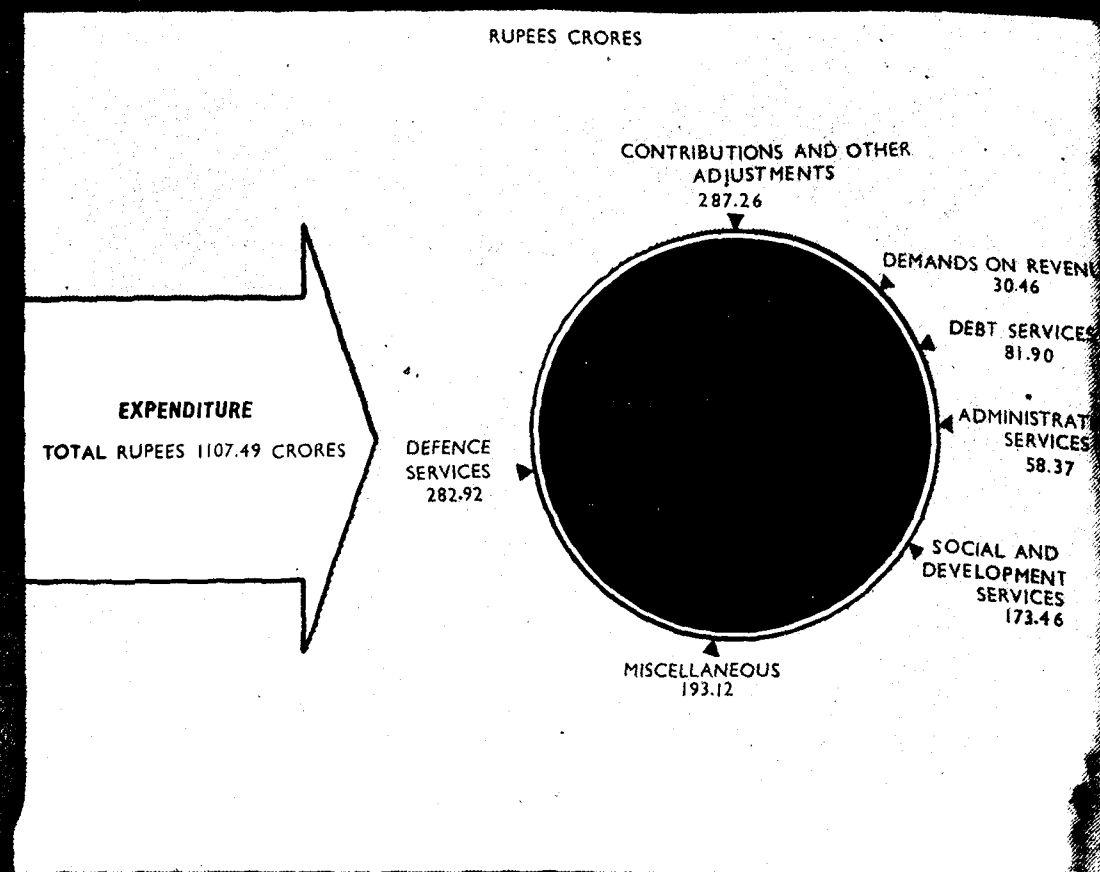
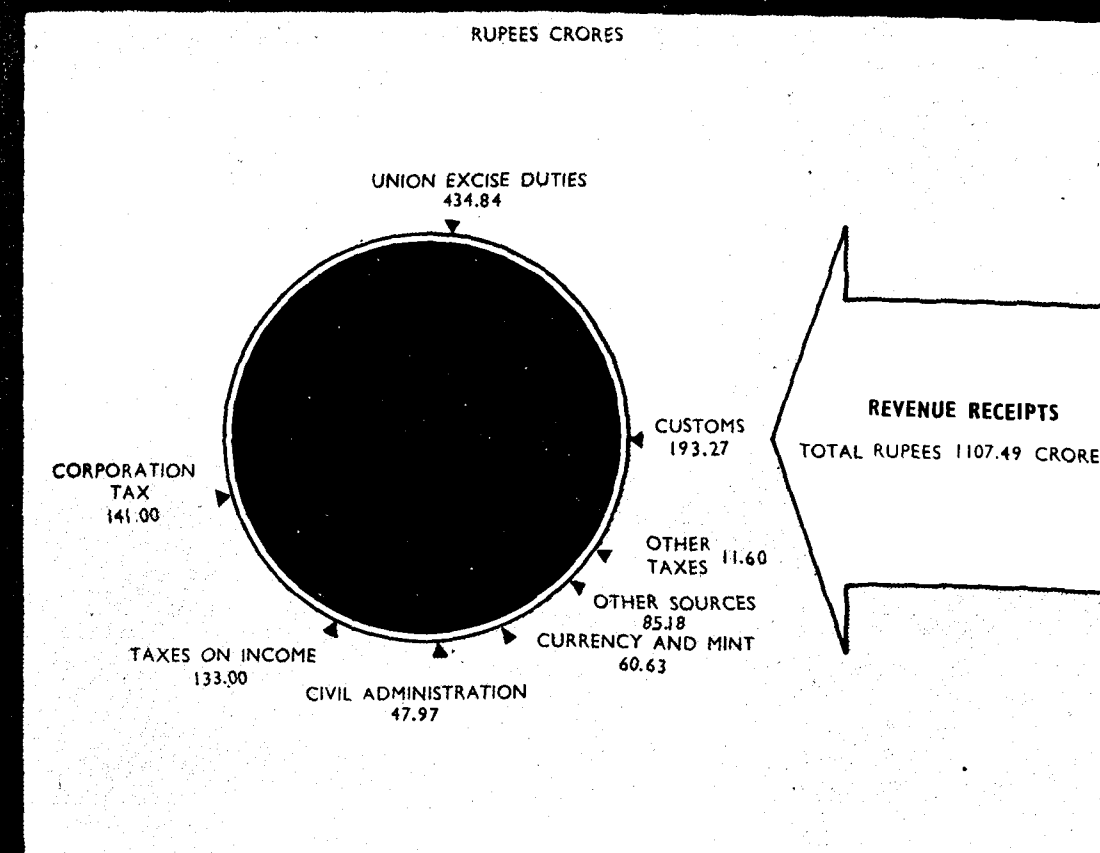
At the end of	Money Supply		National Income*	
	Actual (Rs. crores)	Index Numbers (Base = 1955 : 100)	Actual (Rs. crores)	Index Numbers (Base = 1955 : 100)
1955	2,047	100.0	10,480	100.0
1956	2,179	106.4	11,000	105.0
1957	2,275	111.1	10,890	103.9
1958	2,350	114.8	11,690	111.5
1959	2,521	123.2	11,750	112.1
1960	2,739	133.8	12,513	119.4

* At 1948-49 prices.

bably not be unduly pessimistic. It is not conceivable that a rise of this order should take place without any compensation in wages. In the textile industry in Ahmedabad compensation is complete, and in Bombay's textile industry it is 90 per cent. But the position has now been reached all over the country that wage rates, following sometimes on Wage Board awards, must rise at least at the conclusion of the current awards. Thus wages will rise on account of dearness allowance by between half to one per cent as a result of the taxation proposals. It is not unlikely that this will be superimposed on an independent rise of about that order due to the difficulties of financing greater investment with stringency in the banking system and great difficulty in finding capital resources for loans, even though deficit financing is now substantially lower at Rs. 64 crores.

If, therefore, in the current year one assumes a rise of prices implicit in the system of 2.5 per cent one would not be unduly pessimistic. In the following years of the Plan the rises must be greater in proportion to the much larger element of indirect taxation which must appear. If we assume that in the next year and the year after, the taxation was 50 per cent higher, namely, that there would be Rs. 80 crores more in each of the two years in the Centre with corresponding rises in the States, one might allow for a rise of about 4 percentage points in 1962-63 and 1963-64. Thereafter, while indirect taxation will not need be very great, inflation will persist; higher consumer goods production will be offset by greater producer goods investment, since the building up of the investment programme will take place in the last three years. One can, therefore, assume at best that a rate of rise of 2.5 per cent will be restored for the last two years of the Plan. In other words, the rate of rise of prices for the five years of the Plan might be 2.5 per cent, 4 per cent, 4 per cent, 2.5 per cent, 2.5 per cent making 15.5 or 16 per cent rise for the period of the Plan. This will naturally be distributed unevenly over the years depending on the taxation proposals just as in the current Budget the manufactured group with a 2.1 per cent rise has taken much more than the food group which has taken only a 0.4 per cent rise. Nevertheless, the costs of the Plan, which will be dependent much more on manufactured goods and on industrial raw materials, will be

(Continued on page 635)



TAX AS PERCENTAGE OF EARNED INCOME

India Compared With Certain Developing Countries

(Married individual with two children)

(Rs.)	Income (£)	India 1960-61 (Re.=1s. 6d.)	Pakistan 1959-60 (Re.=1s. 6d.)	Ceylon 1959-60 (Re.=1s. 6d.)	Kenya 1959	Nigeria (Federal) 1959-60
13,333	1,000	6.4	5.8	3.8	3.6	3.2
26,666	2,000	16.5	15.2	10.9	9.3	10.7
40,000	3,000	26.3	23.3	17.9	15.7	16.5
53,333	4,000	34.5	32.0	25.0	21.6	21.2
66,666	5,000	40.7	38.7	30.5	26.4	25.5
80,000	6,000	46.0	45.0	35.2	30.4	30.1
93,333	7,000	49.8	50.0	38.8	34.0	33.9
1,06,666	8,000	53.1	53.9	41.4	37.3	36.7
1,20,000	9,000	55.7	56.7	43.5	40.5	38.8
1,33,333	10,000	57.9	59.0	45.1	43.5	40.6
2,00,000	15,000	64.2	66.0	50.1	54.0	51.7
2,66,666	20,000	67.4	69.5	52.6	59.2	57.5
3,33,333	25,000	69.3	71.6	54.1	62.4	61.0
Maximum Marginal Rate		77	80	60	75	75
Applies above the Income of Rs.		1,00,000	76,000	69,000	1,31,733	1,37,067

TAX AS PERCENTAGE OF EARNED INCOME

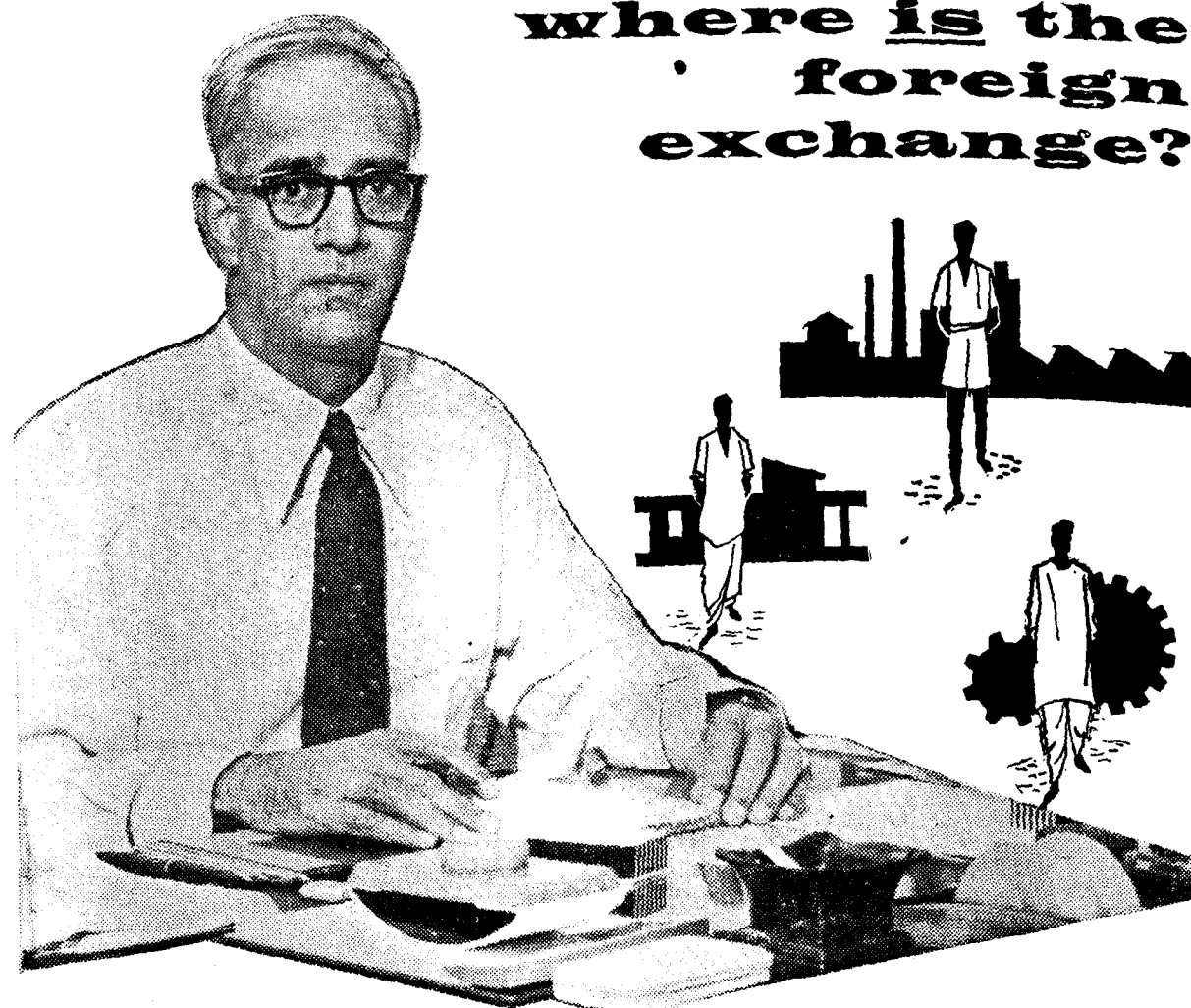
India Compared With Certain Advanced Countries

(Married individual with two children)

Income (Rs.)	(£)	India 1960-61 (Re.=1s. 6d.)	U.K. 1960-61	West Germany (DM 12=£1)	France (NF 13.80=£1)	Norway (Kr. 20=£1)	U.S.A. (\$2.80=£1)	Canada (\$2.75=£1)	Japan (Yen 1008=£1)
13,333	1,000	6.4	7.7	10.9	3.8	11.4	2.9	—	15.6
26,666	2,000	16.5	18.8	18.2	9.3	30.8	11.4	7.5	23.0
40,000	3,000	26.3	25.1	23.1	13.7	42.1	14.8	11.8	27.5
53,333	4,000	34.5	30.4	26.5	16.9	49.1	16.9	15.1	30.6
66,666	5,000	40.7	35.4	29.4	20.4	54.6	18.7	18.3	33.3
80,000	6,000	46.0	39.6	31.9	22.9	58.3	19.9	21.6	35.3
93,333	7,000	49.8	43.3	33.8	24.6	60.9	21.6	24.5	37.2
1,06,666	8,000	53.1	46.2	35.5	25.9	62.8	23.1	27.1	38.8
1,20,000	9,000	55.7	48.9	36.9	27.8	64.4	24.8	29.1	40.1
1,33,333	10,000	57.9	51.2	38.2	29.4	65.6	26.4	30.7	41.1
2,00,000	15,000	64.2	62.0	43.2	34.3	69.2	33.8	37.1	45.7
2,66,666	20,000	67.4	68.7	46.5	38.3	71.0	39.9	41.4	48.0
3,33,333	25,000	69.3	72.7	48.6	41.2	72.1	44.5	44.5	50.4
Maximum Marginal Rate		77	88.75	57.24	66	76.5	91	80	70
Applies above the Income of Rs.		1,00,000	2,04,000	2,52,000	2,17,333	50,667	19,16,000	19,53,333	6,61,376

Source: Taxation and Private Investment. (NCER).

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CENTRAL BUDGET: 1957-58 — 1961-62

REVENUE

(Rs. crores)

Heads of Revenue	1957-58 (Accounts)	1958-59 (Accounts)	1959-60 (Accounts)	1960-61 (Revised)	1961-62 (Budget)
Customs	179.99	138.29	156.11	163.00	164.00 + 29.27*
Union Excise Duties	273.62	312.94	360.65	394.98	406.24 + 28.60*†
Corporation Tax	56.13	54.33	106.56	137.50	140.00 + 1.00*
Taxes on Income	163.70	172.01	148.85	127.50	131.00 + 2.00*
Estate Duty	2.30	2.70	2.91	3.00	3.00
Taxes on Wealth	7.04	9.67	12.11	7.50	7.00
Taxes on Railway Fares	3.68	12.24	12.81	13.67	Nil
Expenditure Tax	—	0.64	0.79	0.90	0.80
Gift Tax	—	0.98	0.80	0.80	0.80
Opium	2.87	3.15	4.19	5.82	6.25
Interest	6.18	8.31	7.99	14.87	13.84
Civil Administration	41.08	51.01	49.09	52.45	47.97
Currency and Mint	33.27	32.03	52.79	57.85	60.63
Civil Works etc.	2.52	2.94	3.22	3.38	3.75
Other Sources of Revenue	23.66	33.04	35.95	38.66	39.28
Posts and Telegraphs (Net contribution)	3.71	6.42	5.13	0.46	0.77
Railways—Net Contribution	6.29	6.26	5.63	5.06	21.29
Share of Income Tax payable to States	—73.43	—75.80	—79.32	—86.98	—80.79
Share of Estate Duty payable to States	—2.40	—2.38	—2.76	—2.91	—2.91
Share of Taxes on Railway Fares payable to States	—4.41	—10.89	—13.07	—13.79	Nil
TOTAL — REVENUE	725.80	757.89	870.43	923.72	962.92 + 60.37*
DEFICIT REVENUE ACCOUNT	—	5.25	—	33.66	—
TOTAL	725.80	763.14	870.43	957.38	1023.79

* Effect of Budget proposals.

† Excludes a sum of Rs. 2.3 crores being the share of Union Excise Duties (Basic and Additional) payable to States which has been taken in reduction of Revenue.

EXPENDITURE

(Rs. crores)

Heads of Expenditure	1957-58 (Accounts)	1958-59 (Accounts)	1959-60 (Accounts)	1960-61 (Revised)	1961-62 (Budget)
Direct Demands on Revenue	61.77	98.52	102.89	107.30	30.46
Irrigation	0.11	0.10	0.12	0.13	0.15
Debt Services	42.08	48.63	69.38	72.35	81.90
Civil Administration	168.00	193.49	226.01	260.05	231.83
Currency and Mint	7.23	8.60	9.79	10.87	11.96
Civil Works etc.	17.16	16.41	15.56	21.59	21.73
Miscellaneous	73.27	86.14	103.60	137.68	64.44
Defence Services (Net)	256.72	250.93	230.86	266.72	282.92
Contributions and Grants-in-aid to States	45.90	46.25	48.94	51.87	287.26
Extraordinary Items	11.51	14.07	20.73	28.82	10.87
TOTAL EXPENDITURE	683.75	763.14	827.88	957.38	1023.52
SURPLUS ON REVENUE ACCOUNT	42.05	—	42.55	—	0.27*
TOTAL	725.80	763.14	870.43	957.38	1023.79

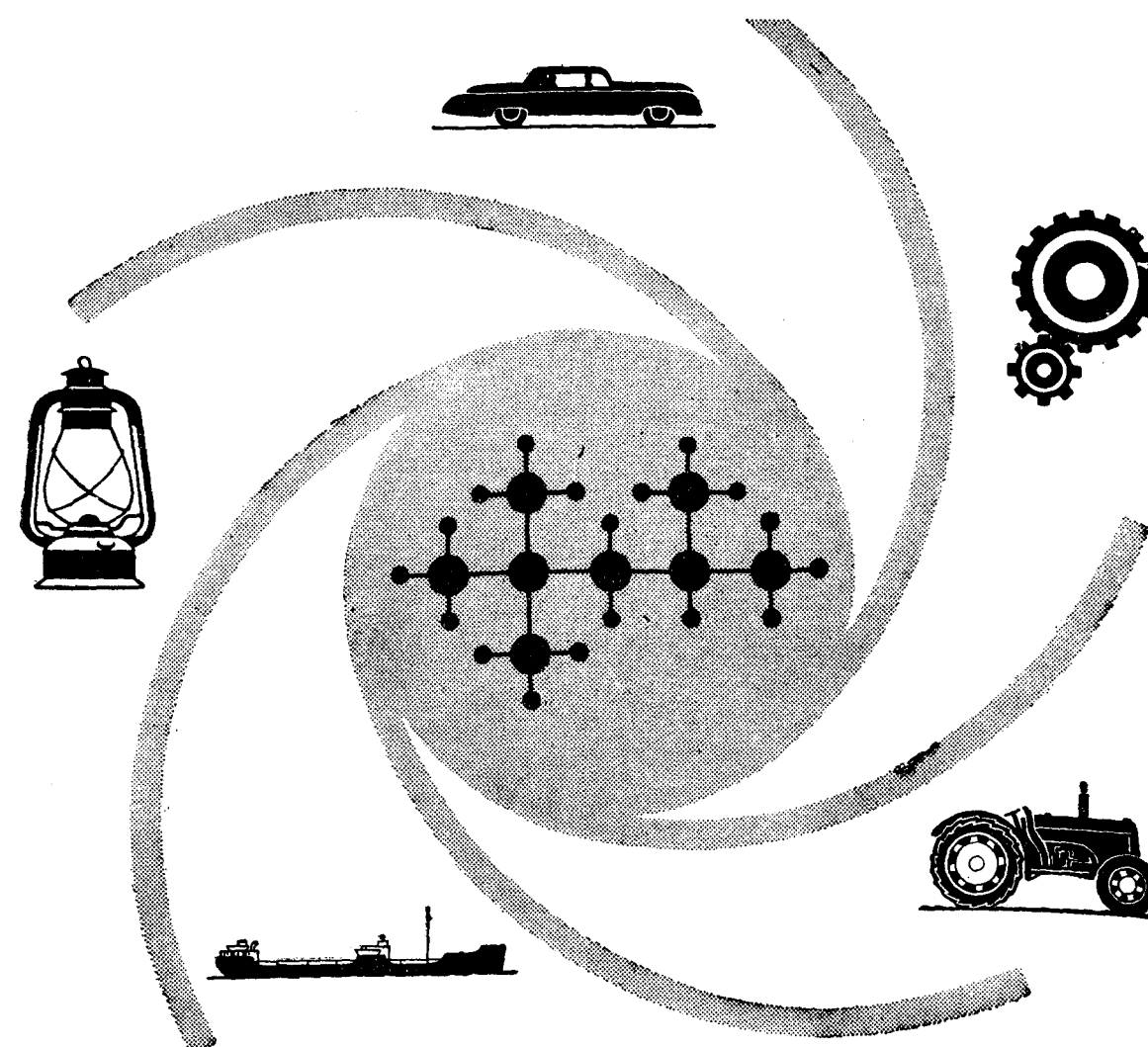
* Effect of Budget proposals.

Note: The figures given against different items of expenditure for the budget year 1961-62 are not strictly comparable with those of the previous years due to new accounting procedure.

SUMMARY OF CAPITAL

(In lakhs of rupees)

	1957-58 (Accounts)	1958-59 (Accounts)	1959-60 (Accounts)	1960-61 (Revised)	1961-62 (Budget)
TRANSACTIONS: 1957-58 — 1961-62					
Net Receipts from:					
Special Floating Loan	—	—	71,43	3,45	3,45
15-year Annuity Certificates ..	65	65	65	80	1,50
New Loans	1,68,64	6,99,17	5,65,95	5,23,84	6,20,95
Treasury Bills	4,59,43	—	—	2,40,00	96,00
Investment of U.S. Govt. Counter- part Deposit Funds	—	—69,80	72,28	—35,00	1,25,00
(Receipts)					
Treasury Savings Deposit Certificates	5,56	5,14	9,74	13,00	8,50
Post Office Savings Bank Deposits ..	17,41	20,00	25,77	35,00	35,50
12-Year National Plan Savings Certificates	71,44	81,34	68,90	70,50	76,00
Cumulative Time Deposits	—	5	76	1,75	2,45
Post Office Cash Certificates	—89	—2,36	—69	—67	—55
National Savings Certificates	—22,36	—24,41	—20,97	—19,09	—16,88
Defence Savings Certificates	—3	—	—1	—2	—2
National Plan Certificates	—2,25	—2,10	—1,24	—1,05	—1,00
Other Unfunded Debt	20,39	19,46	23,77	40,54	39,69
Railway Depreciation, Revenue	—	—	—	—	—
Reserve and Development Funds	—24,43	40,18	—8,91	—33,52	4,08
Telephone Development Fund	32	—47	—99	—35	—20
P. & T. Renewals Reserve and other Funds	1,59	1,21	33,47	5,71	5,03
Other Miscellaneous Reserve Funds ..	—79	—6	59	61	60
Appropriation for Reduction or Avoid- ance of Debt	5,00	5,00	5,00	5,00	5,00
Deposits under Income-Tax Act (Net) ..	3,22	—4,30	—14,03	—9	—44
Discount Sinking Fund (Net)	1,18	—72	54	1,21	1,91
Payment by Reserve Bank for Rupee Coin	5,00	5,00	5,00	5,00	5,00
Repayment of Loans by States	61,40	61,93	80,85	1,06,54	1,21,48
Other Loan Repayments	13,28	20,78	24,08	27,99	54,50
Other Deposits and Advances (Net) ..	21,84	46,66	61,03	1,39,45	1,27,75
TOTAL	8,05,60	8,22,09	9,72,97	11,30,60	13,15,30
Deficit on Capital Account	41,20	11,99	7,75	—	—
GRAND TOTAL	8,46,80	8,34,08	9,80,72	11,30,60	13,15,30
(Disbursements)					
Capital Outlay:					
Railways	1,51,90	1,25,82	74,69	1,23,62	1,60,00
Irrigation	14	12	8	31	37
Posts and Telegraphs	10,83	10,70	8,09	12,05	12,59
Schemes of Agricultural Improvement and Research	85	68	5,23	5,86	7,73
Industrial Development	1,47,57	1,87,19	58,60	98,70	1,07,15
Aviation	2,55	3,31	3,78	4,59	4,36
Broadcasting	37	75	65	1,00	3,30
Ports	1,75	2,45	1,26	1,66	2,38
Currency and Coinage	14	2,78	95,27	7,10	7,82
Mint	28	41	12	12	7
Delhi Capital Outlay	3,85	5,79	5,53	6,95	12,30
Multi-purpose River Schemes	3,28	3,15	4,25	1,09	3,35
Electricity Schemes	30	38	62	83	95
Civil Works	14,17	14,11	15,00	34,10	39,87
Commutation of Pensions	—5	—44	—42	—26	58
Sterling Pensions	—9,35	—38,12	—3,68	—3,62	—3,66
Defence Capital Outlay	22,93	27,88	36,11	36,25	32,01
Schemes of Government Trading	46,56	22,86	3,97	56,81	27,06
Development Grants	7,45	8,62	9,27	12,47	13,22
Compensation to Displaced Persons ..	12,61	4,81	—34	—84	1,50
Dandakaranya Development Scheme ..	5	1,00	2,23	5,68	5,40
Shipping, Tankers, etc.	41	25	34	30	1,75
Road and Water Transport Schemes ..	—	14	21	24	40
Indus Water Treaty	—	—	—	8,27	7,72
Transfer of Development Assistance from the Government of U.S.A. ..	12,04	16,19	35,15	76,38	74,70
Other Works	71	91	1,34	2,28	5,01
Other Civil Heads	22	11	17	66	94
Discharge of Permanent Debt	74,68	28,69	1,26,46	1,26,36	1,64,38
Deposits under Income-Tax Act (Net) ..	3,22	3,37	3,42	3,43	3,43
Inter-State Settlement	1,45	—	12	—	1,79
Advances to State Governments	2,75,98	2,93,90	2,75,47	3,34,60	3,95,18
Other Loans and Advances	58,33	1,06,27	2,17,73	1,59,23	1,61,25
TOTAL	8,46,80	8,34,08	9,80,72	11,16,22	12,54,90
Surplus on Capital Account	—	—	—	14,38	60,40
GRAND TOTAL	8,46,80	8,34,08	9,80,72	11,30,60	13,15,30



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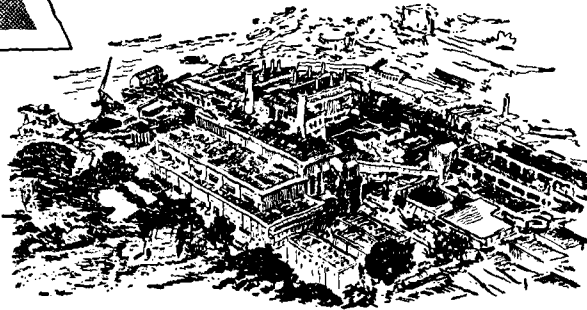
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The Pattern of Additional Taxation 1961-62-1965-66

THE budget for the year 1961-62 contains proposals for additional taxation of the order of Rs. 63 crores. This fresh impost will not come as a surprise to those who have been watching closely the discussions on the Draft Outline of the Third Plan during the last six months. Early in January this year some of the papers presented to the National Development Council clearly indicated that the additional taxation earmarked in the Draft Outline may have to be increased because of the incessant demand from the States as well as the Union Ministries to extend the sizes of their allocations. It was, for example, decided that the development programmes in the Third Plan estimated to cost about Rs. 8,000 crores would be approved, while the financial outlays would not exceed Rs. 7,500 crores. The gap of Rs. 500 crores would be filled in the coming years through "unknown sources" which were not clearly visible at that time. It was also proposed that the additional taxation target during the Third Plan should be raised from Rs. 1,650 crores to Rs. 1,710 crores. The share of the States for additional taxation was placed at Rs. 610 crores. They were supposed to raise this sum in the following manner:

Year	Additional Taxation (Rs. crores)
1961-62	40
1962-63	115
1963-64	135
1964-65	150
1965-66	170
Total	610

The Planning Commission made no attempt to indicate the manner in which Rs. 1,100 crores would be raised by the Centre. The Budget for the year 1961-62, however, gives a clue as to the manner in which this sum may be realised. The Finance Minister has attempted to spread the impost of these additional taxes on a very large number of commodities and products. It is probable that some of them during the next five years may not be able to bear this additional burden and would need relief in the interest of their healthy growth. It is, therefore, assumed that the additional taxes imposed this year may yield not more than Rs. 300 crores during the five years of the Plan. This also assumes that the growth factor in relation to the commodities which have come under the purview of fresh taxation will be balanced by the concessions needed by them. The programme for fresh taxation by the Centre may, therefore, be phased in the following manner:

Year	Additional Taxation (Rs. crores)
1961-62	60
1962-63	140
1963-64	230
1964-65	300
1965-66	370
Total	1,100

The additional taxation will not impose a burden which may look excessive by international standards. The tax revenue, for example, will rise from only 8.5 per cent in 1960-61 to 11 per cent in 1965-66 of the national income. The basic reason for this percentage being pegged down to a low level is the vast agricultural sector in the Indian economy which does not share the increasing burdens of taxation. Time and

again proposals have been made in regard to increasing the taxes on agricultural incomes but they have never progressed beyond the discussion stage. Unless this vast section comes in to share the increasing burdens of taxation, there are no prospects of raising this ratio to a level which may be comparable to some of the developed countries in the world.

Hitherto, taxation in this country has been inflationary all along. The proposals for the current year's budget, for example, are likely to raise the index of wholesale prices by one per cent. Coupled with the inflationary impact of taxation lie other major factors such as the increase in money supply and various shortages, including the transport bottleneck, which will all contribute to the steady increase in the price level. It is clearly shown elsewhere in this Number that the inflationary pressures are written into the economic system, in view of the ambitious character of the Third Five-Year Plan which has been proposed.

Ninety-five per cent of the additional taxes proposed in the new budget would be realised from customs and Union excise duties. Strangely, the burden is evenly distributed between the excise duties and the customs revenue. The tax revenue since 1948-49 shows an unmistakable trend, as disclosed in the table below. It will be seen that in the year 1948-49, the total revenue to the Central Exchequer from indirect taxes was less than half of the total tax revenue. In absolute figures, it was Rs. 177 crores only out of a total tax revenue of Rs. 359 crores. In 1960-61, the percentages of indirect tax rose to 67.3 out of a total tax revenue of Rs. 849 crores. In the budget year the fresh impost of custom duties and excise duties has raised this percentage to nearly 69. In other words, the additional taxation target of Rs. 1,100 crores in the Third Plan is likely to depend heavily on the indirect taxes, especially the excise duties and customs. There is a general impression that the customs may not be able to bear as much pressure as the excise duties.

It is true that the Finance Minister has tried to diversify the impact of the new taxes. It is also true that he has imposed heavier burdens on the comparatively higher income groups. It is feared, however, that fresh burden of as much as 20 per cent on such items as refrigerators, radio sets, air conditioning machinery etc. may curtail the demand for these products and hamper their growth in the short period.

REVENUE FROM TAXATION

Sources of revenue	(Rs. crores)		
	1948-49 (Accounts)	1960-61 (Revised)	1961-62 (Budget)
1. Direct Taxes			
Corporation Tax	62.26	137.50	141.00
Taxes on income	119.50	127.50	133.00
Estate Duty	Nil	3.00	3.00
Taxes on Wealth	Nil	7.50	7.00
Expenditure Tax	Nil	0.90	0.80
Gift Tax	Nil	0.80	0.80
Total of (1)	181.76	277.20	285.60
2. Indirect Taxes			
Customs	126.16	163.00	193.27
Union Excise Duties	50.63	394.98	437.14
Taxes on Railway Fares	Nil	13.67	Nil
Total of (2)	176.79	571.65	630.41
3. Total revenue (1+2)	358.55	848.85	916.01
4. Ratio of (2) to (3)	49.31	67.34	68.82

The Budget and Corporate Taxation

THERE are three significant changes in the Budget which affect the finances of corporations in the Indian Union. The first of these is the change in the import duties of capital goods (mostly machinery) which have been raised on an average by 5 per cent. There are currently roughly three rates of duty on capital goods imported: one of 5 per cent on items required for certain plants and another of 10 per cent on other machinery and a higher rate up to 40 per cent on electrical instruments, appliances, etc. In the case of the first two categories, the rate of rise is 5 per cent and in the latter 10 per cent (vide Table I below).

The second effect of the Budget on corporate finances arises from the development rebate. Except for ships which have 40 per cent of development rebate and which remains unaltered, other companies lose on new installations after 31st March, 1961, by 5 per cent from the rate of 25 per cent enforced at present. On imported goods there will be an inflation of cost, but the Finance Minister has argued that the loss is not significant. This assumes that practically all the capital goods are imported. This by no means indicates that the current machinery production is filling

so much of the bill as capital goods imports are increasingly difficult. Finally, there is a third element the significance of which will need some little time to examine. This is the change in the rate of super-tax on dividends paid on inter-corporate investment, whether Indian or foreign, and whether on a majority basis or a minority basis, shown in the following Tables II and III. It is a significant subtraction from the difficulties which have arisen. All in all, one might argue that these changes have the effect of encouraging private foreign investment which has also been achieved by the tax relief on royalties and by the increase in the period of tax-free income to foreign technicians. It may be that what larger corporations have lost in terms of depreciation allowances may be obtained by the additional concessions where they have foreign partnership. Broadly, one might argue that the corporate taxation picture, although less favourable than it was before the Budget, has been substantially unchanged and that on balance the measures the Finance Minister has chosen, partly because they encourage foreign investment and know-how and partly because they are obviously an alternative to a rise in the corporate taxation, are the best that corporations might have expected under the circumstances.

TABLE I

DETAILS OF PROPOSALS FOR THE CHANGES IN BASIC CUSTOMS DUTIES

S. Item in No. the tariff schedule	Brief Description of the article	Present Rate of Duty		Proposed Rate of Duty		Additional annual revenue expected (in lakhs of rupees to the nearest lakh)
		Standard rate of duty	Preferential rate of duty	Standard rate of duty	Preferential rate of duty	
1. 72	Machinery not otherwise specified	10%	—	15%	—	300
2. 72(1)	Textile machinery and apparatus	10%	—	15%	—	21
3. 72(3)	Component parts of machinery as defined in item Nos. 72, 72(1) and 72(2)	10%	—	15%	—	250
4. 73	Electrical instruments apparatus and appliances not otherwise specified	40%	30%	50%	40%	55
5. 74(2)	Railway material for permanent way and rolling stock	20%	—	25%	—	46
6. 74(3)	Component parts of railway material	20%	—	25%	—	47
7. 75(1) & 75(19)	Motor cars including taxi cabs	75% or Rs. 6,000 per car plus excise duty	—	100% or Rs. 6,000 per car plus excise duty	—	13
8. 77	Instruments apparatus and appliances other than electrical all sorts not otherwise specified	40%	30%	50%	40%	45
9. 87	All other articles not otherwise specified	40%	—	50%	—	243

TABLE II

EFFECTIVE RATES OF SUPER-TAX PAYABLE ON DIVIDENDS RECEIVED BY VARIOUS COMPANIES

Dividends Received from	Rates applicable to companies which have made the prescribed arrangements for declaration and payment of dividends in India.		Rates applicable to companies which have not made the said prescribed arrangements.
	Companies in which public are substantially interested and whose total income does not exceed Rs. 25,000/-	Other Companies	
1. A subsidiary Indian Company formed and registered before 1.4.1961	10	10	10
2. An Indian Company, other than a subsidiary, formed and registered on or after 1.4.1959 but before 1.4.1961.	15	20	33
3. An Indian Company, other than a subsidiary, formed and registered before 1.4.1959.	20	25	43
4. Any Indian Company formed and registered on or after 1.4.1961.	15	20	20

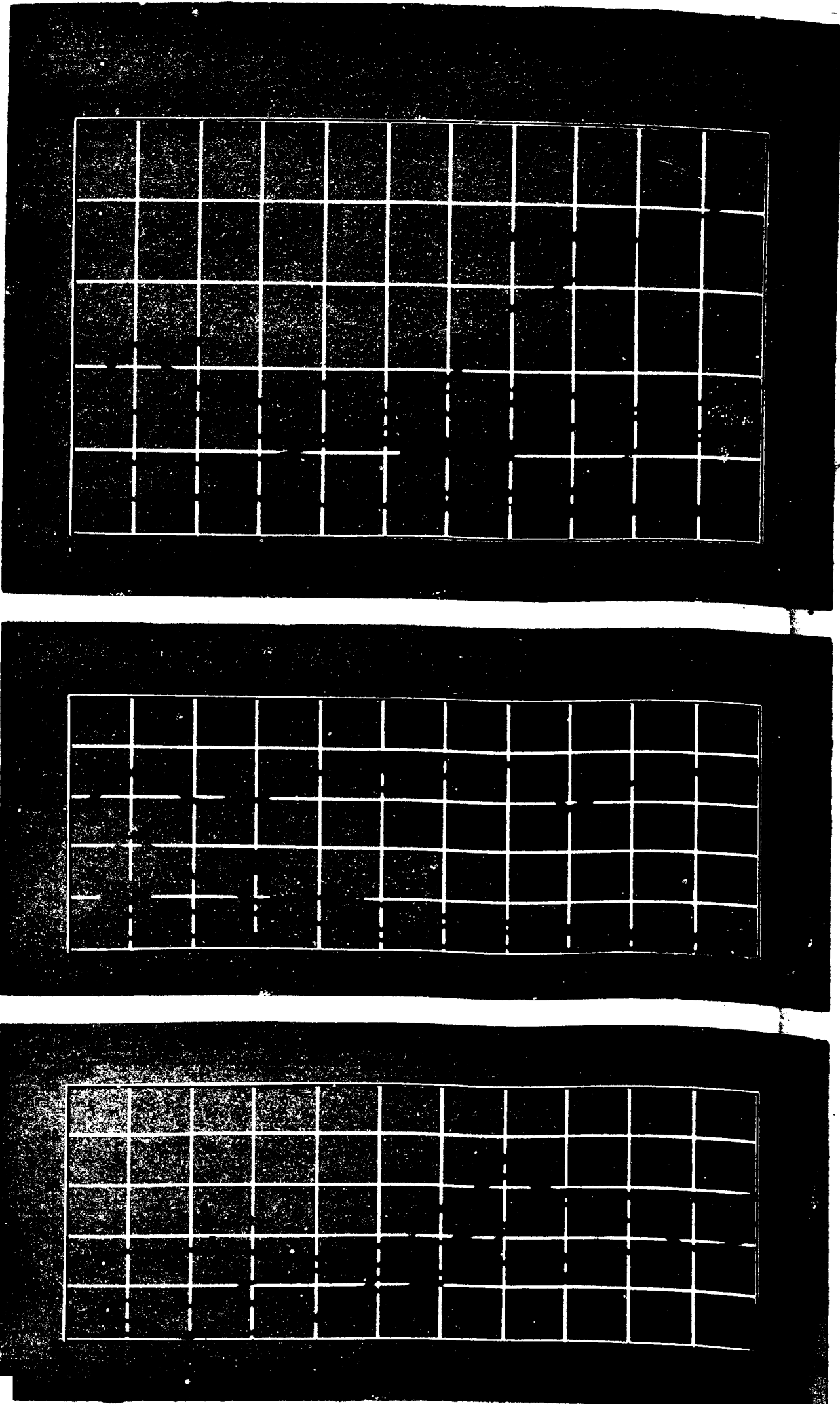


TABLE III

**RATES FOR DEDUCTION OF TAX AT SOURCE FROM INCOMES OF FOREIGN COMPANIES WHICH
DO NOT DECLARE DIVIDENDS IN INDIA**

	Proposed Rates		
	I.T.	S.T.	Total
1. On interest on any security of the Central Government issued or declared to be income-tax free.	—	43	43
2. On dividends from an Indian Company referred to in Section 56A of the Income-tax Act.	20	—	20
3. On dividends from a subsidiary Indian Company formed and registered before 1-4-1961.	20	10	30
4. On dividends from an Indian Company, not being a subsidiary, formed and registered on or after 1.4.1959 but before 1.4.1961.	20	33	53
5. On dividends from an Indian Company, not being a subsidiary formed and registered before 1.4.1959.	20	43	63
6. On dividends from any Indian Company formed and registered on or after 1.4.1961.	20	20	40
7. On royalties received from an Indian concern in pursuance of an agreement made with it on or after 1.4.1961 which has been approved by the Central Government.	20	30	50
8. On any other income.	20	43	63

THE BUDGET, PRICES AND THE THIRD PLAN (Continued from p. 624)

substantially higher than those in the Planning documents. If one assumed provisionally the rise will be 16 per cent over five years, but generated in the manner in which it has been phased above, one can assume that the total outlay of the Plan would rise by about 10 per cent. The effect of this will be substantially to raise the burden on the rupee element by over 10 per cent, though the foreign exchange component will remain largely unaltered. The increased customs duties are payable in rupees. In other words, the rise in the Plan might conceivably be of the order of Rs. 700 to Rs. 800 crores in the public sector and about Rs. 400 crores in the private sector. These are substantial figures and, if the physical targets of the Plan remain unaltered, a new inflationary impulse will impart itself to the system. For these reasons it is argued in the Blue Supplement in this issue that the hard core of the Plan must provide, in any case, for a reduction of Rs. 500 or Rs. 600 crores in rupee expenditure. This is designed to absorb at least half the increase in prices which are implicit in a system of taxation which is so largely indirect, and which will affect the cost of living thereby inflating labour costs.

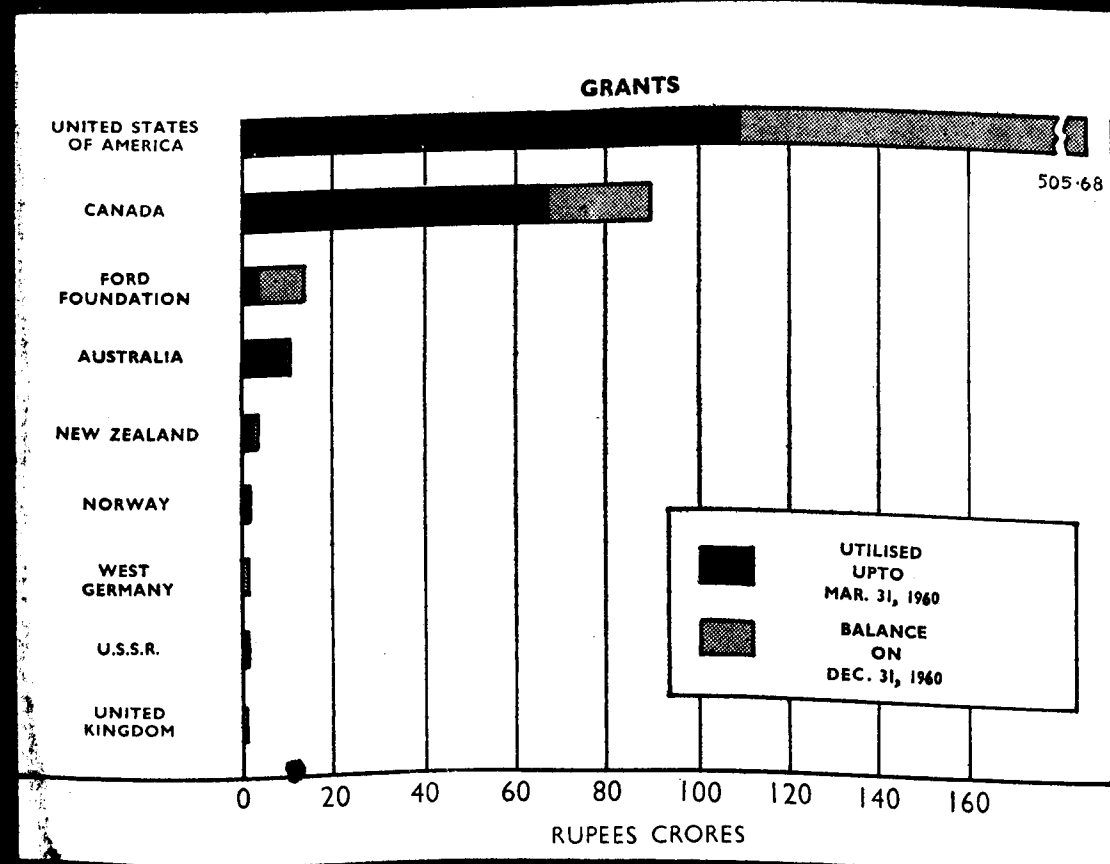
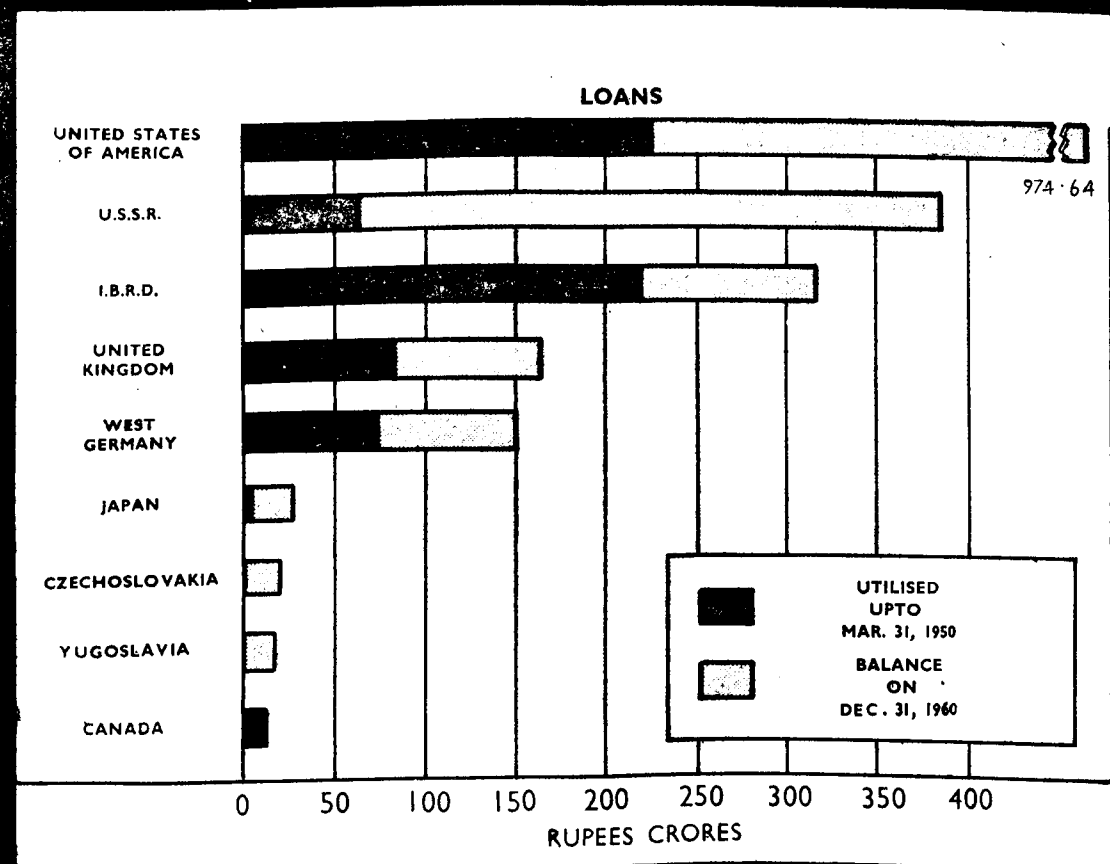
All in all, the picture, therefore, so far as the Plan is concerned is that the pattern of taxation

unfolded in the current Budget is one which increasingly changes the financial estimates of the Plan and calls at once for corrective action. The lines of this corrective action have been indicated in the Blue Supplement in this issue.

**RISE IN THE GENERAL INDEX OF
WHOLESALE PRICES**

Group	% Change	Weightage	
(1)	(2)	(3)	(2) x (3)
Food Articles	0.41	50.4	20.7
Liquors & Tobacco	6.24	2.1	13.3
Fuel & Power	0.85	3.0	2.6
Manufactures	2.11	29.0	61.2
			97.8

or 0.98 per cent rise in wholesale prices.



FACTORS RESPONSIBLE FOR VARIATIONS IN MONEY SUPPLY*

(Rs. crores)

I. Increase (+) in Government Indebtedness to the Banking System	..	..	+25.6	+247.0	+417.3
1. Increase (+) in Government Indebtedness to the R.B.I.	..	..	+175.4	+94.8	+211.9
(a) Decline (+) in Government balances with R.B.I.	..	..	(+3.6)	(-10.4)	(-6.5)
(b) Increase (+) in R.B.I. holdings of Government Securities	..	..	(+133.2)	(+102.4)	(+219.4)
(c) Increase (+) in loans and advances granted to Governments by R.B.I.	..	..	(+22.0)	(-4.7)	(-11.1)
(d) Increase (+) in Treasury bills discounted by R.B.I.	..	..	-149.8	+152.2	+205.4
2. Increase (+) in Government securities held by banks	..	..	+235.8	-107.2	-194.7
II. Increase (+) in Private Indebtedness to Banks	..	..	+246.1	+128.8	+21.8
1. Increase (+) in bank credit	..	..	-10.3	-236.0	-216.5
2. Decrease (+) in time liabilities of banks	..	..	-26.9†	+24.3	-108.0
III. Increase (+) in Foreign Exchange Assets held by R.B.I.	..	..			
IV. Expansionary (+) impact of changes in other assets and liabilities of R.B.I. and other banks**	..	..	-17.1	+7.3	-38.9
V. Recorded Increase (+) in Money Supply	..	..	+217.4	+171.4	+74.9

*Provisional estimates

†Exclusive of repayments to I.M.F. (Rs. 34.5 crores)

**This category includes a number of assets and liabilities of banks such as miscellaneous liabilities and assets in case of the Reserve Bank, and money at call and short notice, investments in other than government securities and miscellaneous assets and liabilities in case of the other banks. It is also affected by errors and omissions in the reporting of the data.

INDIAN UNION

THE YIELD OF THE PRINCIPAL TAXES

UNION EXCISE DUTIES: 1950-51 — 1961-62

(All figures in lakhs of rupees)

	1950-51	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62
	Accts.	Accts.	Accts.	Accts.	Accts.	Accts.	Accts.	Accts.	Accts. Revised	Budget	
Motor Spirit	2,08	2,11	2,47	9,87	23,05	25,23	30,85	32,52	35,40	38,75	39,10
Kerosene	28	24	33	93	2,43	3,29	3,06	4,15	6,81	7,65	8,50
Sugar	6,46	99	14,36	8,36	18,58	20,88	42,75	52,27	50,00	45,40	46,20
Matches	8,07	9,45	9,32	9,25	10,08	10,05	15,08	19,21	17,96	17,80	18,00
Steel Ingots	54	61	60	67	69	64	6,25	7,29	10,34	12,20	12,50
Tyres and Tubes	4,04	4,40	4,95	5,39	5,53	6,15	3,87	7,16	10,44	12,50	13,50
Tobacco	31,99	34,68	33,00	31,39	36,46	38,43	45,49	49,09	50,89	48,10	49,35
Vegetable products	2,19	2,75	2,79	3,13	3,82	4,35	3,92	3,86	5,49	5,00	5,25
Coffee	1,17	59	77	98	93	1,20	1,32	1,34	1,46	1,35	1,35
Tea	3,36	3,46	2,09	3,19	3,17	3,19	3,86	4,71	7,74	7,65	7,65
Cotton Cloth	9,26	13,46	21,67	27,59	28,18	51,86	64,60	57,40	46,75	37,85	38,00
Artificial Silk	—	—	11	49	2,18	1,03	1,69	1,96	2,07	1,89	1,90
Cement	—	—	10	2,11	2,22	2,55	11,17	13,91	16,76	17,50	17,50
Footwear	—	—	8	82	84	99	97	1,05	1,16	1,50	1,60
Soap	—	—	16	1,40	1,55	1,85	1,76	2,23	2,10	2,05	2,10
Woollen Fabrics	—	—	—	2	53	61	61	86	75	62	62
Electric Fans	—	—	—	5	27	32	46	53	72	1,10	1,10
Electric Bulbs	—	—	—	1	25	28	30	33	40	70	70
Electric Batteries	—	—	—	5	73	89	80	98	1,16	1,70	1,70
Paper	—	—	—	21	2,68	3,27	5,39	6,78	7,97	8,25	8,80
Paints and Varnishes	—	—	—	9	1,01	1,17	1,20	1,27	1,37	1,40	1,40
Vegetable non-essential oils	—	—	—	—	29	5,30	9,80	10,02	13,35	12,25	12,50
Refined Diesel Oils and Vapourising Oils	—	—	—	—	16	2,53	7,01	9,60	24,50	38,00	40,00
Fuel Oils:											
Diesel Oil	—	—	—	—	47	3,03	3,24	4,77	11,91	9,50	10,50
Furnace Oil	—	—	—	—	—	—	—	—	—	—	—
Rayon and Synthetic fibres and yarn	—	—	—	—	—	7	29	86	2,02	2,70	2,70
Motor Cars	—	—	—	—	—	5	32	20	63	9,50	10,00
Asphalt and Bitumen	—	—	—	—	—	—	—	—	—	3,00	3,00
Aluminium	—	—	—	—	—	—	—	—	9	1,10	1,10
Tin Plate	—	—	—	—	—	—	—	—	—	1,20	1,20
Pig Iron	—	—	—	—	—	—	—	—	8	1,00	1,00
Silk Fabrics	—	—	—	—	—	—	—	—	6	5	5
Cycles and parts thereof	—	—	—	—	—	—	—	—	6	1,25	1,25
Internal Combustion Engines	—	—	—	—	—	—	—	—	4	1,35	1,35
Electric Motors	—	—	—	—	—	—	—	—	3	75	75
Cinematograph films	—	—	—	—	—	—	—	—	3	75	75
Salt cess	—	—	—	—	—	—	—	—	—	82	79
Coal cess	1,62	2,42	2,54	2,45	2,38	2,18	2,68	3,25	3,16	3,75	5,43
Cess on Copra	—	—	—	—	—	—	12	13	10	10	10
Cess on Oils and Oil-seeds	—	—	—	—	—	15	91	41	54	25	25
Miscellaneous	44	62	72	1,91	76	1,21	4,74	1,73	4,72	51	51
TOTAL - GROSS REVENUE	71,50	84,73	96,06	1,10,36	1,49,24	1,92,75	2,74,51	2,99,87	3,39,07	3,58,79	3,70,05
DEDUCT — REFUNDS AND DRAWBACKS	-3,96	-1,70	-1,08	-2,14	-3,99	-2,32	-3,50	-3,05	-6,74	-4,50	-4,50
TOTAL - NET REVENUE	67,54	83,03	94,98	1,08,22	1,45,25	1,90,43	2,71,01	2,96,82	3,32,33	3,54,29	3,65,55
ADDITIONAL EXCISE DUTIES											
Sugar	—	—	—	—	—	—	—	6,79	8,25	12,90	12,90
Textiles	—	—	—	—	—	—	—	5,22	14,89	19,96	19,96
Tobacco	—	—	—	—	—	—	—	4,11	5,18	7,83	7,83
TOTAL	—	—	—	—	—	—	2,61	16,12	28,32	40,69	40,69
GRAND TOTAL—UNION EXCISE DUTIES	67,54	83,03	94,98	1,08,22	1,45,25	1,90,43	2,73,62	3,12,94	3,60,65	3,94,98	4,06,24

* Effect of Budget proposals and exclusive of the sum of Rs. 2.3 crores payable to States.

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THE YIELD OF THE PRINCIPAL TAXES
SEA CUSTOMS — IMPORTS : 1950 - 51 — 1961 - 62

(All figures in lakhs of rupees)

1950-51 1952-53 1953-54 1954-55 1955-56 1956-57 1957-58 1958-59 1959-60 1960-61 1961-62

REVENUE DUTIES

Ale, beer, porter, and other fermented liquor	15	25	2	53	54	50	10	2	1	1	1
Spirits and liquors	1,52	2,03	1,86	2,33	2,05	2,00	1,30	1,12	1,15	1,20	90
Wines	3	7	4	7	7	9	4	5	6	10	8
Spices	39	16	88	1,18	1,25	1,40	1,19	78	99	1,00	80
Tobacco	4,70	3,33	2,02	2,47	2,01	2,10	1,91	1,68	1,81	1,90	1,90
Kerosene oil	5,75	6,66	7,19	8,48	6,21	6,80	9,84	9,90	13,66	9,50	10,30
Motor spirit	19,93	27,59	27,53	20,01	7,52	2,96	4,62	2,35	2,89	2,64	2,70
Oils—batching, fuel											
lubricating	2,07	4,00	3,04	3,07	2,05	2,16	3,10	1,58	2,86	10,00	10,70
Cotton, raw	5,75	4,92	3,13	4	—	—	—	—	—	—	—
Motor cars, cycles, scooters, omnibuses, chassis vans, lorries, and parts thereof	10,12	8,70	6,37	9,38	10,25	14,82	12,92	1,00	74	1,10	1,10
Electric lighting bulbs	15	37	28	40	50	52	34	11	12	16	16
Wireless reception instruments and apparatus	51	68	44	58	74	80	1,02	69	80	1,10	1,10
Coal-tar dyes and coal-tar derivatives	1,27	90	1,94	2,27	1,71	1,86	2,23	1,43	1,34	2,00	2,20
Machinery	5,38	5,62	5,32	5,50	7,83	9,84	17,29	14,11	14,61	16,00	17,00
Iron and steel	3,54	3,21	2,86	2,76	5,05	5,24	6,18	7,59	8,85	12,50	11,00
Tin, block	9	—	—	—	—	—	—	—	—	—	—
Metals, other than iron and steel, silver and block tin	9	12	11	31	39	51	72	76	1,32	2,00	1,80
Railway plant and rolling stock	75	2,22	2,15	2,14	2,91	3,63	2,62	4,18	4,32	2,00	2,50
Wood pulp, paper and stationery	1,65	2,59	3,10	2,73	3,93	3,58	3,87	2,43	2,73	3,50	3,00
Artificial silk yarn and thread	5,29	3,09	4,53	4,80	5,63	7,07	6,11	7,59	8,05	8,70	8,70
Yarn and other textile fabrics	41	1,57	75	51	91	1,24	99	63	68	50	30
Cinematograph films	51	59	48	60	61	59	66	51	76	65	50
Portland cement excluding white portland cement	3	—	—	—	—	—	—	—	—	—	—
Pneumatic rubber tyres and tubes	7	14	14	11	12	74	71	22	32	80	70
Toys, games and sports goods	4	5	7	15	19	20	19	2	2	5	5
Betelnuts	4,45	3,69	4,65	7,33	7,38	6,79	6,88	4,20	3,16	2,50	2,00
All other articles	24,46	28,94	34,05	55,90	47,57	52,49	54,34	35,80	41,90	45,00	45,80
PROTECTIVE DUTIES											
Heavy chemicals	28	76	43	1,03	1,11	2,49	2,17	2,29	4,30	2,00	2,00
Iron and steel	14	41	21	22	27	18	9	6	5	6	6
Metals other than iron and steel	1,15	94	93	96	1,27	1,69	1,95	1,42	1,09	2,20	2,20
Raw silk	1,94	33	31	47	37	13	18	19	26	30	30
Silk yarn and thread	3	2	1	2	6	6	4	1	2	4	—
Silk fabrics	3	21	8	16	1	3	3	2	2	7	—
Artificial silk fabrics	34	21	44	88	1,67	1,31	26	66	86	—	—
Fabrics of artificial silk mixed	—	—	—	—	—	—	—	—	5	—	—
Sewing machines and parts thereof	35	19	14	11	2	—	—	—	—	—	—
Machinery other than sewing machines	—	—	1,17	52	71	1,95	1,96	1,60	1,55	1,40	1,50
Cycles (other than motor-cycles) and parts	1,53	2,21	1,28	1,54	2,18	2,52	1,63	62	54	90	90
All other articles	1,93	2,12	1,14	1,38	2,74	2,16	3,41	10,90	13,93	15,00	15,32
Duties on US Disposals	73	18	24	15	15	7	5	1	—	—	—
TOTAL IMPORTS	1,07,70	1,18,07	1,19,60	1,41,06	1,27,98	1,40,52	1,50,94	1,16,53	1,35,82	1,46,88	1,47,58



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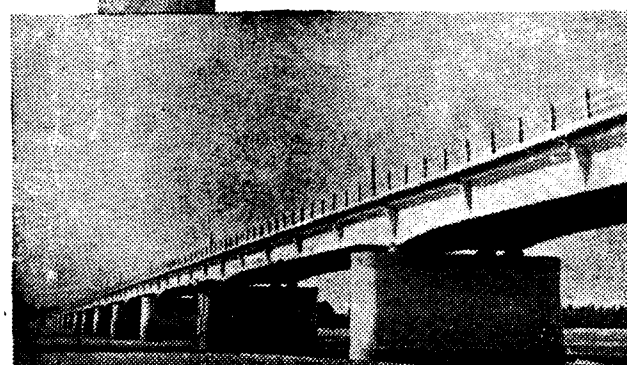
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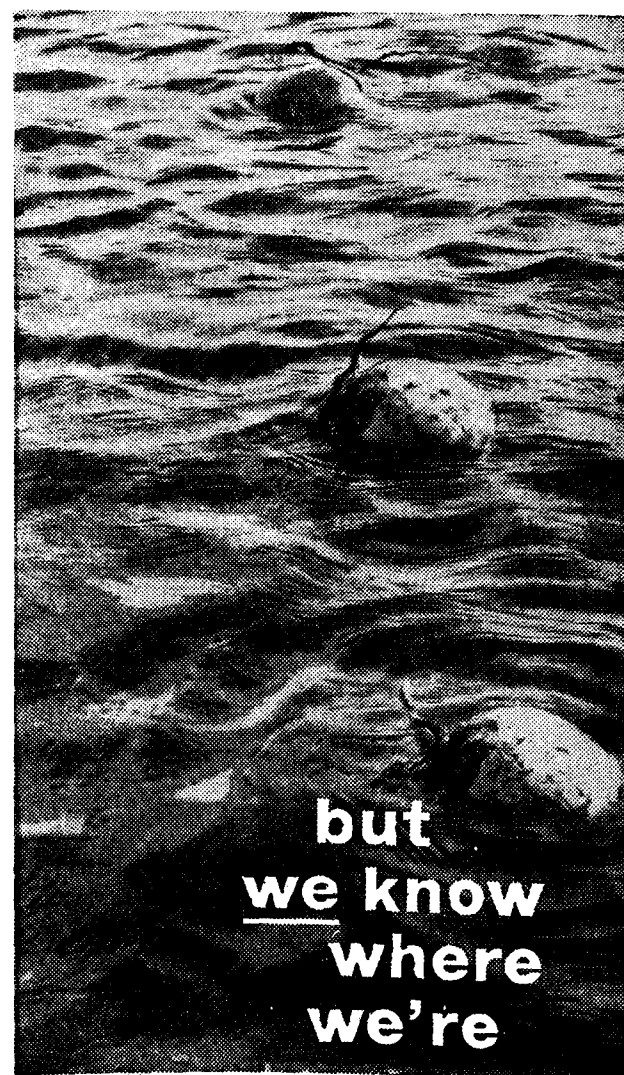


More and more of bridges and roads, the lines of communication, are vital for Nation's prosperity. The changing patterns to cope up with demand for safety and speed combined with economy in maintenance need the versatile building material, Cement; and the ideal choice is Sankar Brand Portland Cement, the boon of soundness, strength and stability.

SANKAR BRAND
PORTLAND CEMENT

THE INDIA CEMENTS LIMITED
Factory: Sankarnagar Regd. Office: Madras-3

Sole and Distributors by:
The Cement Marketing Company of India Private Limited



but
we know
where
we're
going...

Sea and sky and sand...and fringing the shore the swaying palm trees. A scene of timeless beauty, and incidentally, one of nature's most efficient distribution set-ups.

The palm tree casts its fruit into the open sea to be carried away with the ebb tide, and to be washed up again on some distant shore, so that one day, there will be palm trees there, too.

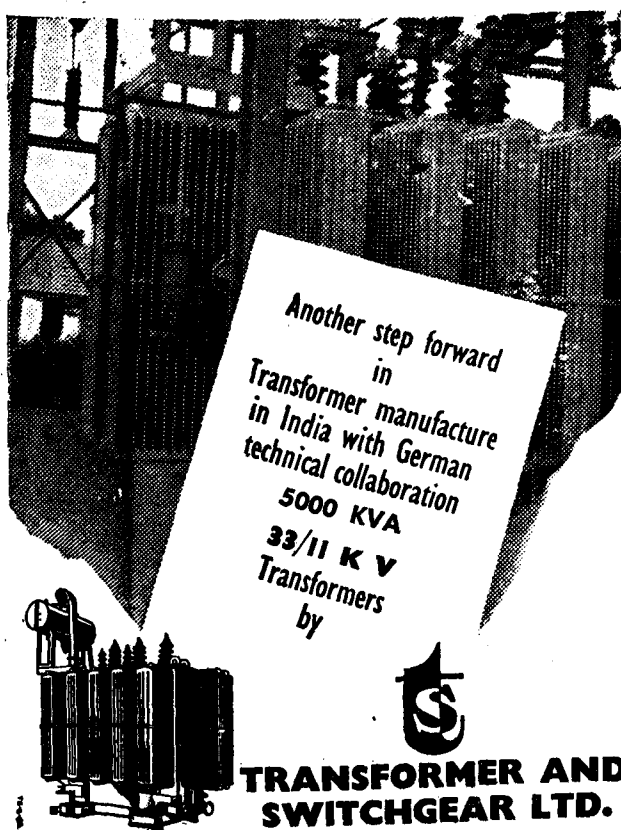
DISTRIBUTION is our business too. But we at Voltas have this advantage over nature...we know where we're going! Nothing is left to chance. No matter where our customers are, they are certain of getting the goods and services they require.

Voltas have, over the years, built up a highly adaptable and trusted distribution system to move goods manufactured anywhere in the world, to anywhere in India.

Our stocks-sales-service-engineering organisation is nationwide, and covers every important distribution and consumption centre. Voltas give you...

What is wanted • Where it's wanted • When it's wanted

VOLTAS VOLTAS LIMITED
Head Office: Bombay 1
Calcutta • Madras • New Delhi • Bangalore • Cochin • Ahmedabad
Secunderabad • Lucknow • Kanpur • Patna



**TRANSFORMER AND
SWITCHGEAR LTD.**

FACTORY: No. 2, LATTICE BRIDGE ROAD, ADYAR, MADRAS-20
REGD. OFFICE: INDIAN CHAMBER BUILDING, ESPLANADE, MADRAS-1.

INDIAN UNION

THE YIELD OF THE PRINCIPAL TAXES

SEA CUSTOMS (EXPORTS), CORPORATION TAX AND TAXES ON INCOME

OTHER THAN CORPORATION TAX: 1950-51—1961-62

(All figures in lakhs of rupees)

	1950-51	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62
	Accts.	Accts.	Accts.	Accts.	Accts.	Accts.	Accts.	Accts.	Accts.	Revised	Budget
SEA CUSTOMS—EXPORTS											
Jute—Raw	26,12	19,43	10,35	7,66	3,98	3	—	—	30	—	—
Manufacture	—	—	—	—	—	—	—	—	—	—	—
Raw cotton	1,20	10,07	5,27	2,61	5,52	1,61	1,25	1,66	55	30	30
Cotton waste	—	—	—	3,07	2,20	1,84	1,44	92	73	47	47
Cotton cloth and yarn	31	5,97	2,93	1,20	88	10	—	—	—	—	—
Manganese	1,32	3,18	3,57	81	10	1,89	3,48	1,01	1	—	—
Tea	11,24	10,62	11,62	19,74	17,83	20,47	19,09	16,27	12,29	12,00	12,00
Blackpepper	4,26	3,48	2,84	1,36	23	—	—	—	—	—	—
Other agricultural produce	40	43	41	47	50	42	41	46	52	50	50
Iron and steel	21	28	19	5	1	—	—	—	—	—	—
Mica	29	23	20	17	21	22	23	26	27	28	28
Oil and oilseeds	2	2,13	73	2,76	3,33	1,51	68	6	2	—	—
Oil cakes	—	—	—	—	2,44	38	—	—	—	—	—
Raw wool	1,99	1	2	—	—	—	—	—	—	—	—
Mercury	—	4	6	—	—	—	—	—	—	—	—
Coffee	—	—	34	1,27	10	5	7	8	8	7	7
Rice	—	—	—	11	5	—	—	—	—	—	—
Coir	—	—	—	1	5	6	5	6	6	4	4
Lac	—	—	—	—	—	—	7	6	6	6	6
All other articles	—	—	—	8	33	9	6	—	—	—	—
TOTAL EXPORTS	47,36	55,97	38,53	41,37	37,76	28,67	26,83	20,84	14,89	13,72	13,72
Land customs	4,59	2,72	1,89	1,99	1,38	2,68	3,70	2,50	2,75	2,60	2,60
Air customs	—	56	73	1,43	1,43	1,99	3,47	2,11	1,90	2,10	2,10
Miscellaneous	1,78	1,31	93	1,34	85	1,16	1,47	1,74	4,91	2,70	2,50
TOTAL GROSS REVENUE from Customs	1,61,43	1,78,63	1,61,68	1,87,19	1,69,96	1,76,50	1,85,05	1,42,78	1,60,27	1,68,00	1,68,50
Deduct—Refunds	4,28	4,88	2,97	—2,33	—3,26	—3,27	—5,06	—4,49	—4,16	—5,00	—4,50
NET REVENUE	1,57,15	1,73,75	1,58,71	1,84,86	1,66,70	1,73,23	1,79,99	1,38,29	1,56,11	1,63,00	1,64,00
CORPORATION TAX											
Ordinary collections	34,25	43,20	40,34	37,29	36,36	50,96	56,28	53,54	1,06,68	1,36,85	1,39,35
Excess profits tax	3,81	—45	55	—21	73	19	—15	71	—6	60	60
Business profits tax	2,42	1,05	65	25	—5	3	—	8	—6	5	5
TOTAL	40,49	43,80	41,54	37,33	37,04	51,18	56,13	54,33	1,06,56	1,37,50	1,40,00
TAXES ON INCOME OTHER THAN CORPORATION TAX											
Ordinary collections	1,27,13	1,34,63	1,16,61	1,16,03	1,25,36	1,45,52	1,55,54	1,62,32	1,35,40	1,17,35	1,20,85
Surcharge*	2,35	6,09	4,94	5,02	4,98	5,49	7,18	9,27	10,01	10,00	10,00
Excess profits tax	2,49	48	86	90	80	55	86	39	3,40	10	10
Business profits tax	76	23	43	31	22	18	12	3	4	5	5
TOTAL	1,32,73	1,41,43	1,22,84	1,22,26	1,31,36	1,51,74	1,63,70	1,72,01	1,48,85	1,27,50	1,31,00

* Surcharge (Special) also included.

** Effect of budget proposals.

Additional Taxation and Wholesale Prices

TO wipe out the entire anticipated deficit of Rs. 66.60 crores in the revenue budget, the Finance Minister has cast his net wide for fresh taxation. Additional customs and excise duties have been imposed on a very wide range of commodities—the largest number to be affected in a single budget in the post-Independence period. The imposition of these additional indirect taxes is bound to be reflected in prices. An effort has been made in this article to evaluate the impact of these additional taxes on the wholesale price index and the pattern in which the price rise is likely to affect the cost of living of different classes.

Most of the articles that have been taxed find a place in the Wholesale Price Index prepared by the Economic Adviser to the Government of India. The percentage change in the price that can result on account of additional taxes has been calculated in each case and by applying the weightage of each item in each group the impact on the wholesale price index has been estimated. It may be observed from the table below that in the Food Articles Group the taxed items constitute just 10 per cent of the total weightage. Liquor and Tobacco is the only group in which all the items have been taxed—though only one-sixth of the weightage has been applied in the case of liquors because only the customs duty has been increased. In the case of the Fuel and Power Group the taxed items constitute about 14 per cent. Moreover, only superior quality kerosene has been taxed which warrants application of only one-fourth of the weightage assigned to it. The industrial Raw Materials Group remains practically unaffected by the new taxes. In the Manufacturers Group items constituting about 50 per cent of the weightage have been taxed.

Easily, the maximum pressure is likely to be recorded in the group—Liquors and Tobacco. The increase in their prices is likely to be to the extent of 6.33 per cent. The second group most affected is Manufactures where the price rise has been estimated to the extent of 2.11 per cent. Then comes the Fuel and Power group with 0.85 per cent and last of all is the Food Articles Group where the likely rise is of the order of 0.41 per

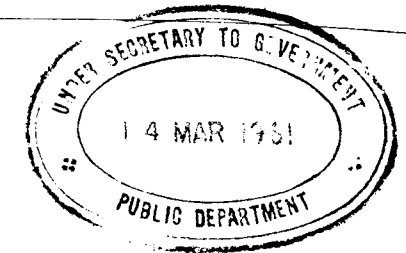
cent. The overall rise in the Wholesale Prices Index due to these additional taxes has been estimated to be around 0.98 per cent or nearly one per cent.

It ought to be underlined that there are two factors which make the price rise look more modest than what it actually may prove to be. In the first instance, there are several items like refrigerators and air-conditioning machinery, radio sets and chemicals which have been taxed, but they do not appear in the Wholesale Price Index at all. Moreover, many items of capital goods that have been taxed are likely to inflate prices of many end-products. Similarly, sympathetic price rise is quite likely to be recorded in the case of substitutes on which additional taxes have not actually been imposed. The net result will be that on account of additional taxation, the Wholesale Price Index may record an increase of 1.5 per cent.

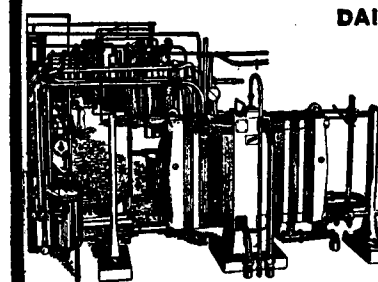
A scrutiny of the entire list of items which have been proposed to be taxed in the budget discloses that two types of consumers will be vitally affected. The increased taxes on matches, kerosene, tea, spices, cardamoms, betel nuts and tobacco are bound to affect the structure of the cost of living of the working class, the lower middle class and middle class to a significant extent. Higher taxes on textiles, drugs and medicines, paper, pottery and glassware are likely to affect the cost of living mostly of the urban middle classes. All these items form an important part of the family budgets of the upper class too, but in percentage terms they constitute a small proportion. Still more items have clearly been taxed with a view to extracting more money from higher income groups. For instance, the incidence of customs duties on brandy, gin and other spirits and of the excise duties on various types of tobacco products, refrigerators and air-conditioning machinery and wireless receiving sets, and to a large extent, china and porcelainware is likely to fall on higher income groups. In addition to this, there is a distinct group of capital goods like hardware, aluminium and other metal products, electrical instruments, paints and chemicals the impact of the additional tax on which is bound to be diffused widely without making its impact fall acutely on any one class in particular.

Commodity	Unit	Present price Rs.	Additional tax Rs.	% rise	Weightage	Price increase
Vanaspati	Quintal	275.0	2.80	1	11	
Tea	Kg.	4.76	0.80	2	38	
Spices (a)	Quintal	433	18½%	10	43	
Betel nuts (b)	Quintal	488	80	16	11	
Food Articles						0.41
Liquor (c)	Doz. Qts.	387	116	30	103	
Tobacco raw	50 kg.	240	15	6	59	
Tobacco Manufactured	1000 cig.	27.20	2.25	8	760	
Liquor & Tobacco					181	6.34
Kerosene (d)	Kilo-litre	267.6	31.35	11	1000	
Diesel Oil	metric ton	300.9	28.15	9	86	
Fuel & Power					58	0.85
Cotton Yarn	Kg.	6.86	0.15	2	144	
Rayon Yarn	Kg.	13.23	0.90	7	53	
Metals (e)	...	...	...	10	13	
Cotton Fabrics	yds.	1.31	0.02	2	14	
Caustic Soda	Quintal	68.90	4.00	6	313	
Dyes	Cwts.	78	15%	15	6	
Paints (e)	...	...	25%	5	1	
Medicines Patented (e)	...	...	10%	10	6	
Machinery	...	...	5% to 25%	10	15	
Matches	1000 matches	1.06	0.08	8	66	
Paper (f)	Kg.	1.72	0.15	10	12	
Pottery & Glassware (e)	...	...	10%	10	21	
Total Manufactures					530	2.11
General Index of Wholesale Prices						0.98

(a) only custom duty increase, weightage applied is half, (b) custom duty only, (c) custom duty likely to affect one-sixth of the consumption, (d) only superior kerosene, above 15 degree affecting only one-fourth of the consumption, (e) odd types of items, (f) few types of paper, weightage applied is one-fifth only.



IN SERVICE LIES SUCCESS...



DAIRY & REFRIGERATION

Pioneers in dairy engineering, L & T have installed 44 modern dairies all over India, and now manufacture various items of plant and equipment.

EARTHMOVING & AGRICULTURAL EQUIPMENT

L & T have supplied to various projects earthmoving, land-clearing, excavation, logging and dredging machinery.

HEAVY PLANT

Paper machines, spray drying installations, sulphuric acid and solven extraction plants, and flour mills have been supplied to a number of industries.

ELECTRICAL EQUIPMENT & SWITCHGEAR

For hydro-electric and thermal power stations, L & T supply high quality electrical equipment, including substations and distribution installations.

DRILLING & MINING

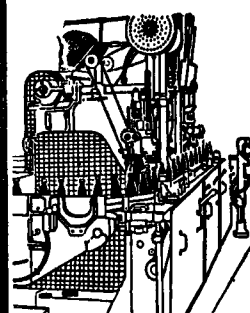
To the Neyveli Lignite Project and other mining schemes L & T have supplied Bucket Wheel Excavators and Spreaders, drilling equipment and turbine pumps.

CIVIL ENGINEERING

L & T undertake various civil engineering works including designs. 'Turn-key' jobs, involving supply and erection of machinery and plant are an L & T speciality.

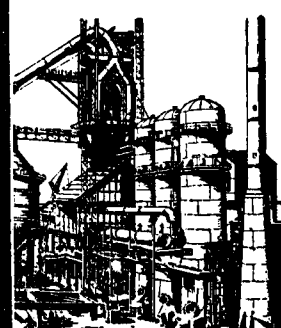
MANUFACTURE

At Powal Works, L & T manufacture various types of plant and equipment—Dairy, Chemical and Pharmaceutical machinery, Switchgear, Petrol Pumps, Cooling Towers, etc.



INDUSTRIAL APPLIANCES

Pharmaceutical machinery, automatic refrigeration controls, process control instruments, power saws, welding alloys and up-to-date bottling installations supplied to numerous concerns.



ERECTION

At Rourkela, L & T have erected 3 Blast Furnaces, a 'Pig' Casting machine, and the Rolling Mill Buildings—the more recent of the many erection contracts executed.

SERVICING

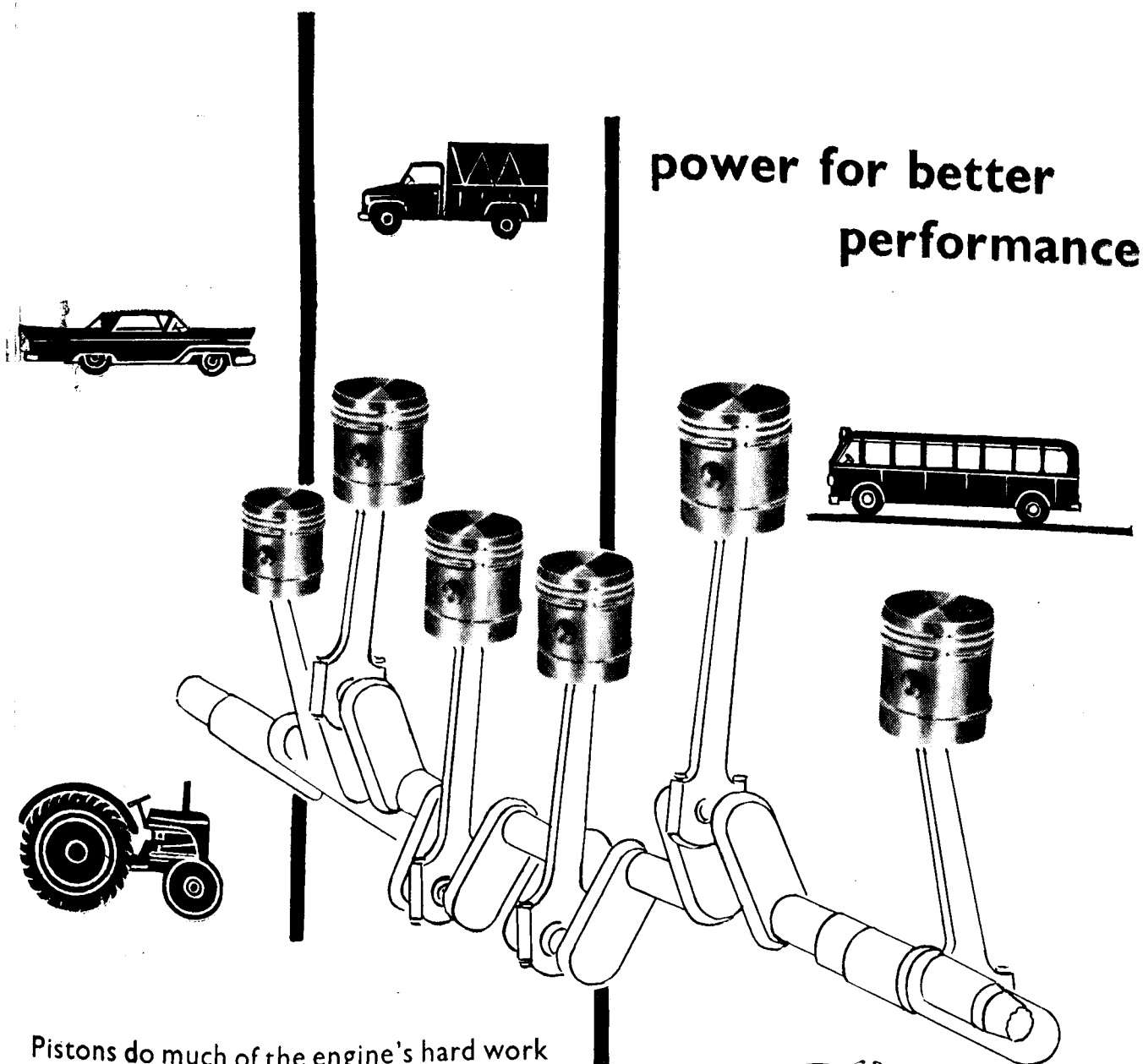
IN SERVICE LIES SUCCESS

The slogan sums up our view of the function we perform. In the world of commerce, lasting success comes only to those who are willing and competent to give service, as well as goods, to their customers. Every piece of equipment we supply is backed by a service organisation designed to keep it working at highest efficiency.

LARSEN & TOUBRO LIMITED

ENGINEERS

Bombay, Calcutta, Madras, New Delhi, Bangalore, Cochin, Ahmedabad



power for better
performance

HEPOLITE
WELLWORTHY



INDIA PISTONS PRIVATE LIMITED,
Sembiam, Madras-11

IP-1104

Pistons do much of the engine's hard work and naturally the quality of a piston means a lot. In India Pistons' product, quality is built in, ensuring superior performance, less bore-wear and full power.

Manufactured to the exacting standards of their associates in the United Kingdom, India Pistons' products—Hepolite, Wellworthy and Covmo—reflect the tradition of unvarying quality.

When changing next, just remember India Pistons. There are pistons and rings to suit every type of engine.

SCHEDULED BANKS

Indian Union

(Amounts in Rs. Crores)

Last Friday	Deposits*	Advances and Bills Discounted	Notes in Circulation	Investments in Govt. Securities	% Ratio of (2) to (1)	% Ratio of (3) to (1)	% Ratio of (4) to (1)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
January 1959 ...	1584.93	920.95	1624.43	635.28	58.11	102.49	40.08
February ...	1609.64	958.95	1654.64	612.01	59.58	102.80	38.02
March ...	1635.01	1013.67	1701.53	613.37	62.00	104.07	37.51
April ...	1692.34	1020.40	1751.46	616.12	60.30	103.49	36.41
May ...	1706.40	1011.86	1738.65	635.02	59.30	101.89	37.21
June ...	1736.97	985.23	1713.56	636.20	56.72	98.65	36.65
July ...	1764.34	956.76	1666.04	714.76	54.23	94.43	40.51
August ...	1787.61	937.11	1650.21	735.90	52.42	92.31	41.17
September ...	1798.85	920.40	1642.00	784.62	51.17	91.28	43.62
October ...	1798.80	941.45	1686.20	794.12	52.34	93.74	44.15
November ...	1834.85	922.95	1679.21	812.81	50.30	91.52	44.30
December ...	1827.09	964.49	1730.11	787.52	52.79	94.69	43.10
January 1960 ...	1857.48	1019.84	1767.44	784.63	54.90	95.15	42.24
February ...	1873.21	1060.93	1798.98	764.14	56.64	96.04	40.79
March ...	1902.02	1127.88	1844.90	714.73	59.30	97.00	37.58
April ...	1929.65	1130.38	1883.59	741.63	58.58	97.61	38.43
May ...	1944.08	1123.56	1860.99	744.86	57.79	95.73	38.31
June ...	1964.73	1124.22	1835.99	739.71	57.22	93.45	37.65
July ...	1962.50	1121.67	1794.00	723.86	57.16	91.43	37.91
August ...	1967.66	1102.93	1776.59	745.88	56.05	90.29	40.97
September ...	1913.90	1135.82	1790.04	722.54	59.34	93.53	37.75
October ...	1901.89	1110.07	1794.18	689.30	58.37	94.34	36.24
November ...	1895.37	1106.60	1810.97	684.63	58.39	95.50	36.10
December ...	1891.90	1180.73	1868.98	633.76	62.40	98.79	33.50
January 1961 ...	1870.93	1225.64	1909.49	610.19	65.50	102.06	32.61
February** ...	1865.52	1260.16	1940.66	585.57	67.55	104.03	31.39

*Excluding inter-bank borrowings.

**Relates to the week ended February 17, 1960.

VARIABLE DIVIDEND INDUSTRIAL SECURITIES: ALL-INDIA

Indian Union

(Base : 1952-53=100)

			General Index	Tea Plantations	Coal	Sugar	Cotton Textiles	Jute Textiles	Paper	Cement	Iron & Steel	Banks
April	1960	2	163.8	167.7	117.1	181.0	142.7	94.6	218.6	140.5	149.7	196.4
		9	165.6	168.7	120.3	181.8	144.1	96.1	221.6	142.5	153.1	193.5
		16	166.0	169.1	118.8	185.0	143.7	95.5	222.4	142.6	153.1	191.8
		23	168.4	168.4	120.5	188.3	145.9	95.0	224.4	144.3	158.5	190.6
		30	168.7	168.0	121.0	188.2	146.2	94.2	225.7	144.2	159.3	185.6
May		7	170.4	167.4	121.8	188.9	146.5	93.4	227.5	144.3	162.8	183.8
		14	173.4	168.3	125.0	190.3	147.9	93.6	234.1	146.9	170.2	184.6
		21	175.2	170.0	125.0	191.2	149.2	93.4	235.1	147.7	170.8	184.8
		28	174.8	171.8	124.0	190.1	150.2	95.6	273.3	146.0	166.3	184.5
June		4	175.9	174.1	124.1	194.7	151.3	96.4	236.2	146.4	167.3	184.2
		11	174.8	173.0	122.8	196.6	151.1	95.5	234.7	146.1	163.8	183.7
		18	174.9	172.4	121.7	195.9	152.8	94.2	233.6	145.2	162.7	184.0
		25	175.4	171.9	122.9	194.2	153.7	92.7	233.8	146.8	161.7	183.7
July		2	175.8	170.3	123.2	193.2	155.5	92.1	232.8	148.9	162.7	183.8
		9	174.9	168.6	122.6	192.9	155.9	91.3	230.6	148.3	160.3	183.9
		16	176.4	168.2	122.9	194.1	159.2	91.0	230.7	148.4	161.5	185.9
		23	182.0	172.5	123.4	195.7	163.6	93.6	237.0	149.0	167.3	191.7
		30	181.6	173.6	122.6	195.2	163.4	94.2	236.4	150.2	165.1	194.8
August		6	180.5	172.5	122.0	193.7	162.3	94.8	236.4	150.8	164.7	193.6
		13	180.3	171.6	123.4	192.7	161.2	98.4	236.1	149.9	168.5	194.4
		20	179.3	170.4	124.2	192.5	160.7	97.9	235.5	149.1	167.3	196.6
		27	179.1	169.0	123.7	194.4	160.8	96.1	235.9	148.6	168.8	198.7
September		3	178.8	166.6	123.7	195.3	160.3	95.0	230.4	148.2	169.6	199.2
		10	174.3	163.9	121.5	192.4	155.6	93.4	230.7	145.0	165.4	192.4
		17	171.4	159.6	117.8	191.7	153.3	91.6	230.8	144.9	162.3	191.0
		24	169.7	157.2	115.7	190.6	151.9	89.9	218.0	143.8	160.2	191.1
October		1	167.4	157.1	115.7	189.7	149.4	89.9	218.0	141.7	155.0	191.0
		8	165.6	153.8	114.8	187.2	148.3	89.5	213.2	139.9	153.9	190.3
		15	165.1	153.7	114.2	187.1	148.2	87.5	212.1	139.8	150.1	189.4
		22	166.5	154.4	115.1	189.0	148.3	87.1	214.9	141.0	151.5	190.7
		29	166.1	155.0	113.9	189.3	147.1	87.3	215.3	141.3	149.3	192.7
November		5	169.1	155.8	114.5	191.4	148.2	87.1	216.9	144.1	152.5	196.5
		12	169.4	157.5	114.0	191.6	148.0	85.7	216.9	143.1	152.4	199.1
		19	169.9	157.6	113.5	192.4	147.5	85.1	218.6	142.8	154.5	199.3
		26	170.0	157.6	113.1	193.9	147.8	84.5	219.9	142.4	153.9	200.5
December		3	169.0	157.4	112.6	192.4	146.5	84.5	219.9	142.0	153.3	200.2
		10	168.1	155.9	112.4	192.2	145.2	83.9	218.2	140.8	152.3	199.6
		17	166.6	155.6	116.0	188.6	143.8	83.9	217.1	139.9	151.3	199.9
		24	165.7	154.7	116.9	181.0	143.4	84.9	215.1	139.7	150.4	198.8
		31	165.4	154.0	117.4	181.3	143.1	84.7	215.2	139.8	150.5	198.9
January 1961		7	163.9	152.9	117.5	177.6	142.4	84.1	214.3	138.4	149.3	198.9
		14	163.3	151.6	117.1	173.6	142.6	83.8	213.4	136.5	149.6	199.1
		21	165.4	151.2	117.5	175.3	144.8	83.7	214.4	136.9	153.3	201.4
		28	166.9	151.3	117.7	173.5	146.3	84.0	214.6	137.4	158.3	203.9
February		4	167.6	151.4	117.6	173.0	147.4	84.0	213.9	137.1	158.0	205.2
		11	168.5	153.1	121.2	171.9	149.1	84.3	214.0	135.4	158.1	206.0
		18	169.5	156.6	125.6	169.6	150.8	84.9	214.5	135.8	158.4	206.7

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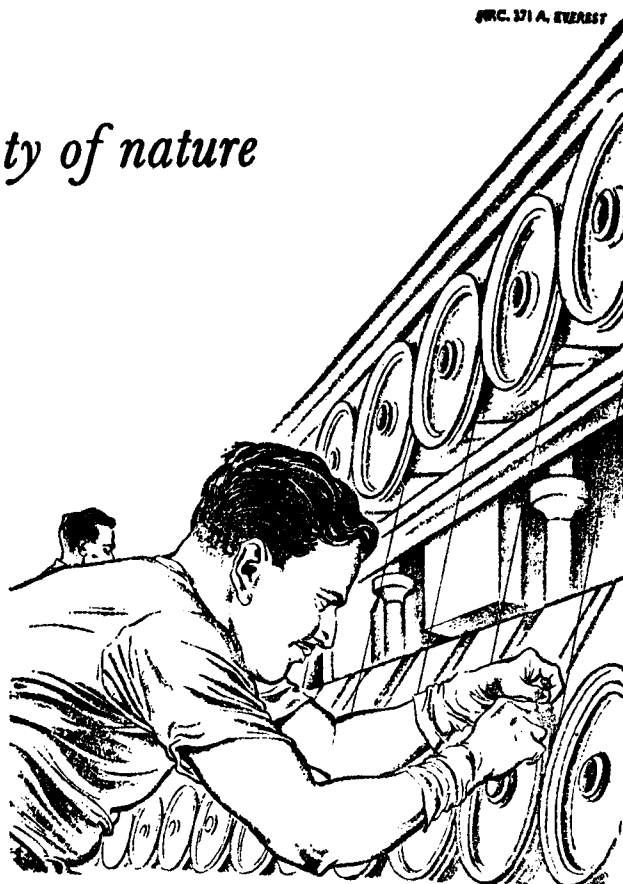
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Public Loans

IN the scheme of rupee resources for the Third Plan, public loans are second in the order of importance, coming next only after additional taxation. But, while the resources from public loans have been put at Rs. 850 crores, as against Rs. 1,650 crores from additional taxation (including surpluses of public enterprises) and the gap between the contribution of the two is nearly as wide as the size of the former, it cannot be taken for granted that the loan target is pitched at a practicable level. The element of uncertainty that threatens to beset the loan target ought to be fully recognized.

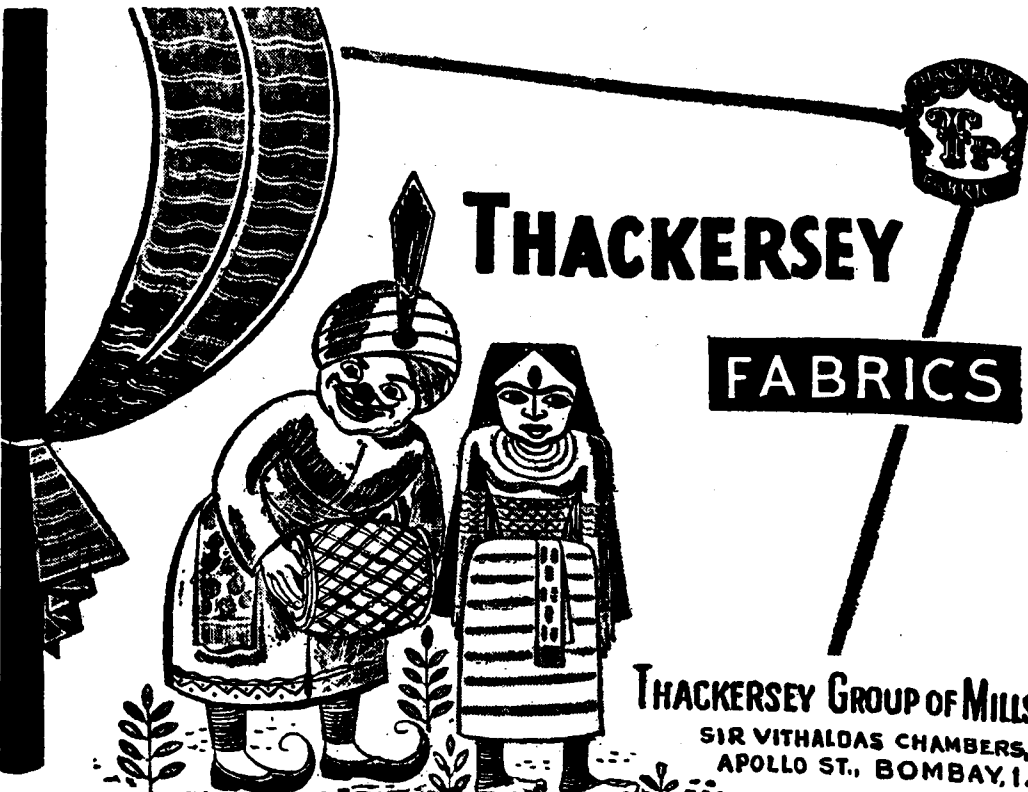
In the Second Plan, the climate for market loans was unusually propitious. The estimate of public loans for the Third Plan at Rs. 850 crores, or only Rs. 50 crores above the Second Plan target, is indicative of the fact that excessive optimism about the capacity of public loans to attract funds for the Third Plan has not been entertained. Now, in the light of the progress of the loan programme for the current year, it is obvious that even the feasibility of achieving the target of Rs. 850 crores has been thrown into serious doubt. During 1960-61 the budget took credit for public loans of Rs. 250 crores including Prize Bonds of Rs. 25 crores. But actually two loans of the value of Rs. 175 crores were floated during the current year, yielding total subscriptions of Rs. 180.70 crores. The Prize Bonds netted in only Rs. 12.5 crores. Excluding conversions to the tune of Rs. 74.6 crores and repayments of Rs. 33.40 crores, the net receipts amounted to Rs. 85.20 crores.

For the budget year the Finance Minister has taken credit for public loans of Rs. 235 crores, including Prize Bonds expected to bring Rs. 10 crores. Deducting the loans maturing during 1961-62 valued at a total of Rs. 137.50 crores, the net yield from market loans is estimated at Rs. 97.5 crores. Against the background

of the current year's difficult experience, it cannot but be emphasized that the loan programme for the budget year is pitched high.

It is essential to analyse the factors that weighed with the Planning Commission in fixing a high loan target for the Third Plan at Rs. 850 crores. The Draft of the Third Plan frankly emphasizes the fact that market loans of Rs. 800 crores in the Second Plan included a substantial proportion of subscriptions by the State Bank of India out of the P.L. 480 deposits. But in view of the transfer of P.L. 480 counterpart funds to a special account, opened in the Reserve Bank in the name of the US Embassy, these funds will no longer be available to bolster the public loan issues in the Third Plan. By implication, the Draft assumes that, in spite of the loss of support of P.L. 480 funds to market loans, the gap created by this loss would be filled and excess contributions of Rs. 50 crores would also be made. This is apparently on the hypothesis that the climate for real contributions to public loans would improve.

The assumptions behind this anticipation of improvement have not been specified in the Draft. All that the Draft says is that there would be a flow of subscriptions from the institutional investors, particularly the Life Insurance Corporation and the provident funds as solid contributors. Hope was also pinned originally on popular enthusiasm for the Prize Bonds. But the estimate of Prize Bonds for 1961-62 shows that on second thoughts it is realized that their potential contribution was miscalculated on the high side and the miscalculation is being corrected in the very first year of the Third Plan. There can be little quarrel with the assumption made in the Draft about the increasing quantum of the subscriptions from the Life Insurance Corporation and the provident funds. But it would be a



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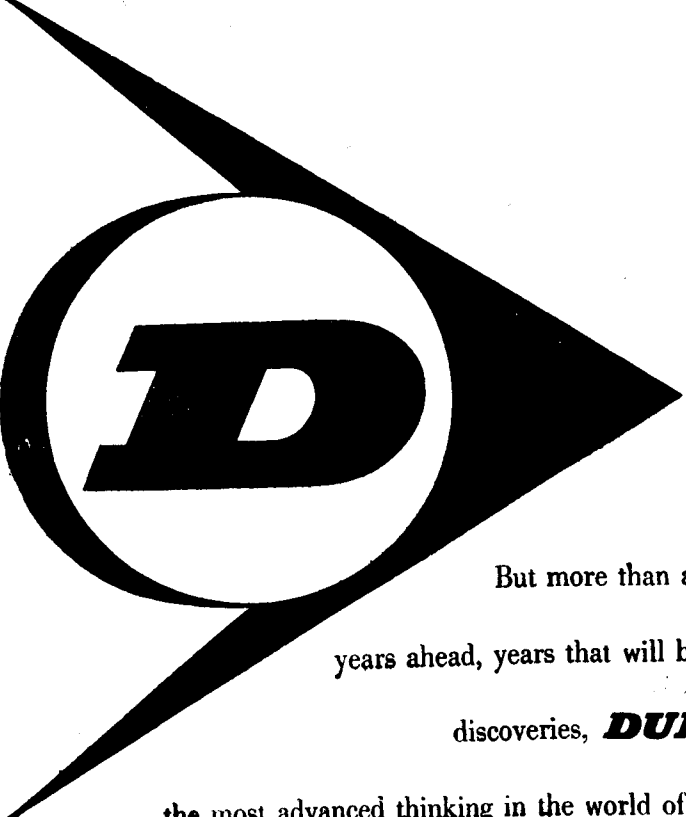
misreading of the changing trends in the rupee resources position to expect that other institutional investors would find it feasible to extend massive support to the programme for market loans. Perhaps, it would not be wrong to presume that the firmness which the Finance Minister has shown in resorting to a higher proportion of additional taxation in the budget year than was anticipated in most quarters was due to an appreciation of the tight outlook for other rupee resources. This reappraisal could have been applied to the loan programme.

Banks were undoubtedly substantial contributors to the impressive success of the loan programme in the latter part of the Second Five-Year Plan. Their response to the loan issues sprang essentially from their liquidity and the overall easy conditions which prevailed in the money market until the end of the fourth year of the Second Plan. But during 1960-61 the situation took a turn in the direction of stringency and there can be little doubt that the drastic credit control policy, enforced with three successive revisions by the Reserve Bank, added to the deterioration in the market situation. The credit curbs clamped on the banks and the extraordinary measure of impounding of bank deposits with the Reserve Bank forced the banks to run down their investments in Government securities. The Economic Survey, 1960-61, underlines the fact that whereas at the end of the calendar year 1959 Government securities held by the banks recorded an increase of Rs. 152 crores above the previous year, at the end of 1960 they declined sharply by Rs. 150 crores below the previous year's level. The quantitative curb was directly

responsible for large-scale disinvestment of Government securities.

Stringency in the money market is getting progressively worse. Scheduled banks are feeling the direct impact of that stringency as reflected in the trends of their deposits. The peak in the deposits of scheduled banks was passed at Rs. 1,968 crores in August 1960 after which the downturn started and it continues in spite of the prevalence of the busy season. In the middle of February 1961, the volume of deposits of scheduled banks was Rs. 1,865 crores and their advances were of the order of Rs. 1,260 crores. Thus, stringency is demonstrated by a steep rise in the advances-deposits ratio to 67.6 per cent in mid-February which compares with the ratio of 56.4 per cent a year ago. It is apprehended to reach 70 per cent shortly. Considering the pressure of rising demand for bank credit, to be generated in the Third Plan, it would be an error to expect strong bank support to loan issues.

The experience of banks is not isolated; on the contrary, it is typical of the overall tightness in respect of rupee resources for development. In the Third Plan the stiff outlook of inflationary pressures on the economy makes it all the more imperative that deficit financing ought to be pegged firmly at Rs. 550 crores. The loan target, at whatever level it is fixed, can be an aid to minimizing the size of deficit financing only to the extent that it attracts real savings. But notional fulfilment of part of the market loan programme with support lent by the Reserve Bank would only serve to conceal the full magnitude of deficit financing. The ambitious loan target for the Third Plan carries this risk.



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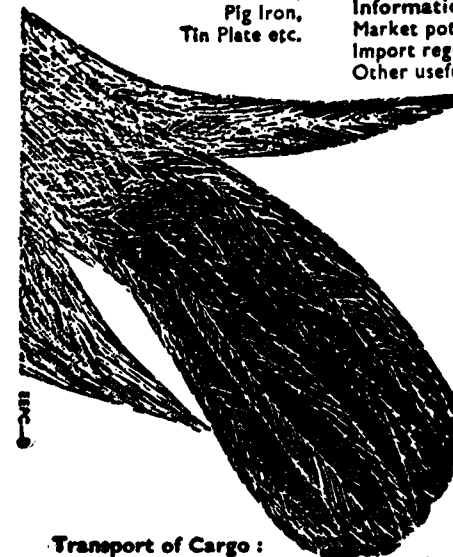
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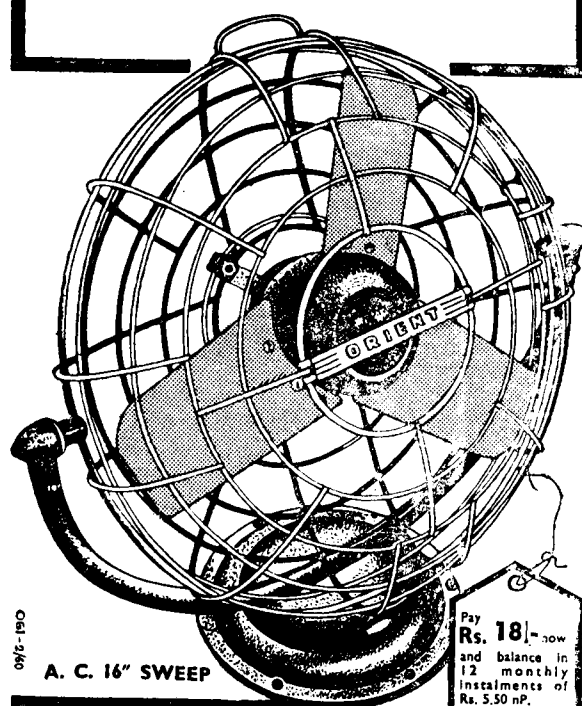
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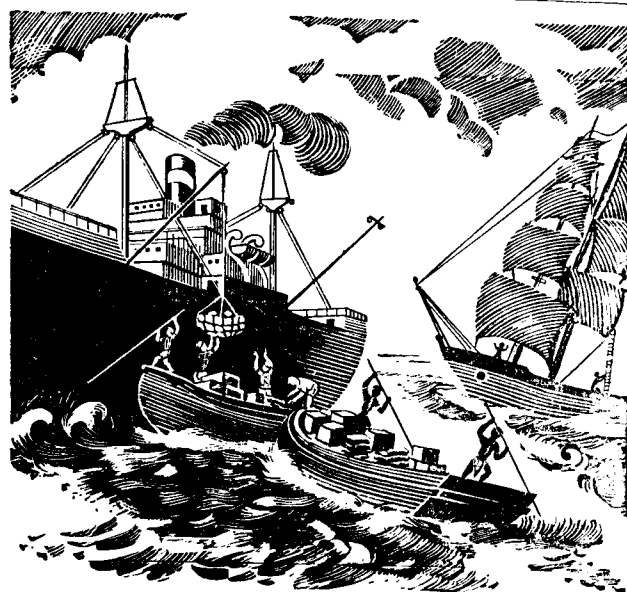


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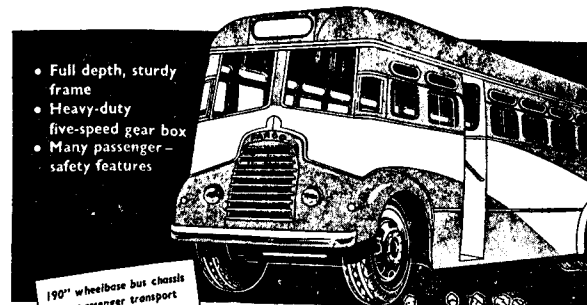
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OUTSTANDING PUBLIC DEBT OF THE GOVERNMENT OF INDIA

(In lakhs of rupees)

Particulars (1)	Date of Issue (2)	Earliest date of maturity (3)	Estimated amount on 31st March, 1961 (4)	Estimated amount on 31st March, 1962 (5)
A—RUPEE LOANS				
I—CURRENT LOANS:				
Terminable Loans —				
3% Loan, 1963-65	1st June, 1938	1st June, 1963	116,17	116,17
3% Funding Loan 1966-68	22nd Oct., 1943	1st Oct., 1966	110,12	110,12
3% First Development Loan 1970-75	16th April, 1945	15th Oct., 1970	115,06	115,06
2½% Loan, 1961	1st Aug., 1946	1st Aug., 1961	57,01	—
2½% Loan, 1976	16th Sept., 1946	16th Sept., 1976	14,78	14,78
2½% Loan, 1962	15th Nov., 1947	15th Nov., 1962	75,87	75,87
3% Loan, 1964	19th June, 1950	15th June, 1964	30,33	30,33
3½% National Plan Bonds, 1961 (First Issue)	8th June, 1953	1st June, 1961	75,29	—
3½% National Plan Loan, 1964	19th April, 1954	19th April, 1964	158,18	158,18
3½% National Plan Bonds — Second Series (3½% 1965)	1st July, 1955	1st July, 1965	153,68	153,68
3½% Bonds, 1962	16th July, 1956	16th July, 1962	107,27	107,27
3½% National Plan Bonds — Third Series (3½% 1967)	16th July, 1956	16th July, 1967	93,82	93,82
3½% Loan, 1974	16th July, 1956	16th July, 1974	86,64	86,64
4% Loan 1972	5th Aug., 1957	1st Aug., 1972	49,17	49,17
3½% National Plan Bonds — Fourth Series	5th Aug. 1957	1st Aug., 1967	56,99	56,99
3½% Bonds, 1963	12th May, 1958	12th May, 1963	58,06	58,06
3½% National Plan Bonds (Fifth Series 1968)	12th May, 1958	12th May, 1968	34,34	34,34
4% Loan 1973	12th May, 1958	12th May, 1973	49,51	49,51
4% Loan 1973 (Ad hoc issue)	1st July, 1958	12th May, 1973	300,00	300,00
3½% Loan, 1968	26th Aug., 1958	26th Aug., 1968	70,00	70,00
3½% Bonds, 1969	1st July, 1959	1st July, 1969	137,91	137,91
4% Loan 1979	1st July, 1958	1st July, 1979	81,06	81,06
3½% Bonds, 1966	18th July, 1960	1st July, 1966	82,65	82,65
4% Loan, 1980	18th July, 1960	18th July 1980	98,05	98,05
3½% National Plan Bonds — Third Series (3½% 1967)	30th Jan. 1961	30th Jan., 1967	10,00	10,00
3½% National Plan Bonds — Fifth Series (3½% 1968)	30th Jan., 1961	30th Jan., 1968	30,00	30,00
3½% Bonds 1969	30th Jan., 1961	30th Jan. 1969	10,00	10,00
New Loans.	to be floated in 1961-62		—	225,00
Sale of Prize Bonds		1st April, 1965	12,50	22,00
Bhopal Loans —				
3% Loan, 1966-76	12th Nov., 1946	Repayable at par on 15-11-76 but the Government have the option of repaying at any time after 15th November, 1966, with 6 months' notice	1,22	1,22
Hyderabad Loans —				
3% Loan, 1951-61	1st Aug., 1941	1st Aust, 1961 or any day after 1st August, 1951 on giving three calendar months' notice.	6,59	—
2½% Loan, 1953-63	16th Oct., 1943	16th October, 1963 or any day after 16th October, 1953 on giving three calendar months notice.	5,38	5,38

OUTSTANDING PUBLIC DEBT OF THE GOVERNMENT OF INDIA

(In lakhs of rupees)

Particulars	Date of Issue	Earliest date of maturity	Estimated amount on 31st March, 1961	Estimated amount on 31st March, 1962
(1)	(2)	(3)	(4)	(5)
4% Hyderabad State Development Loan, 1963	22nd Oct., 1953	22nd Oct., 1963	3,35	3,35
1½% Loan 1964	31st Oct., 1956	31st Oct., 1964	3,86	3,86
4% Hyderabad State Development Loan 1967	16th Aug. 1955	16th Aug., 1967	2,12	2,12
4% Hyderabad Development Loan, 1968.	3rd Sept., 1956	3rd Sept. 1968	2,18	2,18
2½% Loan, 1974	1st April, 1954	1st April, 1974	4,40	4,40
2½% Loan, 1975	1st Jan. 1950	1st Jan. 1975	6,86	6,86
Old Rly. Shares	..	—	29	29
Non-Terminable Loans—				
3% 1896-97	22nd July, 1896	At the option of the Govt. of India after 3 months' notice	8,93	8,93
3% Conversion Loan, 1946	16th Sept., 1946	At any time on or after 16th Sept., 1986 subject to 3 months' notice	248,91	248,91
Annuity Certificates —				
15-year Annuity Certificates			3,66	4,66
TOTAL—Current Loans			2,572,21	2,669,32
II — Treasury Bills:			1,262,60	1,387,60
III — Special Floating Loan —				
Issued to the International Monetary Fund	—	—	246,89	246,89
Issued to the International Bank for Reconstruction and Development	—	—	22,12	18,69
Issued to the International Development Association	—	—	3,45	6,90
TOTAL — Special Floating Loans			272,46	272,48
IV — Expired Loans —				
Sundry Loans	—	—	17,36	19,40
TOTAL — Rupee Loans			4,124,63	4,348,80
B — STERLING LOANS:				
Current Loans (U.K. Govt.)	—	—	107,07	107,34
India Stocks and Railway Debenture Stocks	—	—	10	8
War Contribution	—	—	20,62	20,62
Expired Loans	—	—	3	3
U.K. Syndicate of Banks (for Durgapur Steel Project)	—	—	15,33	13,33
TOTAL — Sterling Loans			143,15	141,40
C — OTHER LOANS:				
I — Loans from the International Bank for Reconstruction and Development:				
Railway Project Loan I	—	—	4,63	3,37
Railway Project Loan II	—	—	42,86	40,12
Railway Project Loan III	—	—	40,48	40,48
Railway Project Loan IV	—	—	23,81	23,81
Railway Project Loan V	—	—	19,05	33,33
Bokaro Konar Project Loan (D.V.C. I)	—	—	5,42	4,94
Damodar Valley Project Loan (D.V.C. II)	—	—	4,25	4,08
Damodar Valley Project Loan (D.V.C. III)	—	—	10,17	10,06
Koyna Project Loan	—	—	4,57	7,57
TOTAL — IBRD Loans			155,24	167,76

OUTSTANDING PUBLIC DEBT OF THE GOVERNMENT OF INDIA — (Contd.)

(In lakhs of rupees)

Particulars	Date of Issue	Earliest date of maturity	Estimated amount on 31st March, 1961	Estimated amount on 31st March, 1962
(1)	(2)	(3)	(4)	(5)
II — Loans from the Government of U.S.A.:				
Loan for purchase of American Wheat	—	—	88,68	88,68
Development Assistance Loan	—	—	60,08	61,76
Loans under PL 480	—	—	88,05	158,05
Development Loan Fund Loans	—	—	77,55	130,80
Asian Economic Development Fund Loan	—	—	2,00	7,52
TOTAL — U.S.A. Loans			316,36	446,81
III — U.S. Exim. Bank Loan	—	—	35,73	83,33
IV — Wheat loans from Canada	—	—	14,07	11,83
V — Loans from U.S.S.R.:				
Bhilai Project	—	—	47,80	42,59
Industrial Enterprises	—	—	10,38	22,68
Drugs Credit	—	—	42	1,22
Barauni Credit	—	—	62	6,62
1,500 million Roubles Old Credit	—	—	2,31	12,19
112.5 million Roubles Credit	—	—	—	3,00
TOTAL — U.S.S.R. Loans			61,55	88,30
VI — Loans from West Germany				
Rourkela Steel Project	—	—	60,76	60,80
D.M. 168 million Credit	—	—	19,05	19,05
First DM 125.1 million Credit	—	—	14,18	14,18
Second DM 125.1 million Credit	—	—	14,18	14,18
TOTAL — West German Loans			108,17	108,21
VII — Loans from Japan				
Exim. Bank Credit	—	—	11,97	23,81
Orissa Iron Ore	—	—	—	1,81
TOTAL — Japan Loans			11,97	25,62
VIII—Loans from Czechoslovakia—				
Credit for Third Plan Projects	—	—	—	1,08
IX—Loans from Poland, Credit for Import of Capital Equipment	—	—	—	4,00
X—Loans from Yugoslavia, Credit for import of Capital Goods	—	—	—	4,00
XI—Loans from Switzerland and Credit for import of Capital Goods	—	—	—	3,00
XII—Loans to be negotiated				
Sundry new loans	—	—	—	120,00
TOTAL — Other Loans			703,07	1063,89
TOTAL — Public Debt			4970,83	5524,09

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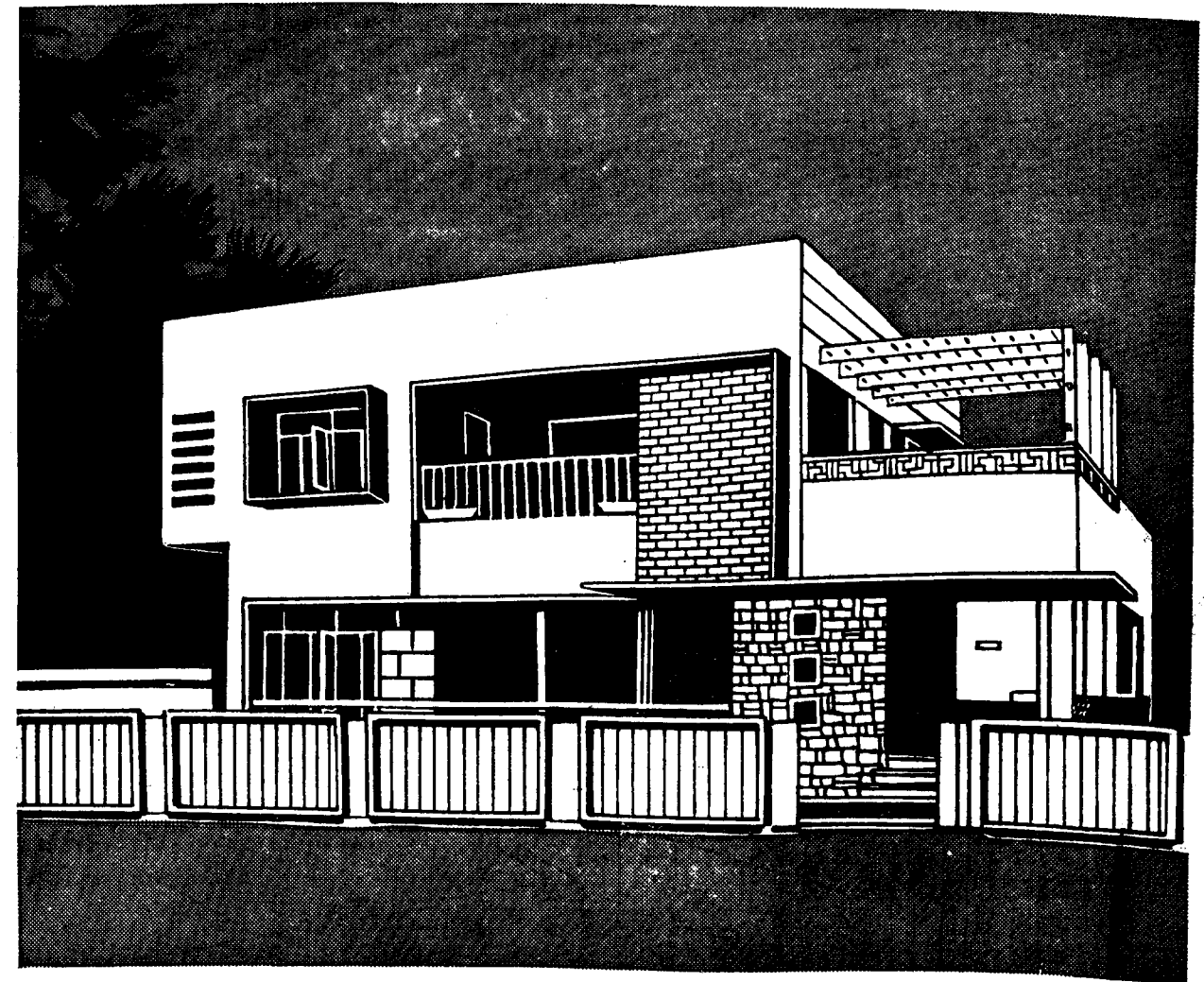
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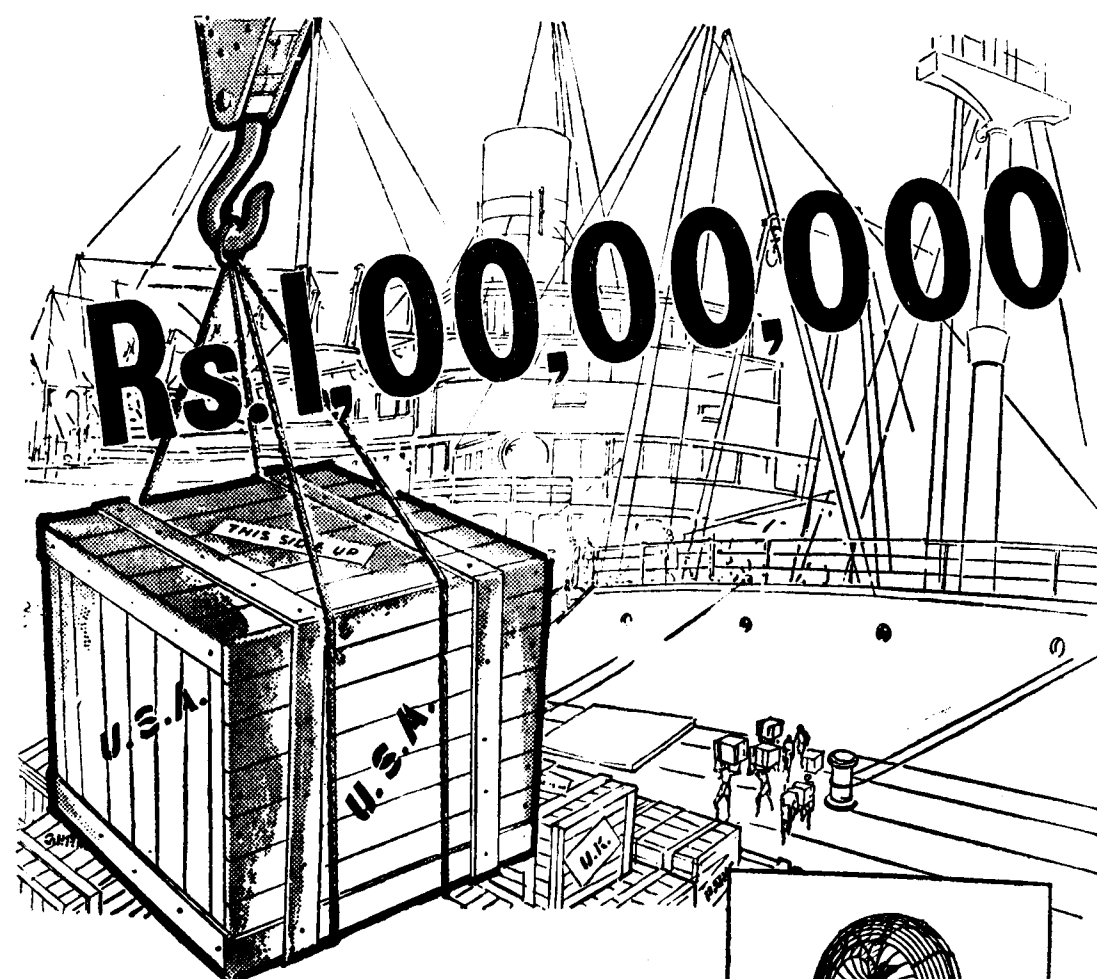
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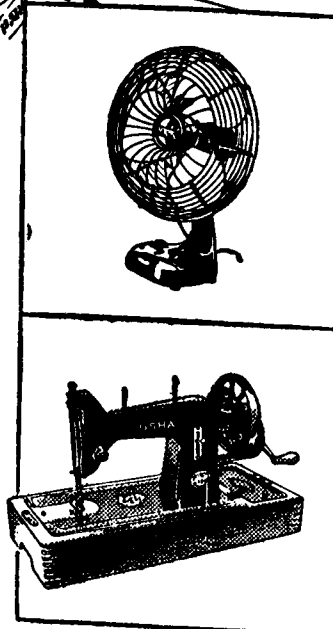
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Small Savings

THAT the small savings movement will have to play a crucial part in financing the Third Five-Year Plan is evident from the Budget Speech of the Finance Minister. Given the limitations in an under-developed economy of taxation as such or by way of profits of public enterprises, the efforts to mobilise savings from the public no doubt will have to be quite substantial. The importance of it was realized in the First Five-Year Plan and a target of Rs. 500 crores was laid in the Second Five-Year Plan. On an average the target for small savings for the Second Plan period was placed at Rs. 100 crores a year. The contribution of small savings to the success of the First Five-Year Plan may be judged from the fact that collections increased from Rs. 33 crores in 1950-51 to Rs. 65 crores in 1955-56. The total collections in the First Plan amounted to Rs. 241 crores. At the end of the Second Plan the total collection is expected to be Rs. 390 crores. Although this is much short of the target, progress realised every year is encouraging in the sense that it is difficult to build up a psychology of savings in an era of rising prices when alternative investments like investments in commodities, goods, gold, shares, property etc. are apt to be more profitable. The various schemes at present in operation are Post Office Savings Banks, 12-year National Plan Savings Certificates, 10-year Treasury Savings Deposit Certificates, 15-year Annuity Certificates, Cumulative Time Deposit Scheme, Prize Bonds etc. It is expected that the Prize Bonds will yield a good sum of Rs. 12.5 crores by the end of March 1961. There is no doubt that these bonds have a great attraction for a large mass of the people and with more intensive and co-ordinated efforts on the part of both non-official and official organizations particularly in the States, it should be possible to raise more money through this source. The amount of net collections through the various schemes enumerated above under the Second Five-Year Plan is as follows:—

	(In crores of Rs.)				
	56-57	57-58	58-59	59-60	60-61 (up to Jan. 1961)
Post Office Savings Bank	31.28	17.98	20.18	27.72	19.00
Cumulative Time Deposits	...	...	0.05	0.76	1.38
National Savings Certificates	19.07	—22.26	—25.77	—20.96	—15.84
10-year Treasury Savings Deposit Certificates	3.01	5.12	5.22	9.39	11.58
National Plan Certificates	9.00	—2.25	—2.10	—1.24	—0.84
National Plan Savings Certificates	...	71.44	81.34	68.90	51.52
15-Year Annuity Certificates	0.37	0.55	0.54	0.49	0.45
Total	62.73	70.58	79.46	85.06	67.25
Deduct :					
Encashment of Post Office Cash Certificates, Defence Savings Bank and Defence Savings Certificates	—1.21	—1.02	—1.01	—0.75	—0.54
Net	61.52	69.56	78.45	84.31	66.71

It will be observed from this table that small savings during the last three years have shown encouraging results. The net collections last year aggregated to Rs. 85 crores and in the first ten months of the current year net collections have exceeded the collections for the corresponding period last year by Rs. 19 crores, and there is every likelihood that a target of Rs. 100 crores may be achieved for the first time by the end of March, 1961. Statewise collections is given in a table on page 660.

The increase in the small savings brought about in the last few years is partly to be attributed to the inducements provided to investors by the Government of India. For instance, the rates of interest on the various types of small savings securities were increased in 1957-58 and facilities were provided for withdrawal by cheques in Post Office Savings Banks. A new scheme of Cumulative Time Deposit Scheme was introduced with effect from 2nd January, 1959. This is intended to cater for those who have regular incomes and who wish to save every month. The scheme provides for monthly deposits in all Post Offices doing Savings Bank work for a period of 5 or 10 years, at the end of which they are repayable with compound interest, yielding a return, free of income tax and super tax, of about 3.3 per cent per annum in the 5-year account and 3.8 per cent per annum in the 10-year account. The maximum limits upto which an individual can make deposits under the scheme is Rs. 200 per month in a 5-year account or Rs. 100 per month in a 10-year account. The limits for joint accounts are double those of single accounts. The cumulative Time Deposit Rules have been amended to enable the legal heir to a deceased depositor to claim a lump payment of a proportionate sum instead of having to wait till maturity of the deposit. Treasury Savings Deposit Certificates have been made transferable subject to certain conditions and investments by Provident Funds in Treasury Savings Deposit Certificates have been allowed to be made without limit. A new Pay Roll Scheme has been introduced for the benefit of the employees in large establishments, factories, etc., permitting deductions to be made from the wages with the consent of the employees for investment in small savings with a view to step up collections under the scheme. A new series of Annuity Certificates of the denomination of Rs. 1,330 has been introduced with effect from January 2, 1960, and scheduled and co-operative banks have been authorised to receive subscriptions for the Treasury Savings Deposit Certificates on a brokerage basis. A Gift Coupon scheme has also been introduced which enables a person to purchase attractive coupons of given denomination in suitable attractive envelopes to be presented to the donee who can have them exchanged for 12-year National Plan Savings Certificates of like denomination. The advantage of this is claimed to be that it would help check the tendency towards extravagance in cash especially on occasions which do not serve well either the individual or the society. To make the scheme popular in the rural areas the assistance of the Community Development Administration has been sought.

Encouraged by the results of the previous years, the Finance Minister now has proposed to raise Rs. 105 crores in the year 1961-62. In all Rs. 585 crores is to be raised by the end of the Third Plan. Without belittling the progress or the efforts of the Government to raise more resources, it is to be pointed out that the target of Rs. 117 crores a year is definitely on the high side. If only Rs. 390 crores could be raised in the Second Five-Year Plan in spite of all the inducements provided to

investors and with the setting up of the Advisory Boards, it is wondered how a target of Rs. 585 crores could be achieved in the Third Plan. The expected realization of Rs. 100 crores in 1960-61 is partly due to the fact that the banking industry was under stress and strain last year and for that reason investors thought it safe to invest in small savings securities than to go in for the banks. This performance is not likely to be repeated with the banking structure now having regained confidence. This, of course, goes without saying that a greater intensification of efforts will be required and procedural complications and difficulties in encashment involved in the existing small savings scheme will have

to be eliminated further. The fact by no means can be ignored that banks now offer more attractive terms and advantages to all classes of savers. Not only will there have to be a close examination of the strata reached so far by the small savings movement both in urban and rural areas, but a concerted drive will have to be made by the State Governments and the non-official agencies to bring into the small savings movement all the areas and classes uncovered so far. The appointment of the Chavan Committee in this context to step up small savings is a heartening development and the findings of this Committee will be watched with great interest.

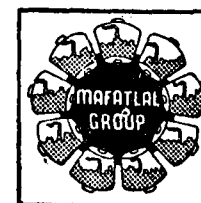
SMALL SAVINGS : 1956-57—1960-61

State	1956-57		1957-58		1958-59		1959-60		(Rs. crores) 1960-61 (April to Jan.)	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
1. Andhra Pradesh	8.69	1.05	12.91	4.60	13.48	4.17	14.04	3.53	10.34	1.16
2. Assam	6.62	2.11	6.23	1.64	8.03	2.97	7.92	2.76	7.66	2.82
3. Bihar	17.37	5.70	19.12	5.00	20.53	6.57	24.50	9.87	21.36	7.14
4. Bombay	46.73	16.24	56.08	15.51	63.72	23.78	70.93	30.74	61.21	24.16
5. Delhi	8.56	1.31	9.33	1.70	10.78	2.68	10.49	2.13	10.93	3.07
6. Himachal Pradesh	0.19	0.07	0.18	0.06	0.46	0.27	0.24	0.02	0.19	0.03
7. Jammu & Kashmir	0.99	0.15	1.61	0.42	1.65	0.41	1.67	0.45	1.55	0.37
8. Kerala	3.85	0.73	4.80	1.47	5.01	1.47	4.84	1.23	6.73	2.84
9. Madras	13.85	1.92	20.69	7.85	18.12	2.97	15.98	0.65	14.84	2.54
10. Madhya Pradesh	8.36	3.02	9.35	2.79	9.72	2.46	10.27	2.62	8.54	1.68
11. Manipur	0.14	0.02	0.17	0.04	0.14	0.03	0.15	0.02	0.13	0.01
12. Mysore	4.87	0.93	5.99	1.65	6.72	2.22	6.52	1.79	5.64	1.64
13. Orissa	4.11	1.23	4.85	1.23	5.33	1.52	5.60	1.50	5.11	1.54
14. Punjab	26.62	8.03	28.46	5.77	30.58	6.48	33.27	7.59	24.83	1.13
15. Rajasthan	5.02	2.10	5.27	1.82	5.67	1.87	5.49	1.43	4.20	0.62
16. Tripura	0.37	0.02	0.39	0.06	0.45	0.05	0.47	0.07	0.42	0.09
17. Uttar Pradesh	38.73	9.43	43.27	10.39	45.71	9.30	46.23	9.46	39.65	8.09
18. West Bengal	30.23	7.57	35.51	8.73	39.06	10.46	38.04	9.85	32.32	8.18
19. Base Post Offices	0.01	0.01	0.03	0.02	0.02	0.02	0.01	0.01	0.01	0.01
Total	2,25.31	61.64	2,64.24	70.75	2,85.18	79.70	2,96.66	85.72	2,55.67	67.12



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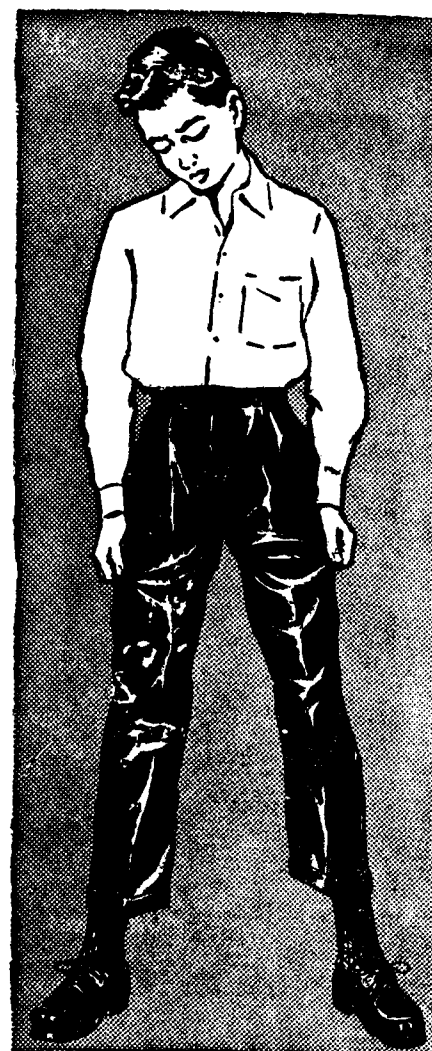
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P.L. 480 and Inflationary Pressures

THE Central Budget for 1961-62, the first year of the Third Plan, will be hailed in knowledgeable circles as a move in the right direction. The Union Finance Minister has shown foresight and courage in picking everybody's pocket in an election year. This was necessary. If the big push forward, promised in the Draft Outline of the Third Plan is to show itself in the Central Budget presented to Parliament, it could not be otherwise. Against a target of Rs. 1,100 crores for the Centre in additional taxation in the Third Plan, the Budget proposals aim at Rs. 61 crores in 1961-62. The State Governments, among themselves, may raise Rs. 10 crores or so.

The United States Government has so far entered into five agreements with the Government of India under Public Law 480 for the supply of U.S. surplus agricultural commodities. According to these agreements, the rupee equivalent of the dollar cost of these commodities plus 50 per cent ocean freight costs is deposited in the U.S. Government Title Account in India. A major portion of these rupee deposits is made available to the Government of India as loans and grants for mutually agreed development projects, and the balance is kept by the U.S. Government partly for their own uses and partly for giving loans to U.S. firms or their affiliates for investment in India. So far a total amount of Rs. 1,096 crores has been made available allocated under PL 480. Out of this amount, Rs. 510 crores are given to the Government of India as loans and Rs. 368 crores as outright grants; the rest of the amount is partly kept for U.S. uses and partly for advancing loans to U.S. firms or their affiliates for investment in India. Though the terms and conditions of the loans from rupee proceeds are determined in each case by mutual agreement between the two Governments, the loans that are negotiated so far are repayable in 40 years in 73 semi-annual instalments beginning after four years of the disbursement of the first loan and they carry a rate of interest of 3 to 5 per cent per annum. The loans can be repaid either in rupees or dollars at India's option in all cases, except loan agreement relating to the second P.L. 480 agreement under which the repayment is to be made in rupees only.

Such outlay from the P.L. 480 counterpart funds adds to the monetary circulation in precisely the same way as conventional deficit financing. Moreover, the revised procedure for the deposit of P.L. 480 funds with the Reserve Bank of India has the effect of complicating the pattern of transactions in the Capital budget of the Central Government. Before the new procedure was introduced in May 1960, the P.L. 480 funds were deposited with the State Bank of India, which invested them in Treasury Bills or dated Government Securities. Under the revised procedure, the P.L. 480 funds are deposited directly with the Reserve Bank, which invests them in special securities of the Government of India. The Government is also receiving Rs. 12 crores per month from the past deposits of P.L. 480 sale-proceeds with the State Bank of India. Under the revised procedure, investments in special securities during the current financial year have amounted to Rs. 240 crores—Rs. 108 crores on account of transfers from the State Bank of India and Rs. 132 crores due to net fresh accruals. The addition of Rs. 240 crores into the Capital accounts of the Government of India has brought down the net expansion of ad hoc

Treasury Bills (deficit financing) in the current financial year from Rs. 153 crores in the budget estimates to Rs. 15 crores in the revised estimates. Does it really amount to a contraction in deficit financing?

These transactions can be looked at from another angle. The Rs. 240 crores invested in the special securities are funds which would otherwise have been invested by the State Bank in the Government of India Securities and other market loans. This fact is important. The Government planned to raise Rs. 225 crores through market loans during the current financial year. But in reality they have floated two loans of a total value of Rs. 175 crores. The shortfall of Rs. 50 crores, however, is only national. Had the Government left the P.L. 480 funds with the State Bank, the latter would presumably have invested enough in the new market loans for the borrowing target of Rs. 225 crores to be achieved. In other words, the revised procedure has substituted the special securities for a larger issue of the market loans and a larger expansion of ad hoc Treasuries. The interesting point is whether deficit financing in the current financial year is, in fact, limited to Rs. 15 crores of expansion in Treasury Bills or extends to those Rs. 15 crores plus the Rs. 240 crores of special securities?

The Reserve Bank's investment in special securities, according to the Finance Minister, will be Rs. 96 crores and the net expansion of Treasury Bills will be about Rs. 64 crores in the budget year. The admitted overall deficit in 1961-62 is thus Rs. 64 crores.

Deficit financing of the order of Rs. 64 crores during the budget year appears to be reasonable. It would be wrong to argue that if the entire deficit, at current rates of taxation, in the revenue budget had not been wiped out and a little more of deficit financing had been resorted to, monetary stability would not have been endangered. The real emphasis and discipline laid down must be appreciated. It is one of the postulates of the Third Plan that inflation ought to be kept under control by limiting deficit financing and the Finance Minister has reiterated it. Taxes on consumption are in theory disinflationary; but to what extent they will in fact discourage consumption is a moot point. By casting his net very wide to cover the large number of import duties and excise taxes, Mr. Desai has tried to keep the incidence of the duty on individual items low. But the cumulative effect of some of the taxes, specially those on articles of mass consumption like cloth, kerosene, coffee, tea, betelnuts and tobacco, may well be to raise the cost of living. This question has been discussed in another article in this Number. It is, of course, understandable that the Finance Minister in search of additional revenue, with little scope for raising direct taxes, had to choose as many new commodities as possible for indirect taxation. But the effects of these taxes on some of the new industries have to be watched so that the taxes may not have any serious repercussions on particular industries.

A little analysis of the possible effects of the new tax proposals will be instructive. The increase in indirect taxation proposed in the budget for 1961-62 is expected to secure an addition of about 10 per cent to

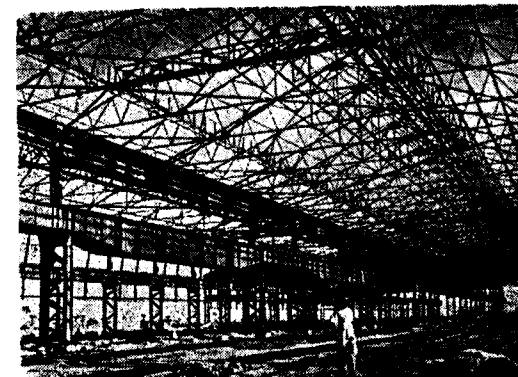
the total revenue from Customs and excise duties in this budget year at the existing rates. Raising indirect taxes on so many commodities would have meant a much larger revenue in any industrially advanced country of Western Europe or the United States, but the comparative smallness of the result contrasted with the largeness of the effort is a pointed reminder to India of the long way she has to go before she can join the ranks of the economically developed countries. Apart from this imbalance between the efforts and results, indirect taxes even on final consumption goods lead to a rise in prices which is always greater than what is warranted by the rise in taxation; and the effects of the indirect taxes on intermediate and capital goods tend to take cumulative form. In the case of current budget proposals, excise duties are raised on such articles of mass consumption, specially lower middle class consumption, such as tea, coffee, cigars and cigarettes, betelnuts, kerosene, matches, vegetable pro-

ducts, cotton fabrics, powerloom fabrics, and woollen, silk and art silk fabrics, and on such intermediate goods as diesel oil, paints and varnishes, rayon and synthetic fibre and yarn.

The majority of the new excise duties along with their countervailing import duties as well as the proposed additions to the existing rates of Customs duties are either on raw materials or intermediate goods or capital goods. The net result of all this is the real possibility of a rise in the cost of living, specially for the urban classes. Along with it the danger of wage earners and salaried workers demanding an off-setting rise in their remunerations with the consequent threat of an inflationary spiral is something to be reckoned with. The effective way to avert the threat of an inflationary price and wage spiral is to get the energetic cooperation of all sections of the community to step up production.

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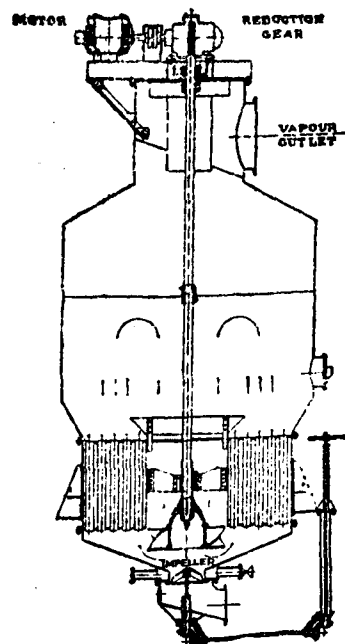
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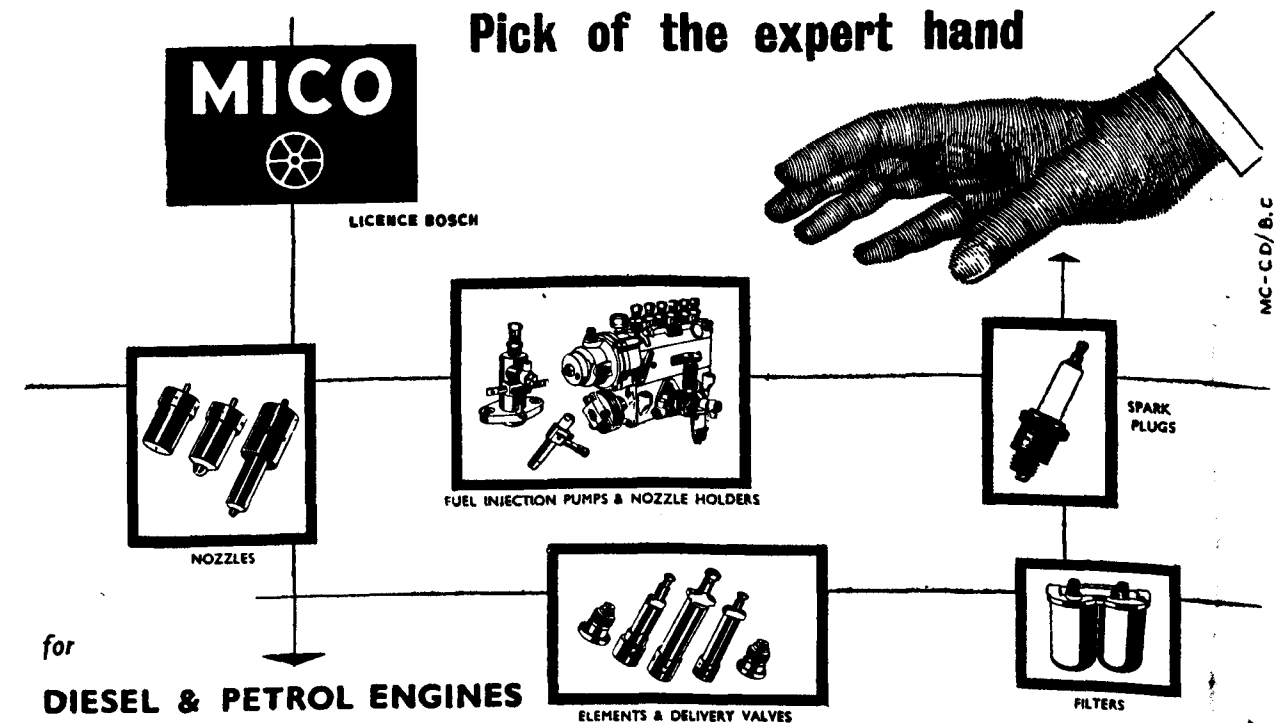
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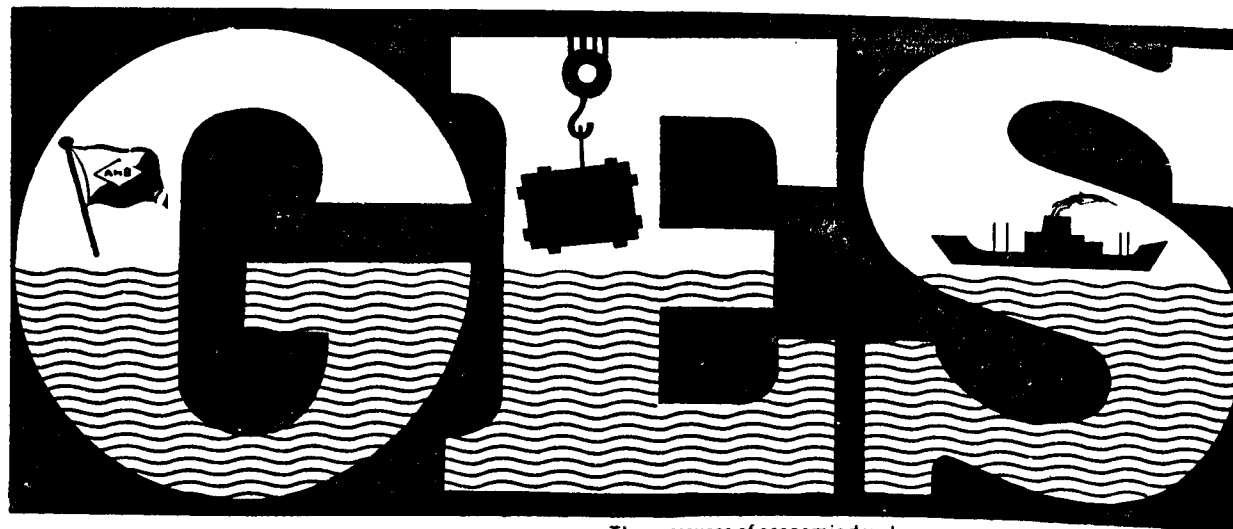
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INDIA'S BALANCE OF PAYMENTS

(Rupees crores)

		1959-60†								1960-61†			
		1955-56	1956-57	1957-58	1958-59	1st qr.	2nd qr.	3rd qr.	4th qr.	Total	1st qr.	2nd qr.	Total (Apr.-Sep:60)
1. Imports c.i.f.	...	761.4	1099.5	1233.6	1029.6	242.8	230.3	198.4	252.2	923.7	288.2	250.5	538.7
(a) Private	...	621.3	811.9	696.2	504.8	133.8	124.0	118.6	130.9	507.3	149.2	138.3	287.5
(b) Government	...	140.1	287.6	537.4	524.8	109.0	106.3	79.8	121.3	416.4	139.0	112.2	251.2
2. Exports f.o.b.	...	640.2	635.2	594.1*	575.9	136.1	149.7	181.1	156.4	623.3	152.6	146.7	299.3
3. Trade Balance (2-1)	...	-121.2	-464.3	-639.5	-453.7	-106.7	-80.6	-17.3	-95.8	-300.4	-135.6	-103.8	-239.4
4. Non-monetary gold movement	...	...	...	...	...	...	...	5.9	...	5.9	...	...	...
5. Official Donations	...	45.0	39.5	34.1	34.4	8.4	12.6	8.2	6.4	35.6	16.7	10.1	26.8
6. Other Invisibles (net)	...	88.5	112.5	104.0	91.7	21.9	16.0	24.9	15.3	78.1	24.8	10.0	34.8
7. Current Account (net)	...	12.3	-312.3	-501.4	-327.6	-76.4	-52.0	-21.7	-74.1	-180.8	-94.1	-83.7	-177.8
8. Official Loans	...	9.7	30.7	115.1	218.6	38.3	45.7	47.5	54.0	185.5	59.4	58.9	118.3
9. Other Capital Transactions (net)	...	10.0	-2.0	101.7	88.4	25.3	2.7	-23.1	4.5	0.4	2.1	16.8	18.9
10. Drawings on I.M.F.	...	...	60.7	34.5	...	...	...	...	...	...	...	...	...
11. Errors and Omissions	...	-17.0	1.6	-9.8	-21.7	-9.8	-0.9	-10.4	-0.1	-21.2	-3.3	-11.1	-14.4
12. Movement in Foreign Exchange Reserves (Increase +) (Decrease -)	...	+ 15.0	-221.3	-259.9	-42.0	-22.6	-4.5	+ 35.7	-24.7	-16.1	-35.9	-19.1	-55.0

*Excludes silver despatched to the U.S.A.

†Preliminary.

REGIONAL PATTERN OF INDIA'S BALANCE OF PAYMENTS CURRENT ACCOUNT

(Rs. crores)

Period		Sterling Area		Dollar Area		OEEC Countries	Rest of non-sterling Area	Total
1953-54	...	...	+64.2	...	+27.2	-57.5	+13.5	+47.4
1954-55	...	...	+52.9	...	+14.9	-75.7	+13.9	+6.0
1955-56	...	...	+44.2	...	+39.2	-84.5	+13.4	+12.3
1956-57	...	...	-37.9	...	-44.5	-199.9	-30.0	-312.3
1957-58	...	...	-71.8	...	-122.1*	-255.8	-51.7	-427.0
1958-59	...	...	-19.0	...	-81.3	-167.3	-60.0	-327.6
1959-60†	...	...	-57.4	...	-48.4†	-106.0	+25.1	-186.7
1st quarter	...	...	-20.7	...	-19.2	-27.2	-9.3	-76.4
2nd quarter	...	...	-23.3	...	-10.7	-24.3	+6.3	-52.0
3rd quarter	...	...	+11.9	...	+8.8†	-22.4	+17.5	+15.8
4th quarter	...	...	-25.3	...	-27.3	-32.1	+10.6	-74.1
1960-61†	...	...	-23.4	...	-42.1	-37.1	+8.5	-94.1
1st quarter	...	...	-7.9	...	-42.8	-33.4	+0.4	-83.7

Net credit (+), Net debit (-)

*Excludes silver despatched to the U.S.A.

†Preliminary

†Excluding non-monetary gold.

Indian Union

INDUSTRIAL PRODUCTION : 1950-60

		Unit	1950	1955	1956	1958	1959	1960@@				
								Total	1st Qr.	2nd Qr.	3rd Qr.	4th Qr.
Capital Goods												
1. Diesel Engine :												
(i)	Vehicular type	'000 Nos.	—	3.9	3.4	4.3	8.7	10.6	2.5	2.7	2.4	3*
(ii)	Stationary type	'000 Nos.	4.6	10.2	12.0	25.8	30.3	41.2	8.9	10.0	11.2	11.1
2.	Power Transformer	'000 KVA	171.6	565.2	919.2	1126.8	1016.4	1229.2	269.8	279.7	307.4	372.3*
3.	Power Driven Pump	'000 Nos.	30.0	34.8	46.8	78.0	85.2	102.2	23.6	22.1	25.6	30.9
4.	Electric Motor	'000 HP	81.6	252.0	358.8	624.0	576.0	677.3	146.0	157.4	182.9	193.0*
5.	Looms	Nos.	2508†	2736	2868	3192	4224	N.A.	1418	1190	1265	N.A.
6.	Complete Ring Spinning Frame	Nos.	276†	864	1116	876	1080	N.A.	228	294	269	N.A.
7.	Carding Engine	Nos.	108†	600	732	1152	768	N.A.	194	262	269	N.A.
8.	Machine Tool	Million Rs.	2.7	7.4	12.0	37.6	43.9	58.8	17.7	9.6	14.8	16.7
9.	Automobile (Total)	'000 Nos.	14.0	23.1	32.1	26.7	36.5	51.7	12.5	12.0	13.1	14.1
(i)	Car	'000 Nos.	6.6	9.5	13.0	7.8	12.0	19.1	4.9	4.3	4.9	5.0
(ii)	Commercial Vehicle	'000 Nos.]	8.0	9.5	14.3	15.1	19.8	27.1	6.4	6.6	6.8	7.3
(iii)	Others	'000 Nos.]		4.1	4.8	3.8	4.7	5.5	1.2	1.1	1.4	1.8
Intermediate Goods												
10.	Coal	Million tons	32.0	38.2	39.4	45.3	47.0	51.6	12.8	12.9	12.5	13.4*
11.	Iron Ore	Million tons	3.7†	4.3	4.2	5.7	7.7	10.2	2.6	2.7	2.5	2.4*
12.	Pig Iron	Million tons	1.56	1.76	1.81	2.00	2.99	4.16	1.03	0.94	0.98	1.21
13.	Ferro-alloys	'000 tons	18.0	12.0	28.8	25.2	21.6	N.A.	1.6	1.6	9.2	N.A.
14.	Finished Steel	Million tons	1.00	1.26	1.34	1.30	1.74	2.17	0.51	0.50	0.55	0.61
15.	Aluminium (Virgin metal)	'000 tons	3.6	7.2	6.5	8.2	17.2	18.1	4.4	4.6	4.7	4.4*
16.	Cement	Million tons	2.6	4.5	4.9	6.1	6.8	7.7	1.9	1.9	1.8	2.1
17.	Sulphuric Acid	'000 tons	102.5	166.2	165.2	226.6	292.2	363.2	92.0	88.2	91.0	92.0*
18.	Caustic Soda	'000 tons	10.8	34.2	39.4	57.2	68.8	97.6	25.2	24.1	23.7	24.6
19.	Soda Ash	'000 tons	43.8	77.3	84.2	89.4	93.8	142.9	34.1	33.2	35.9	39.7
20.	Ammonium Sulphate	'000 tons	47.3	393.1	389.0	384.2	378.5	377.9	95.8	87.7	94.1	100.3*
21.	Superphosphate	'000 tons	52.4	74.2	81.2	166.8	247.7	331.8	93.0	81.8	73.0	84.0*
22. Alcohol :												
(i)	Power	Million gal.	4.5	10.4	10.3	8.8	8.1	10.4	2.8	3.2	2.5	1.9*
(ii)	Industrial-Rectified Spirit	Million gal.	3.4	5.2	4.2	6.2	8.0	7.5	2.4	1.6	1.9	1.6*
(iii)	Industrial/Denatured Spirit	Million gal.	1.5	3.0	3.4	3.9	4.7	5.5	1.5	1.2	1.5	1.3*
23.	Rayon yarn	'000 tons	2.0†	12.5	16.6	28.9	36.4	42.3	10.1	10.3	10.9	11.0
24.	Paint	'000 tons	27.9	39.0	41.6	48.0	54.2	48.7	12.5	12.7	12.2	11.3
25.	Jute Textile	'000 tons	835	1027	1093	1062	1051	1067	264	272	270	261
26.	Cotton yarn	Million lb	1175	1630	1671	1685	1723	1734	423	418	444	449
27.	Paper and Paper-board	'000 tons	108.9	184.9	193.4	253.0	294.0	339.7	85.7	84.0	83.8	86.2*
28.	Tanned Hide	'000 Nos.	2010	2312	2425	2746	3118	3470	843	906	803	918
29.	Rubber Tyre and Tube**	Million Nos.	8.9	13.1	14.6	18.1	21.8	26.2	6.0	6.7	6.7	6.8
30.	Electricity Generated	Million Kwh	5107	8168	9611	12245	14556	16314	3873	4093	4146	4202*
Consumer Goods												
31.	Cotton Cloth	Mln. yards	3665	5094	5307	4927	4925	5044	1231	1239	1291	1283
32.	Footwear	Mln. pairs	21.4	40.5	42.7	44.3	47.5	54.0	13.7	13.8	11.1	15.4
33.	Sewing Machine	'000 Nos.	30.9	101.5	130.4	205.2	252.6	295.3	72.0	74.3	71.1	77.9*
34.	Electric Lamp	Mln. Nos.	14.3	24.2	30.7	30.5	34.8	41.3	9.6	10.3	9.7	11.7
35.	Electric Fan	'000 Nos.	193.2	282.0	338.4	636.0	726.0	985.6	228.4	245.4	243.9	267.9*
36.	Radio Receiver	'000 Nos.	44.3	201.2	150.6	198.1	213.9	262.9	50.9	65.3	68.0	78.7
37.	Bicycle	'000 Nos.	103.2	491.1	664.0	912.6	990.7	1046.8	268.2	244.4	248.8	285.4*
38.	Sugar	'000 tons	977	1590	1862	1978	1919	2421	—	—	—	—
39.	Tea	Million lb.	613.2	668.4	667.2	714.0	714.0	696.0	30.4	161.4	293.8	210.4
40.	Coffee	'000 tons	20.5	24.9	34.4	43.8	44.9	49.3	18.8	20.3	5.9	4.3*
41.	Vanaspati	'000 tons	171.6	260.8	255.6	295.2	316.8	332.7	97.2	85.3	73.8	76.4
42.	Cigarette	Billion pieces	23.6	22.8	26.3	29.8	32.2	36.2	8.9	9.3	9.1	8.9*
43.	Match	'000 Cases@	523.2	615.6	615.6	626.4	649.2	660.9	162.0	165.6	164.3	169.0
44.	Soap	'000 tons	72.7	99.0	110.3	123.5	130.0	132.4	33.2	35.0	34.9	29.3*

*November figures have been taken for December.

@50 gross boxes of 60 sticks each.

**Includes tyre and tubes of automobiles, bicycles and tractors.

Output relates to the year ending October.

†Relates to 1951.

‡Relates to 1952.

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March 6, 1961

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External Assistance and the Third Plan

A HEAVY draft of foreign assistance is written into the Third Five-Year Plan which, according to the latest directive of the National Development Council, is to be of the size of Rs. 11,600 crores in respect of financial outlay and Rs. 12,100 crores in terms of physical targets. The Draft Outline envisaged external aid requirements of the Rs. 11,250 crores Third Plan at Rs. 3,200 crores. Of this, Rs. 600 crores were expected to be the cost of foodgrains imports under PL 480 required to keep food prices under control and inflationary pressures within limits. Of the remaining Rs. 2,600 crores, Rs. 500 crores were considered to be necessary to cover the balance of payments deficit, Rs. 1,900 crores for financing the import of machinery and equipment for the projects included in the Plan and the balance Rs. 200 crores for meeting the cost of imports of components, intermediate products etc., for increasing the production of capital goods within the country.

The magnitude of foreign assistance component of the Third Plan is stupendous indeed; it is slightly more than twice that of the Second Plan. An attempt is made in this article to assess how far our expectations of foreign aid of the stipulated order are likely to be fulfilled.

The total foreign assistance under-written so far by friendly countries for the next Plan is as follows :

	(Rs. crores)
(1) Credit authorised by the Soviet Union (Rs. 178.58 crores + Rs. 59.53 crores)	238.11
(2) Czech Credit	23.10
(3) Yugoslav Credit	19.05
(4) Polish Credit	14.30
(5) West German Credit	28.34
(6) Credit authorised by the United Kingdom	6.67
(7) PL 480 Loan from the United States for import of 17 million tons of food grains	635.57
Total	965.14

If the PL 480 Loan is excluded (as provision for it to the tune of only Rs. 600 crores had been made in the Rs. 3,200 crores foreign assistance component), the total aid authorised so far comes to Rs. 329.57 crores, as against Rs. 2,600 crores taken account of in the Draft Outline of the Plan. To this, however, must be added the amount of U.S. Exim Bank Loan II announced in December last and the loan made available by this agency to A.I.I. Together, these two loans amount to Rs. 25.76 crores. The quantum of external assistance still needed for execution of a Rs. 11,250 crores Plan thus comes to Rs. 2,244.67 crores. And that too on the assumption that "other factors" remain unchanged.

In the recent past, however, two important developments have taken place which should warrant an upward revision of the external assistance component of the Third Plan. In the first place, the size of the Plan has been increased from Rs. 11,250 crores to Rs. 11,600 crores. It may further be stepped up to Rs. 12,100 crores if the physical targets recommended by the National Development Council are to be adhered to.

* West Germany has offered an initial long-term credit of Rs. 45.5 crores for the first year of the Third Plan. The announcement was made in New Delhi on Thursday by Dr. Hans Wilhelmi, West German Minister for Federal Property, now on a visit to this country. Dr. Wilhelmi also stated that the Federal Government would help India to raise a further credit of Rs. 51 crores in Germany to meet the estimated foreign exchange component of the Rourkela Steel Plant's expansion programme.

Secondly, the recessionary trends in evidence in the United States at the time when the Draft Outline was prepared, and which presumably influenced to some extent the estimates of foreign aid requirements of the Third Plan, are also not likely to persist for long. The significance of this factor lies in the fact that a major part of the future loans from the U.S.A. will be in the form of "tied" credit which will necessitate purchases of machinery and equipment to be financed with these loans in that country. These two factors may push up foreign assistance requirements of the Plan by about Rs. 200 crores.

Two counter-balancing factors are also there to be taken note of because they might reduce the foreign aid requirements to some extent. The first of these factors is the attempts being made to defer repayment of some of the loans contracted during the Second Plan period. The second one is the stepping up of customs duties on machinery and equipment imports. In his taxation proposals, Mr. Morarji Desai has put up the statutory rate of the duty on these items from 10 per cent ad valorem to 15 per cent ad valorem so long as it does not come in conflict with the commitments under the General Agreement on Tariffs and Trade. He has also raised the concessional rate of duty at present applicable to certain types of machinery from 5 per cent ad valorem to 10 per cent ad valorem. The net effect of these two factors may be a reduction of about Rs. 50 crores in the amount of external assistance required for the Plan. The uncovered gap thus comes to Rs. 2,394.67 crores or nearly Rs. 2,400 crores.

Will fresh foreign assistance to this tune be forthcoming during the next five years? Official circles appear to be quite optimistic about it. Their optimism emanates from the fact that during the last three years of the Second Plan, average authorisations of foreign assistance to India for her economic development have been of the order of nearly Rs. 400 crores per annum. They also appear to depend on the change in outlook of some of the wealthier nations of the world who have increasingly come to realise that they owe a moral responsibility to the under-developed countries to help them in raising the standard of living of their people. Then, it is sometimes argued that India's credit-worthiness having been established, the judicious manner in which this country has utilised foreign assistance in the past (both the Three Wise Men's Mission and the Hoffman Team have given a good chit to India in this respect) will evoke greater response from the friendly countries. It is suggested in these quarters that there is not likely to be any shortfall in the quantum of foreign assistance envisaged in the Draft Outline of the Plan; if there is any shortfall, it will be only of a marginal nature.

"The Eastern Economist," however, does not share this view, notwithstanding the fact that the United Kingdom, in addition to the Rs. 6.67 crores loan already made available for the Third Plan, has offered an initial assistance of Rs. 40 crores for the first year of the Plan and hints have come from West Germany and Japan that they may make available in the next five years aid to the tune of Rs. 250 crores* and Rs. 95 crores respectively.

The picture of external assistance that might be

available to India during the Third Plan period will become clear only after the April meeting of the Aid-India Club at which the quantum of aid to be supplied by the United States, Canada, West Germany, the United Kingdom, Japan and some other countries of the "Free World" who may become the members of this Club (notable among them are France, Italy, Sweden, and Netherlands) will be decided. On the deliberations of this meeting also depends the quantum of assistance which will be made available by the World Bank and its affiliate the International Development Association.

In the opinion of this journal, the total amount of foreign assistance that might be available for the Third Plan on Government-to-Government basis and from World Bank and IDA, including what has already been under-written, will be of the order of only Rs. 1,900 crores. Another Rs. 400 crores might be available in the form of private foreign investment and aid from private agencies for expansion of some public sector industrial units. This will leave a gap of nearly Rs. 429 crores in the external assistance component of the Plan.

This assessment has been made after taking into consideration the following three factors: (1) the balance of payments difficulties being faced by the United States; (2) the changing pattern of aid, whereby major part of the loans in future will be in the form of "tied" credit; and (3) the growing competition for securing aid. The United States, it is well known, is facing an acute balance of payments problem; both gold and silver in heavy quantities are flowing out of this country. From the recent utterances of President Kennedy it is quite clear that the U.S. Government would like the West European nations, especially West Germany, to undertake the task of extending aid to the under-developed countries in a greater measure. But West Germany has been resisting this pressure. The balance of payments difficulties may not affect U.S. lending programme to any marked degree, but they will definitely hamper extension of aid in the form of grants or "untied" loans. The growing competition for securing aid, especially from the African and Latin American countries, is likely to affect the quantum of aid to be made available by the World Bank and the International Development Association.

This heavy shortfall in the external assistance component of the Plan will surely create a crisis which could have been weathered if we had a comfortable cushion in the form of sterling holdings as was the case at the beginning of the First and the Second Plans. The following table shows that our foreign assets are

at near rock bottom; they can be drawn upon only to the extent of about Rs. 35 crores.

INDIA'S STERLING BALANCES

(Rs. crores)

Last Friday	Foreign Securities	Balances Held Abroad	Sterling Balances
1955	686.88	48.30	735.18
1956	447.30	82.61	529.91
1957	275.23	22.42	297.65
1958	164.68	24.17	188.85
1959	163.01	50.13	213.14
1960	128.01	23.72	151.73
1960 January	163.01	43.98	206.99
February	163.01	35.80	198.81
March	163.01	34.11	197.12
April	163.01	17.60	180.61
May	163.01	9.54	172.55
June	143.01	14.47	157.48
July	128.01	25.22	153.23
August	123.01	23.52	146.53
September	123.01	16.17	139.18
October	123.01	19.74	142.75
November	123.01	16.96	139.97
December	128.01	23.72	151.73
1961 January	128.01	19.66	147.67
February	128.01	31.49	159.50

The above analysis obviously calls for fixing the hard core of the Third Plan which can be seen through with an external assistance (apart from the PL 480 Loan) of the order of Rs. 2,300 crores out of which about Rs. 1,700 crores will be available for new development projects. An attempt has been made in the Blue Supplement included in this issue to fix this hard core. To complete the Plan in its present dimensions will require herculean efforts to step up exports.



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EXTERNAL ASSISTANCE — AUTHORISED AND UTILISED

(Rs. crores)

Details of Assistance	Aid authorised before 1st Plan	Aid authorised during 1st Plan	Utilisation upto end of 1st Plan	Balance available for utilisation during 2nd Plan	Aid authorised from 1-4-1956 to 31-12-1960	Total available for utilisation during 2nd Plan	Estimated utilisation from 1-4-1956 to 30-9-1960	Balance available for utilisation
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
A. Loans and credits to be repaid in foreign currency—								
I. I.B.R.D.—								
(a) Public sector								
1. Agriculture	3.43	—	3.43	—	—	—	—	—
2. Railways—I	15.62	—	15.62	—	—	—	—	—
3. Railways—II	—	—	—	—	42.86	42.86	42.86	—
4. Railways—III	—	—	—	—	40.48	40.48	40.48	—
5. Railways—IV	—	—	—	—	23.81	23.81	23.81	—
6. Railways—V	—	—	—	—	33.33	33.33	—	33.33
7. D.V.C.—I	7.96	—	7.96	—	—	—	—	—
8. D.V.C.—II	—	5.00	1.96	3.04	—	3.04	3.04	—
9. D.V.C.—III	—	—	—	—	10.48	10.48	8.04	2.44
10. Koyna	—	—	—	—	11.90	11.90	2.78	9.12
11. A.I.I.	—	—	—	—	2.67	2.67	2.67	—
12. Calcutta Port	—	—	—	—	13.81	13.81	3.51	10.30
13. Madras Port	—	—	—	—	6.67	6.67	1.32	5.35
TOTAL—(a)	27.01	5.00	28.97	3.04	186.01	189.05	128.51	60.54
(b) Private sector								
1. IISCO—I	—	14.30	2.78	11.52	—	11.52	10.87	0.65
2. IISCO—II	—	—	—	—	9.52	9.52	7.98	1.54
3. TISCO—I	—	—	—	—	35.71	35.71	35.71	—
4. TISCO—II	—	—	—	—	15.47	15.47	15.47	—
5. Trombay—I	—	6.64	2.09	4.55	—	4.55	4.10	0.45
6. Trombay—II	—	—	—	—	4.67	4.67	4.22	0.45
7. ICICI—I	—	4.76	—	4.76	—	4.76	3.23	1.53
8. ICICI—II	—	—	—	—	4.76	4.76	0.03	4.73
9. ICICI—III	—	—	—	—	9.52	9.52	—	9.52
TOTAL—(b)	—	25.70	4.87	20.83	79.65	100.48	81.61	18.87
TOTAL—I	27.01	30.70	33.84	23.87	265.66	289.53	210.12	79.41
II. Loans from foreign countries—								
United States of America—								
(i) Wheat loan	—	90.31	90.31	—	—	—	—	—
(ii) Exim Bank loan	—	—	—	—	71.43	71.43	19.73	51.70
(iii) U.S. Banks' two loans to A.I.I.	—	—	—	—	5.90	5.90	5.33	0.57
(iv) Exim Bank Loan to Hindustan Aluminium Corporation	—	—	—	—	6.48	6.48	—	6.48
2. U.S.S.R.—								
(i) Credit for Bhilai Steel Plant	—	64.38	—	64.38	—	64.38	64.38	—
(ii) Credit for Industrial Projects	—	—	—	—	59.52	59.52	4.32	55.20
(iii) Credit for Drugs Project	—	—	—	—	9.52	9.52	—	9.52
(iv) Credit for Oil Refinery at Barauni	—	—	—	—	11.91	11.91	—	11.91

EXTERNAL ASSISTANCE—AUTHORISED AND UTILISED† (Contd.)

(Rs. crores)

Details of Assistance (1)	Aid authorised before 1st Plan (2)	Aid authorised during 1st Plan (3)	Utilisation upto end of 1st Plan (4)	Balance avail- able for utilisa- tion during 2nd Plan (5)	Aid authorised from 1-4-1956 to 31-12-1960 (6)	Total available for utilisation during 2nd Plan (7)	Estimated utilisa- tion from 1-4-1956 to 30-9-1960 (8)	Balance available for utilisation (9)
3. United Kingdom								
(i) ECGD—I Credit for Durgapur Steel Plant	—	—	—	—	20.00	20.00	20.00	—
(ii) Lazard Bros. Credit for Durgapur Steel Plant	—	—	—	—	15.33	15.33	15.33	—
(iii) ECGD—II Credit for Capital Goods	—	—	—	—	38.00	38.00	38.00	—
(iv) ECGD—III Credit for Oil Pipe-line	—	—	—	—	4.00	4.00	2.61	1.39
(v) ECGD—IV Credit for Capital Goods	—	—	—	—	25.33	25.33	25.33	—
(vi) U.K. India (General) Credit Agree- ment 1960	—	—	—	—	13.33	13.33	6.55	6.78
(vii) Second U.K. India (General) Credit Agreement 1960	—	—	—	—	6.67	6.67	—	6.67
4. West Germany—								
(i) Credit for Rourkela Steel Plant	—	—	—	—	74.83	74.83	58.11	16.72
(ii) Credit for Capital Goods—I	—	—	—	—	19.05	19.05	19.05	—
(iii) Credit for Capital Goods—II	—	—	—	—	14.18	14.18	14.18	—
(iv) Credit for Capital Goods—III	—	—	—	—	14.18	14.18	—	14.18
5. Canada—								
(i) Wheat Loan—I	—	—	—	—	11.51	11.51	11.51	—
(ii) Wheat Loan—II	—	—	—	—	4.20	4.20	4.20	—
6. Japan—								
(i) Exim Bank Credit	—	—	—	—	23.81	23.81	7.55	16.26
(ii) Credit for Orissa Iron Ore Project*	—	—	—	—	3.81	3.81	—	3.81
TOTAL—II	—	154.69	90.31	64.38	452.99	517.37	316.18	201.19
TOTAL—'A'	27.01	185.39	124.15	88.25	718.65	806.90	526.30	280.60
B. Loans and credits to be repaid in rupees—								
U.S.A.—								
(i) Loans under TCA Programme\$	—	39.28	2.29	36.99	22.63	59.62	50.47	9.15
(ii) Development Loan Fund—I	—	—	—	—	30.96	30.96	21.10	9.86
(iii) Development Loan Fund—II	—	—	—	—	47.62	47.62	35.32	12.30
(iv) Development Loan Fund—III	—	—	—	—	9.52	9.52	0.21	9.31
(v) President's Asian Economic Deve- lopment Loan Fund	—	—	—	—	9.52	9.52	—	9.52
(vi) Development Loan Fund—IV	—	—	—	—	37.72	37.72	—	37.72
(vii) Development Loan Fund—V	—	—	—	—	54.33	54.33	—	54.33
(viii) Development Loan Fund—VI	—	—	—	—	14.29	14.29	—	14.29
TOTAL—'B'	—	39.28	2.29	36.99	226.59	263.58	107.10	156.48
C. Grants—								
1. U.S.A.								
(i) TCA Programme\$	—	90.75	42.00	48.75	46.66	95.41	74.83	20.58
(ii) Ford Foundation	—	5.61	2.26	3.35	8.59@	11.94	4.07	7.87
2. Norway	—	0.66	0.66	—	1.53	1.53	1.53	—
3. USSR (Agricultural machinery and equip- ment for I.I.T. Bombay)	—	—	—	—	1.15	1.15	1.15	—
4. West Germany (Okhla Industrial Estate and I.I.T. Madras)	—	—	—	—	2.09	2.09	0.56	1.53
5. Colombo Plan	—	45.53	25.26	20.27	61.23	81.50	64.27	17.23
Total—'C'	—	142.55	70.18	72.37	121.25	193.62	146.41	47.21
Total (A+B+C)	27.01	367.22	196.62	197.61	1066.49	1264.10	779.81	484.29

EXTERNAL ASSISTANCE—AUTHORISED AND UTILISED† (Contd.)
(Rs. crores)

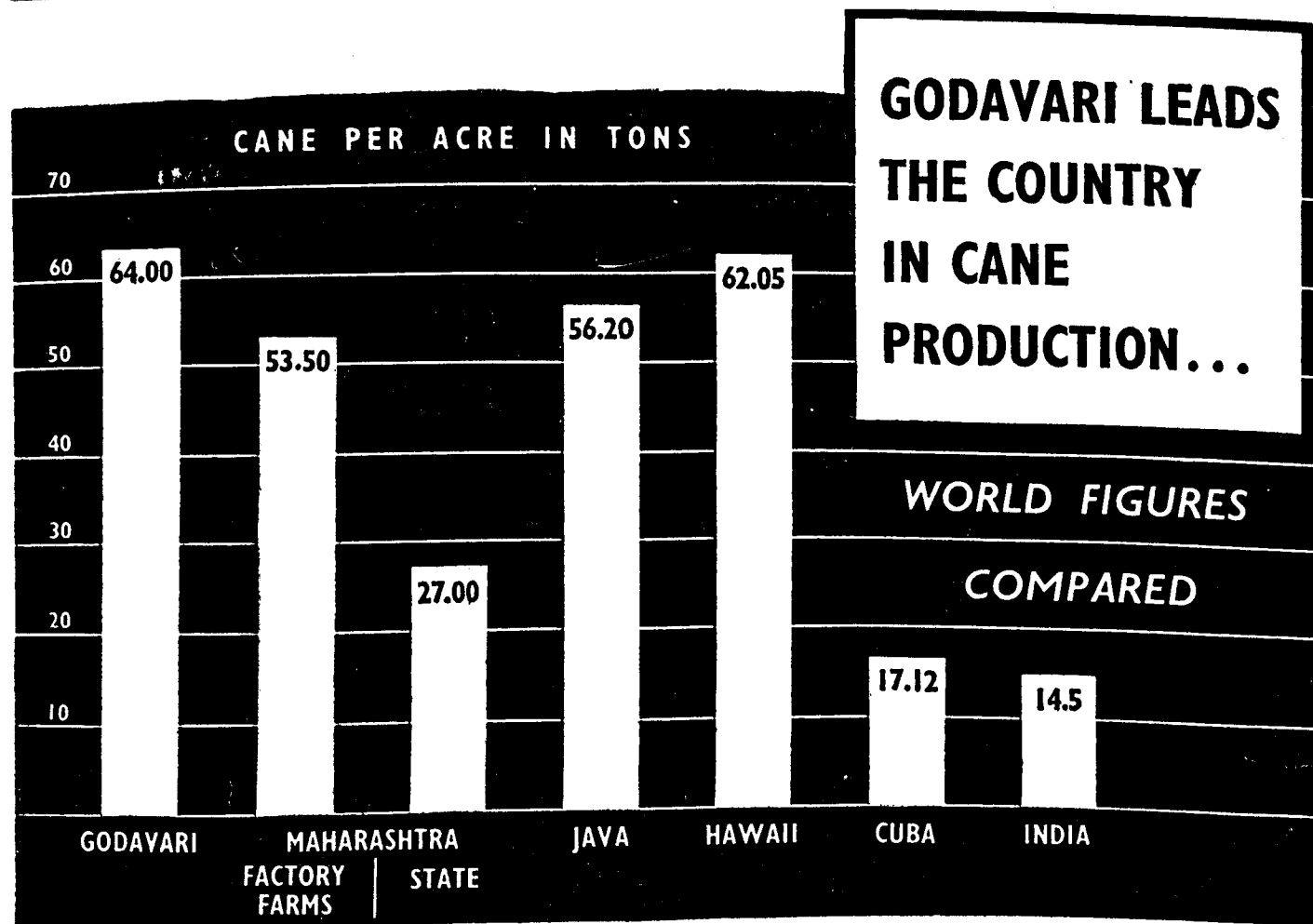
Details of Assistance	Aid authorised before 1st Plan	Aid authorised during 1st Plan	Utilisation upto end of 1st Plan	Balance avail- able for utilisa- tion during 2nd Plan	Aid authorised from 1-4-1956 to 31-12-1960	Total available for utilisation during 2nd Plan	Estimated utilisa- tion from 1-4-1956 to 30-9-1960	Balance available for utilisation
D. U.S. PL 480 Assistance**								
(i) August, 1956	—	—	—	—	168.83	168.83	167.74	1.09
(ii) June, 1958	—	—	—	—	26.31	26.31	23.85	2.46
(iii) September, 1958	—	—	—	—	123.72	123.72	112.49	11.23
(iv) November, 1959	—	—	—	—	141.84	141.84	124.15	17.69
Total—'D'	—	—	—	—	460.70	460.70	428.23	32.47
Grand Total (A+B+C+D)	27.01	367.22	196.62	197.61	1527.19	1724.80	1208.04	516.76
† Exclude the following authorisations:								(Rs. crores)
1. U.S.S.R. credit for Third Plan (12-9-59)							178.58	
2. Czech credit for Third Plan (Nov. '59)							23.10	
3. Yugoslav credit for Third Plan (Jan. '60)							19.05	
4. Polish credit for Third Plan (May '60)							14.30	
5. U.S. Exim Bank Loan-II for Third Plan (Dec. 1960)							23.81	
6. U.S. Exim Bank Loan for A.I.I.							1.95	
7. PL 480 Assistance (May 1960)							635.57	
8. Third country currency assistance from USA (Rs. 2.89 crores)								
9. Assistance received in the form of suppliers' credit, e.g., from France, Switzerland, Czechoslovakia and Rumania								
10. Assistance under U.N. Special Fund (Rs. 4.16 crores)								
@ Up to October 1960								
* No formal agreement has been signed								
\$ Includes assistance under PL 665								
\$\$ DLF Loan No. 2 dated 23-6-58 has since been reduced from \$40 million to \$30 million and included in DLF Loan No. 151 dated 5-12-1960 thereby reducing the total authorisation under DLF—I from Rs. 35.71 crores to Rs. 30.96 crores.								
** Utilisation refers to imports of commodities and not to loans and grants made from the sale proceeds. The rupee deposits are to be used as follows:								(Rs. crores)
	August 1956 authori- sation	June 1958 authori- sation	September 1959 authori- sation	November 1959 authori- sation	Total			
(i) Retained for U.S. uses	35.38	3.67	13.14	21.30	73.49			
(ii) Loans to Government of India for economic development	107.74	15.88	61.76	56.72	242.10			
(iii) Grants to Government of India for economic development	25.71	—	17.86	56.72	100.29			
(iv) Mutually agreeable loans to U.S. and Indian firms	—	6.76	30.96	7.10	44.82			
Total	168.83	26.31	123.72	141.84	460.70			

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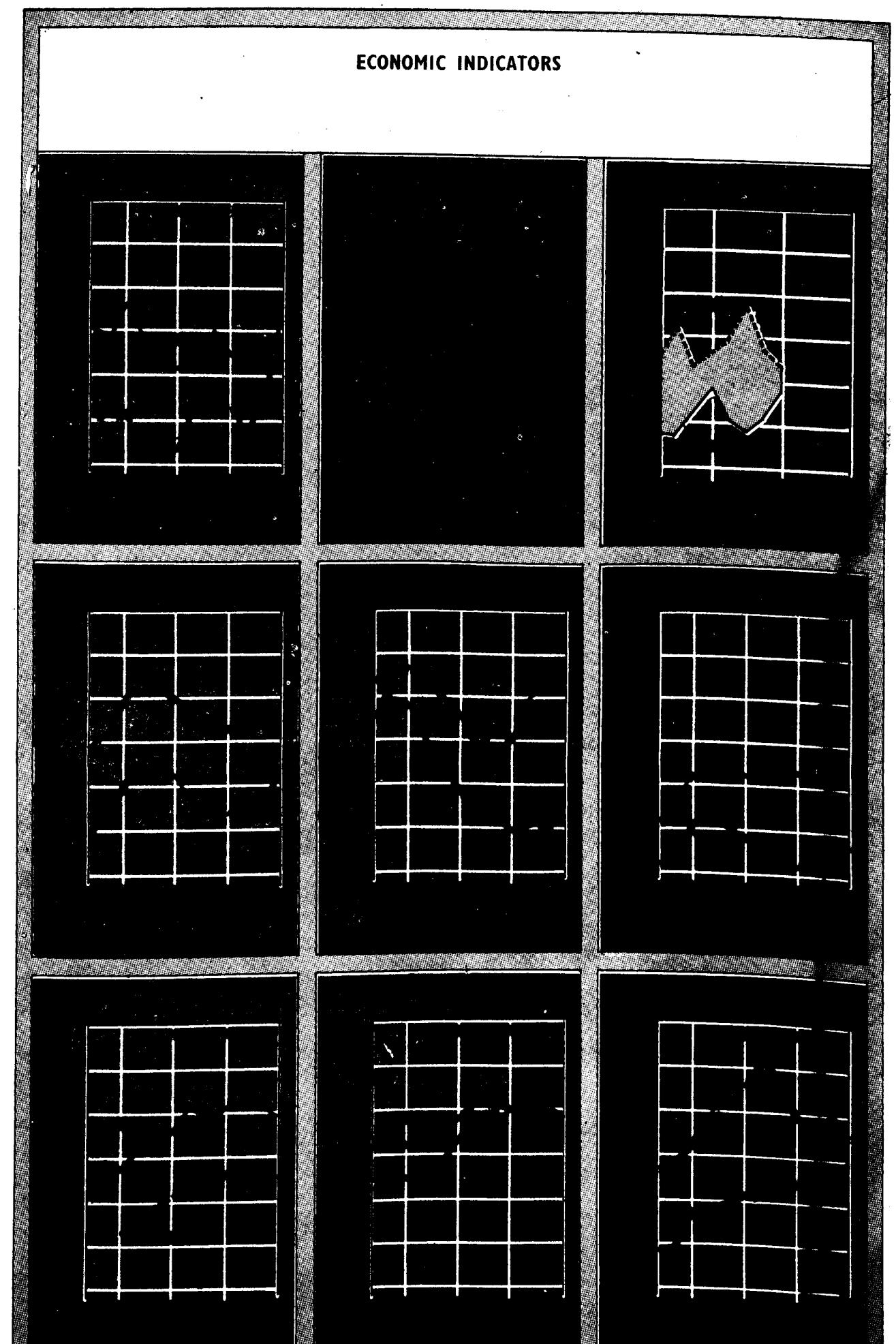
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The Dollar and the Pound Sterling AWAY FROM COMPLACENCY

By WILLIAM REES-MOGG

IT already seems likely that the period of General Eisenhower's Presidency will be looked back upon as one of the decades of American complacency. Like the 1920's, the era of "Coolidge prosperity", the 1950's may be seen as a time when the basic economic problems were hidden by a high level of current comfort.

The simple certainties of President Eisenhower's own economic beliefs, his faith in balanced budgets, and in traditional financial policy, certainly did not result in any existing new economic thought in Washington. The pattern which emerged was one which the whole world reluctantly became accustomed to. In the last years of the Eisenhower administration it included a weak dollar and a general sluggishness in the American economy.

This was so acceptable to the American people that there can be no doubt that they would have elected Eisenhower to a third term if it had been constitutionally possible for them to do so. As it was they came within a few thousand votes of electing Mr. Nixon to succeed him. President Kennedy's administration has started with the need to convince the American people of the urgency of the economic problem it has to face. This may count for some of the anxiety which the new President has expressed in his message to Congress. It does not by any means account for all of them.

Both in Washington and in London, though not on Wall Street, there is an increasing fear of the apparent momentum of the present American recession. The latest figures show that output in January was 8 per cent below the level of a year ago. There are now more than 5½ million Americans out of work, and of these 600,000 have been out of work for so long that they have exhausted their unemployment benefits.

The latest prospect for the motor car industry is considerably more depressing than the forecasts which were made at the beginning of the year; there are still record stocks of motor cars waiting to be sold. As against this Wall Street still enjoys a real mood of optimism and has rapidly overcome the long expected bout of profit taking. No doubt Wall Street does represent a real attitude of confidence among businessmen.

The President is asking Congress to act immediately on his programme to stop the recession which is still meeting substantial conservative opposition. There are five major measures which he is asking Congress to pass. The first is a \$400,000,000 Bill for aid to the depressed areas. President Kennedy himself was extremely shocked when he discovered the deplorable conditions in West Virginia during his campaign in the primaries. The second Bill provides \$990 million for additional unemployment compensation which would help the 600,000 whose compensation has run out.

The third measure provides \$305 million to help the children of unemployed people.

These are all humane and sensible measures which would help to alleviate distress and put more purchasing power into the American economy. The other two measures involve an increase in the minimum wage from \$1 an hour to \$1.15 and ultimately to \$1.25. The final measure is a Bill to raise pensions from April 1.

Taken together these Bills provide the beginning of a major new programme of social reform in the United States. They also provide very powerful re-inflationary force to set against the momentum of the recession. President Kennedy has certainly accepted the admirable economic maxim that in matters of economic policy it is deeds and not words which count.

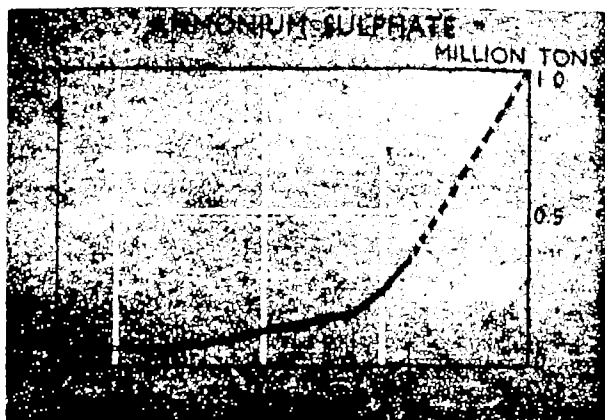
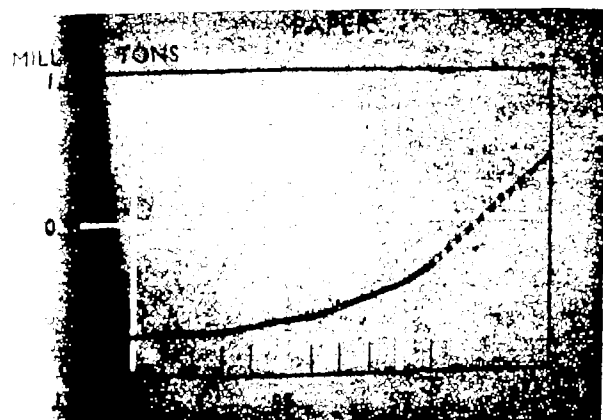
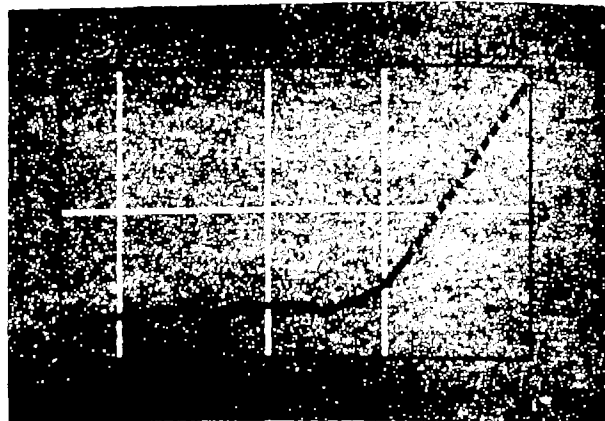
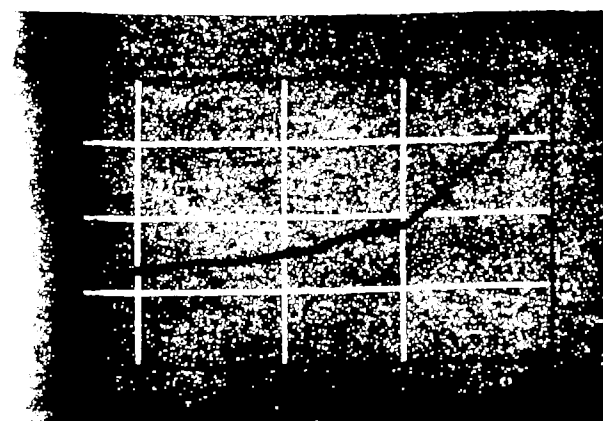
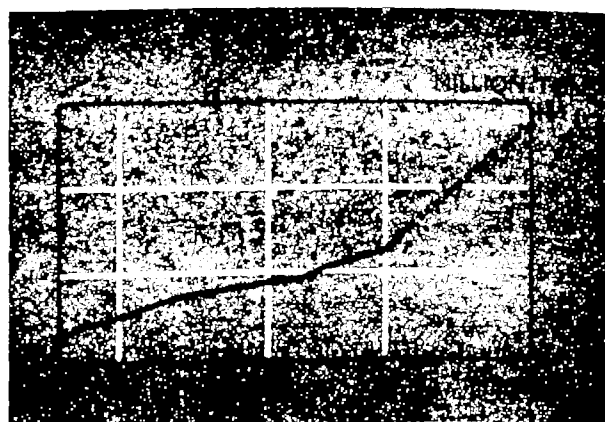
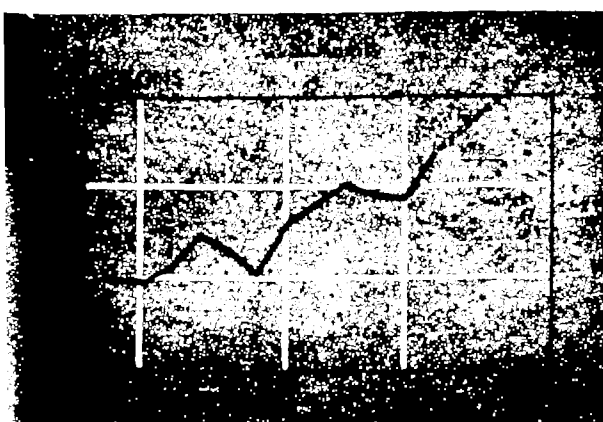
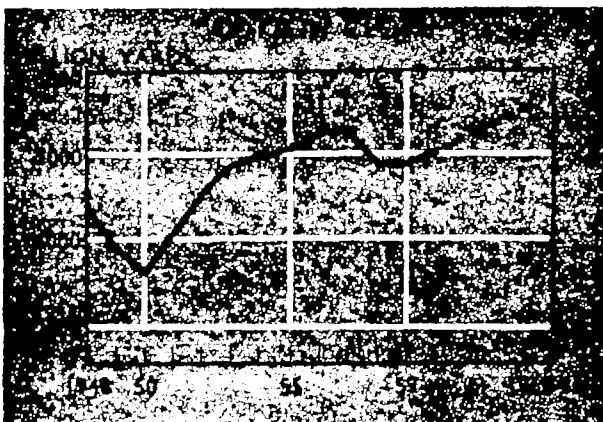
What will be the effect of the new American policies on the rest of the world? It looks as though the measures combined with the reviving confidence of American businessmen will in fact stop the recession. Otherwise a serious American recession would obviously damage the economy of the whole world; it would have a particularly serious effect upon commodity prices which already show signs of weakness.

The success of President Kennedy's policies has already been the revival of confidence in the dollar. This in its turn could put some pressure on sterling. Already the £ has fallen below \$2.80 and a small dollar premium has reappeared on the London Stock Exchange. In 1960 Britain was able to afford an unfavourable balance of payments while accumulating stocks of imported goods. In 1961 the British Government will have less room for manoeuvre in economic affairs.

Inevitably a more efficient American economy provides both a sounder basis for world trade and a stronger competitor in world trade. No country can expect to have all the advantages of the strength of the United States without having to face up to the liabilities as well. The question still remains, how far can the new administration carry through its policies? Even if the new social measures plus \$4,000 million of tax rebates will ride out this recession there is still the need to provide for the long-term growth of the American economy.

It was there that the Eisenhower administration failed. An American economy that was expanding vigorously would provide the best possible opportunity for the expansion of other countries, both the highly developed industrial powers and the under-developed powers of the world. Fortunately it is clear that President Kennedy is approaching this problem in the right sense and with the right degree of determination.

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Move to Convertibility

By PAUL BAREAU

THERE has been a tendency to underplay the recent announcement by Great Britain and nine other countries to make their currencies fully convertible in accordance with the rules of the International Monetary Fund. This belittling of a move that concerns the major currencies of Europe was probably due to the official commentary issued in London which stressed that this was little more than the formal recognition of an already existing situation.

It is true that sterling and the other currencies concerned have in fact been convertible for non-residents since December 1958; but this was convertibility with many reservations. The collective moves that have just been made and which in technical terms involve the acceptance by these ten countries of the obligations of convertibility as set out in Article VIII of the Funds' agreement, and their abandonment of the protection of Article XIV, represents the passing of a memorable milestone.

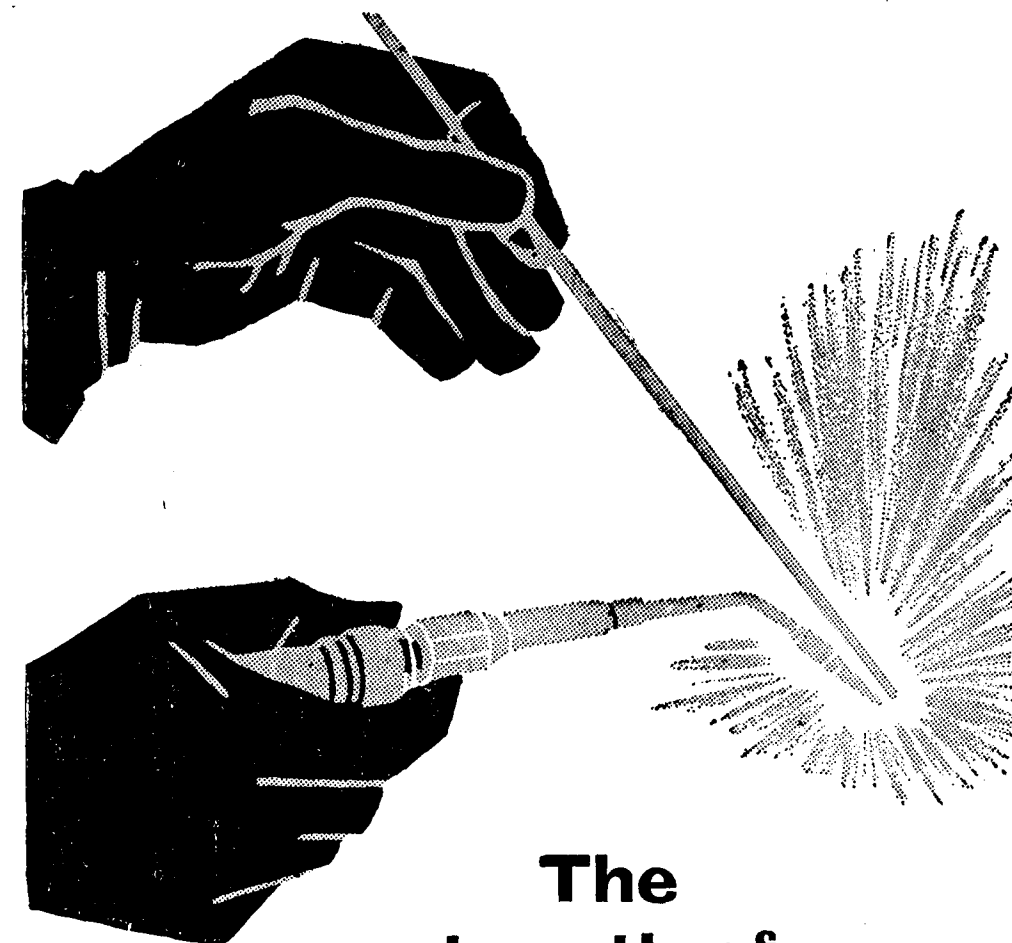
When the articles of the International Monetary Fund were being drawn up during the course of the Bretton Woods meeting in 1943, the British delegation led by the late Lord Keynes still had ringing in its ears an admonition by the Governor of the Bank of England, then Mr. Montagu Norman, to the effect that they must not forget that "we must get from here to there — from the tight exchange controls with which we shall end the war, to the goal of freedom of payments towards which we shall be striving". After the World War I grave mistakes had been made in endeavouring to get back far too quickly to what was then called "normalcy". Mr. Montagu Norman himself had been guilty of some degree of impatience, not to say rashness, in urging that sterling should go back to the gold standard, not only as quickly as possible but on the basis of the old

1914 parity. He had learnt his lesson and wanted to ensure that the mistake would not be repeated after the World War II.

The wisdom of that advice was enshrined in Article XIV which provided that for a transitional period, the minimum of which was set at five years, any country joining the International Monetary Fund had the right to maintain the control of exchanges and other restrictions on external payments which it operated at the end of the war. All member countries except those of the dollar bloc chose to arrange their payments affairs in accordance with this article.

As so often happens, the provisional became far more permanent than had been expected. The transitional period has stretched well beyond the anticipated five years. The provisional arrangement also produced one very useful offshoot. This was the annual consultation between the Fund and every member country which chose to maintain restrictions on its current payments beyond the said period of five years. These consultations proved so useful both to the Fund and to the countries with which the consultations were made, that it has been decided by the countries which have just left the provisions of Article XIV, to continue these annual reviews of their affairs with members of the IMF staff, even though they no longer need do so.

For most member countries the rigour of exchange control has been easing for many years. For Britain and eleven other European countries, all members of the Organisation for European Economic Co-operation, the most fateful step of all was taken in December 1958, when their currencies became convertible for non-residents. This meant that non-resident holders of these currencies could use them for normal commercial



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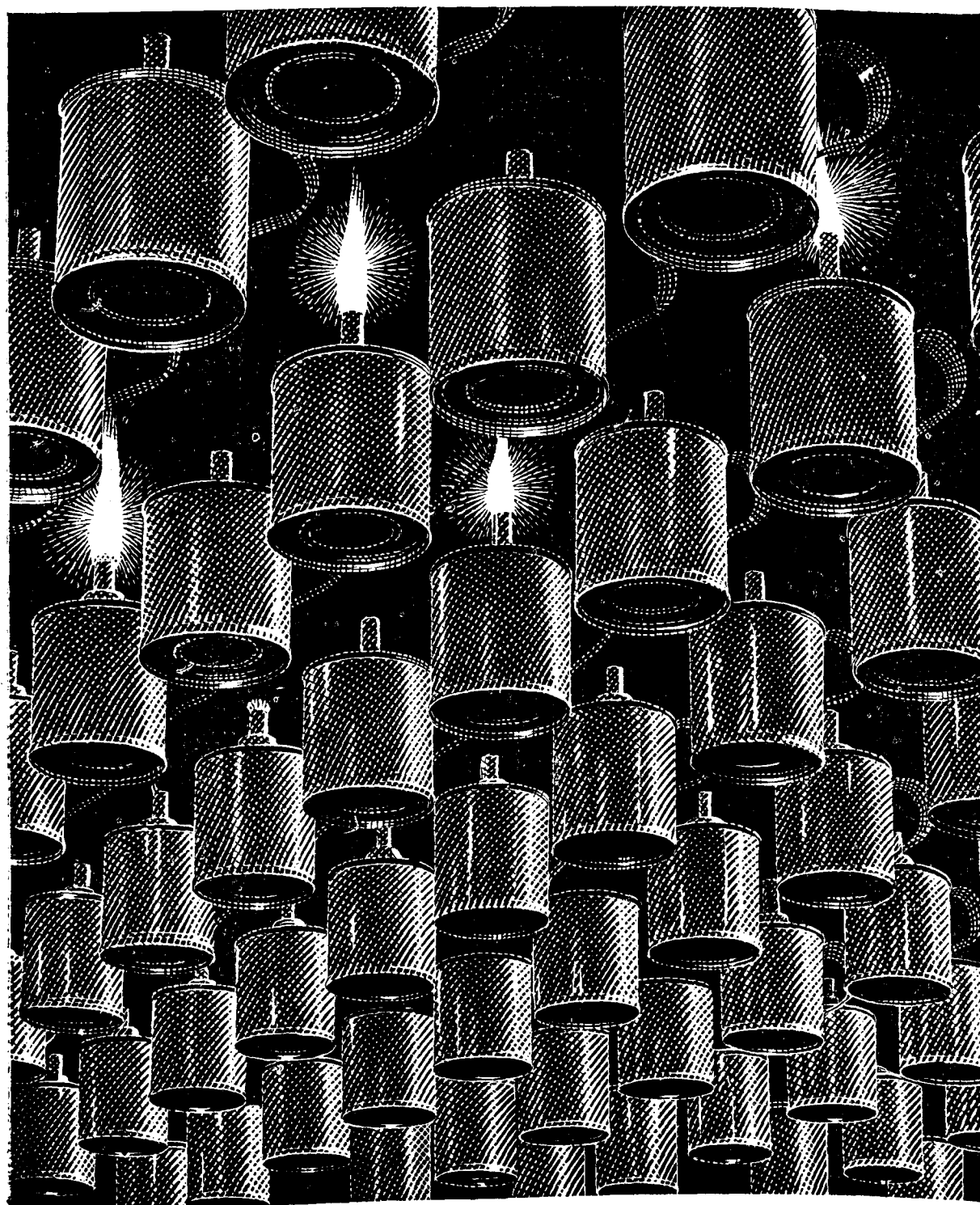
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operations without any let or hindrance from exchange control.

This step was also followed by a gradual but by now almost complete dismantling of the discriminatory restrictions on imports. There could be no justification in maintaining restrictions say on imports into Britain payable in dollars and allowing those payable in French francs, since the sterling payable for each would be fully convertible, and since each currency was from the British point of view as "hard" as the other.

It is this state of affairs which has now been formalised but which at the same time has been taken a step further. Convertibility under Article VIII of the International Monetary Fund cannot be limited to non-residents but must apply to all. It does not, however, apply to capital transactions. A member of the IMF, accepting all the obligations of its Articles of Agreement, may maintain as rigid a control as it wishes, over capital transactions whether of its own residents or of foreigners.

The problem which then arises is that of distinguishing between what is a capital and a current transaction. The line of demarcation is far subtler than is generally supposed, for a current commercial transaction can readily be converted into a capital operation — as for example when an exporter fails to repatriate the foreign exchange proceeds of his sale abroad. That is why Great Britain, which has chosen to accept the full obligations of Article VIII of the Fund but wishes to retain control over capital transactions, is more or less compelled to continue some kind of control over current transactions. These restrictions, as for example, those on the amount a British tourist can take out of the country and on the remittance of the

proceeds of export trade, are not intended to restrict current payments but prevent current transactions becoming the vehicle for an export of capital.

The most important implications of this collective move to Article VIII are those for the International Monetary Fund itself. The change increases the number of currencies that can be freely drawn and repaid to the Fund. Any currency can be withdrawn from the Fund but according to its rules all repayments have to be made in terms of a fully convertible Article VIII currency, or in gold. There has in consequence been considerable reluctance on the part of member countries to withdraw certain currencies, such as German marks, even though they were in very short supply and urgently needed, because it was known that repayment would have to be made not in marks but in US dollars, or gold. That deterrent has now been removed in respect of these ten currencies, including marks, French francs, and indeed all European currencies of any importance.

This should both strengthen the Fund and make it more flexible in its operations. It will provide a useful adjunct to the other and even more fundamental proposals for reinforcing this international institution which have been discussed during the Anglo-American talks in Washington, at which the British delegation was led by Sir Frank Lee, the Permanent Secretary to the Treasury. So far no hint has emerged either from Washington or London about the results of these conversations, but it will not be long before other countries are drawn into the debate and preparations made for an international conference which may well match that of Bretton Woods eighteen years ago in its significance for the future shape of the international payments system.

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Incentives for Top Management

By

DR. ROBERT N. MCMURRY & MR. LAWRENCE E. DE NEUFVILLE

It has often been said that there is nothing new under the sun in human behaviour. And it is also believed that the same applies to human organization whether its purpose is for political or for economic ends. Those who attended the 1960 management seminars in India presented under the auspices of Personnel & Productivity Services of Bombay, will recall that the claim is not to have made new and startling discoveries in the fields of human behaviour and human organisation, but only to have put forward in a systematic and useable form the basic principles that underlie—as it is believed they always have, in every culture—the outward behavioral patterns that show themselves in any locality or at any period of history or economic development.

It is, therefore, a mistake to believe that Indian management, for example, has problems which have never existed elsewhere. Nor is there any foundation for a belief, sometimes expressed in India, that the State-owned enterprises in the Indian public sector are in themselves novel or call for novel or unique management practices. Certainly it is interesting and healthy that India has chosen to follow the standard pattern of limited companies for its government-held enterprises—a recognition, surely, of the similarity that exists between operations in the public and private sectors.

The choice of limited companies for the public sector means, too, that it is mistaken to equate India's

state-owned enterprises with state-owned industrial operations in the Communist bloc. India's parallel is with the West. Hindustan Aircraft, for example, is similar to the French aircraft companies which have been government-owned since the war. Like the French companies, it has a national monopoly in the airplane construction field. Hindustan Steel, on the other hand—being no monopoly, but in competition with private sector steel companies—resembles the Volkswagen plant in Germany, the Renault plant in France, or the Italian government-owned automobile and shipbuilding group of enterprises. Indian Refineries, again competitive, has its parallel in Italy and in Great Britain.

As the above examples show, it is equally false to equate India's government-owned enterprises in the industrial field with such monopoly operations in the public-service field as the railways. It is this false analogy which led Professor J. K. Galbraith, President Kennedy's choice for Ambassador to India, to warn against "post-office socialism" and its concomitant inefficiencies. Yet his warning, first given to the Indian Government in a confidential report prepared two years ago (and only recently made public) seems to have gone to a large extent unheeded. Post-office socialism, as one may define it, continues to show itself in two principal respects in the government-owned sector:

First, the state-owned companies are so organized in their management that operating decisions must be taken by Boards, rather than by individuals.



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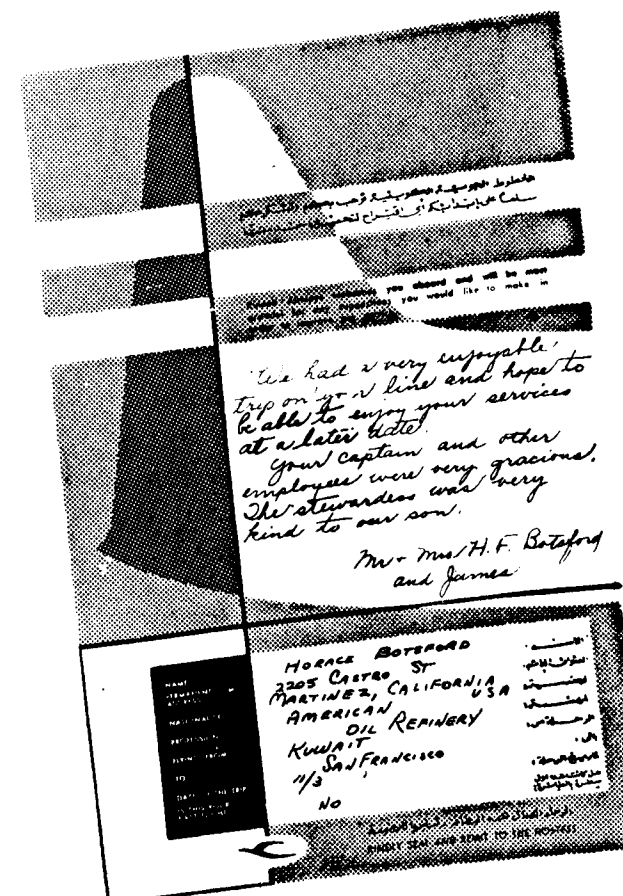
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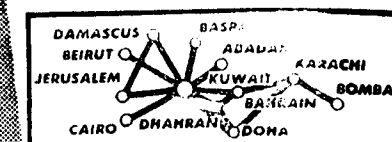
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There has been no disposition to limit the Board of Directors to its normal function of long-range policy-making. Second, the members of management of state-owned companies are compensated, even at the highest levels, on a Civil Service Basis with no bonus or incentive based upon particularly effective and/or profitable operation.

It is considered, it will never be possible to solve the first problem (except on paper) until the second problem is solved. It is one thing to establish that a particular decision or area of decision belongs to one man alone, and that where co-ordination with others is involved he alone has the responsibility to co-ordinate. It is a horse of another colour to bring into existence an effectively operating system where those who are empowered to take individual decisions actually are willing to do so.

This is because, as a world-wide truth, a man expects to be rewarded if he takes a decision of considerable risk and it turns out successfully, just as he expects to be punished (at least by the withdrawal of esteem) if the decision is unsuccessful. In the public sector, as it is now operated in India, the punishment is present—in the sense of criticism in Parliament or from the Ministry, which may even result in demotion or removal—but the reward for successful individual decision is almost entirely absent. In terms of money, it is totally lacking; in terms of advancement, almost entirely—since most advancement is by seniority; in terms of esteem alone, there may be some reward for initiative in decision-making. Public esteem, however, is more ephemeral by far than money in the bank or advancement in status or position.

Essentially, then, the problem is this: will a man take the risks of individual decision in the public sector when the reward is close to zero and the potential punishment large? Is it not far more likely that he will seek to avoid individual responsibility by hiding behind group decisions, and thus continue unworried in the enjoyment of his steady Civil Service income? Unquestionably this is what happens in every bureaucracy, and unquestionably an industrial operation cannot be run on bureaucratic lines without degenerating into post-office socialism. Efficiency demands individual authority and responsibility, not on paper but actually exercised. Human nature demands incentives to take the risks involved.

These facts are widely recognized. State-owned enterprises in Western Europe offer incentives to management that are identical and highly competitive with the incentives offered in the private sector. Even in Eastern Europe and Russia where, as explained, the conditions for state-owned business are different from those in India, very strong incentives are offered to managers. One who is successful can earn substantial money bonuses as well as qualify for such hard-to-get perquisites as an individual car and individual living quarters. This is particularly interesting because Russia, having no competition between the public and private sectors, originally endeavoured (like India today) to have management without incentive. Experience proved that only incentives could produce risk-taking managers, and that business could not be efficiently run (even without competition) except where individuals at the top are willing to take decisions involving risk.

The conclusion is that the problem in Indian public-sector enterprises is not that they are being run by men from the Civil Service, but that these men continue to be treated as civil servants in terms of compensation even after they have made the transition to business management. This ensures, because of the factors of human personality, that public-sector enterprises will be run as bureaucracies—and as bureaucracies they will not be competitive on equal terms with the incentive-based managements of the private sector.

INDUSTRIAL FINANCE CORPORATION OF INDIA

[Incorporated under the Industrial Finance Corporation Act, 1948 (XV of 1948)]

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Reserve Bank Building, Parliament Street, New Delhi.

BRANCH OFFICES:

Liberty Building,
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BOMBAY.

P-11, Mission Row
Extension,
CALCUTTA.

38, Whites Road,
Royapettah,
MADRAS.

AUTHORISED CAPITAL: .. Rs. 10,00,00,000
ISSUED AND PAID-UP CAPITAL: .. Rs. 5,00,00,000

TOTAL LOANS OUTSTANDING
(AS ON 31-12-1960) .. Rs. 40,17,18,961

AUTHORISED BUSINESS

- Granting of medium and long-term loans in Rupees as well as, by arrangement with the Development Loan Fund of the U.S.A. Govt., in foreign currency, to existing public limited companies or registered cooperative societies engaged in, or new ones proposing to engage in, the manufacture preservation or processing of goods, or the generation or distribution of electricity or any other form of power, or mining, or shipping or hotel industry; also subscribing to debentures of such companies and cooperative societies; the Corporation has the option to convert at its discretion the loans granted by it into share capital.
- Guaranteeing of loans raised by aforesaid industrial concerns (i) which are floated in the public market and are repayable within a period not exceeding twenty five years and (ii) from scheduled banks or state cooperative banks.
- Guaranteeing loans raised from or credit arrangements made with any bank or financial institution in any country outside India by aforesaid industrial concerns in foreign currency.
- Underwriting the issue of stock, shares, bonds or debentures by aforesaid industrial concerns;
- Subscribing to the stock or shares of aforesaid industrial concerns;
- Guaranteeing of deferred payments in respect of import of capital goods from abroad or their purchase in India by aforesaid industrial concerns;

PURPOSES FOR WHICH LOANS ARE SANCTIONED:

Purchase of new or second hand machinery, renovation or modernization or replacement of worn-out or obsolete machinery, purchase of land for factory site, and construction of factory buildings.

IMPORTANT TERMS AND CONDITIONS OF LOANS

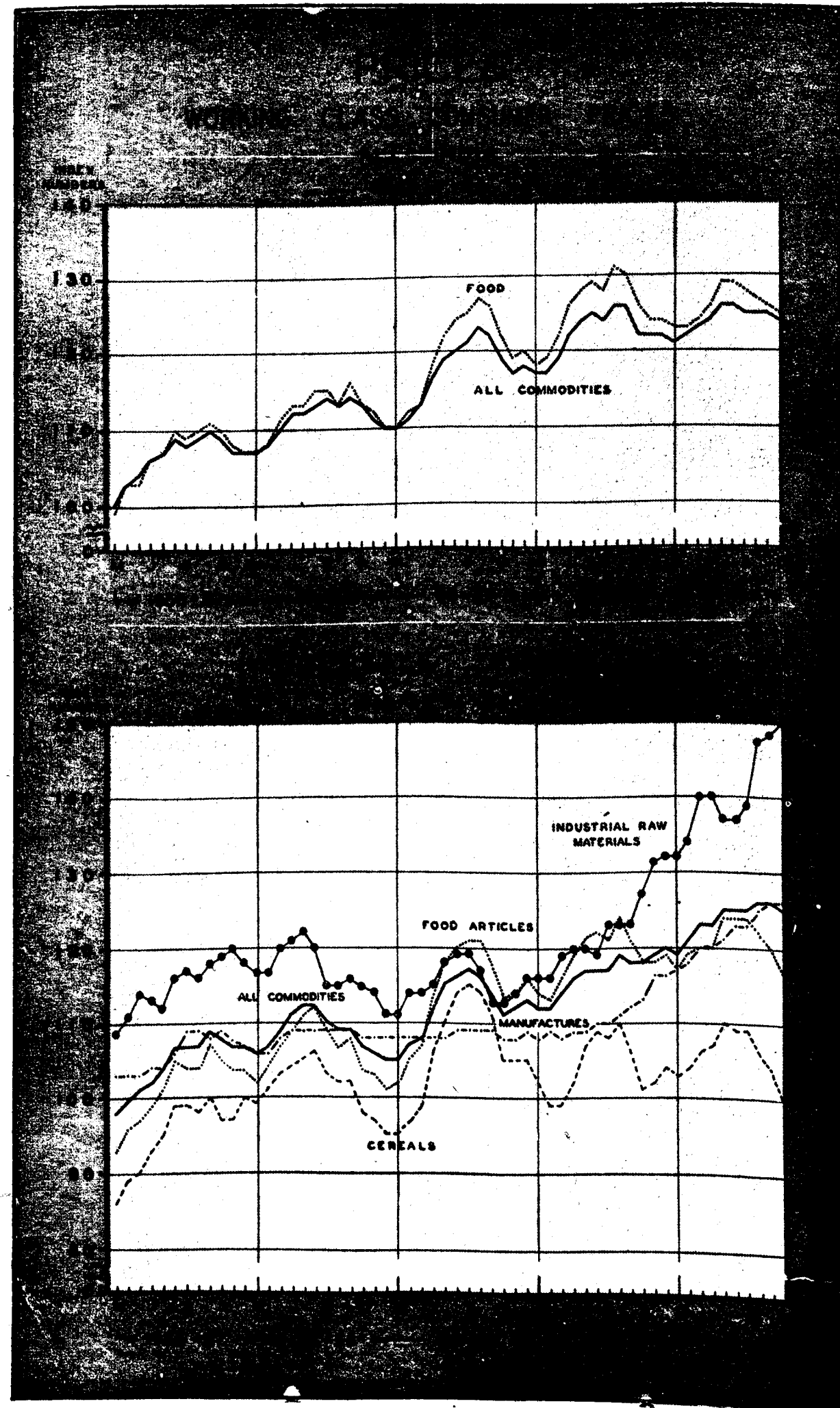
- SECURITY:** First charge of all the fixed assets such as land, buildings, plant and machinery & fixtures. Raw materials, stock-in-process and finished goods will not be mortgaged and will, therefore, be available for raising working capital from elsewhere.
- MARGIN:** Generally 50% of the value of total assets including those to be acquired with the loan. This margin may be reduced to 40% in case of industrial concerns importing plant & machinery under the U.S. Export-Import Bank Loans or other foreign currency loans (tied credits) taken by Government from foreign governments or financial institutions abroad where the cost of imported plant and machinery is 60% or above of the total capital cost of the project. The margin may be further reduced to 35% in special cases.
- INTEREST:** The current rate for rupee loans is 7% per annum and for foreign currency loans 8½% per annum with a rebate of ½% in each case for punctual payments of principal and interest on the due dates. Defaulted instalments will carry compound interest.
- REPAYMENT:** Will be spread over upto 25 years to suit borrower's convenience.

H. V. VENKATASUBBIAH
GENERAL MANAGER.

K. R. K. MENON
CHAIRMAN.

March, 6, 1961

SPECIAL BUDGET NUMBER



INCOME-TAX PAYABLE AS

Statement showing in selected cases tax payable and as a percentage of

Tax at 1961-62 rates on Total Income

Married Persons					Married With One Child				
Income	Wholly earned	Percent-age	Wholly un-earned	Percent-age	Wholly earned	Percent-age	Wholly un-earned	Percent-age	
1 Rs.	2 Rs.	3	4 Rs.	5	6 Rs.	7	8 Rs.	9	
3,000	..	..	..	..	..	..	..	..	
3,200	..	6	0.2	6	0.2	9	0.2	9	0.2
3,600	..	18	0.5	18	0.5	27	0.6	27	0.6
4,200	..	36	0.9	36	0.9	45	0.9	45	0.9
4,800	..	54	1.1	54	1.1	51	1.0	51	1.0
5,000	..	60	1.2	60	1.2	111	1.8	111	1.8
6,000	..	120	2.0	120	2.0	183	2.5	183	2.5
7,200	..	192	2.7	192	2.7	296	3.5	338	4.0
8,400	..	305	3.6	349	4.2	409	4.3	468	4.9
9,600	..	419	4.4	479	5.0	447	4.4	510	5.1
10,000	..	457	4.6	522	5.2	678	5.6	775	6.5
12,000	..	688	5.7	786	6.5	839	6.4	959	7.3
13,200	..	848	6.4	970	7.3	1,015	7.0	1,160	8.1
14,400	..	1,025	7.1	1,171	8.1	1,103	7.4	1,261	8.4
15,000	..	1,113	7.4	1,272	8.5	1,444	8.6	1,650	9.8
16,800	..	1,453	8.6	1,661	9.9	1,670	9.3	1,909	10.6
18,000	..	1,680	9.3	1,920	10.7	2,048	10.2	2,341	11.7
20,000	..	2,058	10.3	2,352	11.8	3,381	14.1	3,864	16.1
24,000	..	3,381	14.1	3,864	16.1	3,696	14.8	4,224	16.9
25,000	..	3,696	14.8	4,224	16.9	5,796	19.3	6,624	22.1
30,000	..	5,796	19.3	6,624	22.1	8,631	24.0	9,864	27.4
36,000	..	8,631	24.0	9,864	27.4	10,521	26.3	12,024	30.1
40,000	..	10,521	26.3	12,024	30.1	11,676	27.8	13,344	31.8
42,000	..	11,676	27.8	13,344	31.8				
45,000	..	13,408	29.8	15,324	34.1	13,408	29.8	15,324	34.1
48,000	..	15,141	31.5	17,304	36.0	15,141	31.5	17,304	36.0
55,000	..	19,446	35.4	22,224	40.4	19,446	35.4	22,224	40.4
60,000	..	22,596	37.7	25,824	43.0	22,596	37.7	25,824	43.0
66,000	..	26,691	40.4	30,504	46.2	26,691	40.4	30,504	46.2
70,000	..	29,421	42.0	33,624	48.0	29,421	42.0	33,624	48.0
72,000	..	30,891	42.9	35,304	49.0	30,891	42.9	35,304	49.0
84,000	..	39,711	47.3	45,384	54.0	39,711	47.3	45,384	54.0
85,000	..	40,446	47.6	46,224	54.4	40,446	47.6	46,224	54.4
90,000	..	44,121	49.0	50,424	56.0	44,121	49.0	50,424	56.0
96,000	..	48,531	50.6	55,464	57.8	48,531	50.6	55,464	57.8
1,00,000	..	51,471	51.5	58,824	58.8	51,471	51.5	58,824	58.8
1,50,000	..	91,721	61.1	1,00,824	67.2	91,721	61.1	1,00,824	67.2
2,00,000	..	1,31,971	65.9	1,42,824	71.4	1,31,971	65.9	1,42,824	71.4
2,50,000	..	1,72,221	68.9	1,84,824	73.9	1,72,221	68.9	1,84,824	73.9
3,00,000	..	2,12,471	70.8	2,26,824	75.6	2,12,471	70.8	2,26,824	75.6
3,50,000	..	2,52,721	72.2	2,68,824	76.8	2,52,721	72.2	2,68,824	76.8
4,00,000	..	2,92,971	73.2	3,10,824	77.7	2,92,971	73.2	3,10,824	77.7
5,00,000	..	3,73,471	74.7	3,94,824	79.0	3,73,471	74.7	3,94,824	79.0
10,00,000	..	7,75,971	77.6	8,14,824	81.5	7,75,971	77.6	8,14,824	81.5
20,00,000	..	15,80,971	79.0	16,54,824	82.7	15,80,971	79.0	16,54,824	82.7
30,00,000	..	23,85,971	79.5	24,94,824	83.2	23,85,971	79.5	24,94,824	83.2

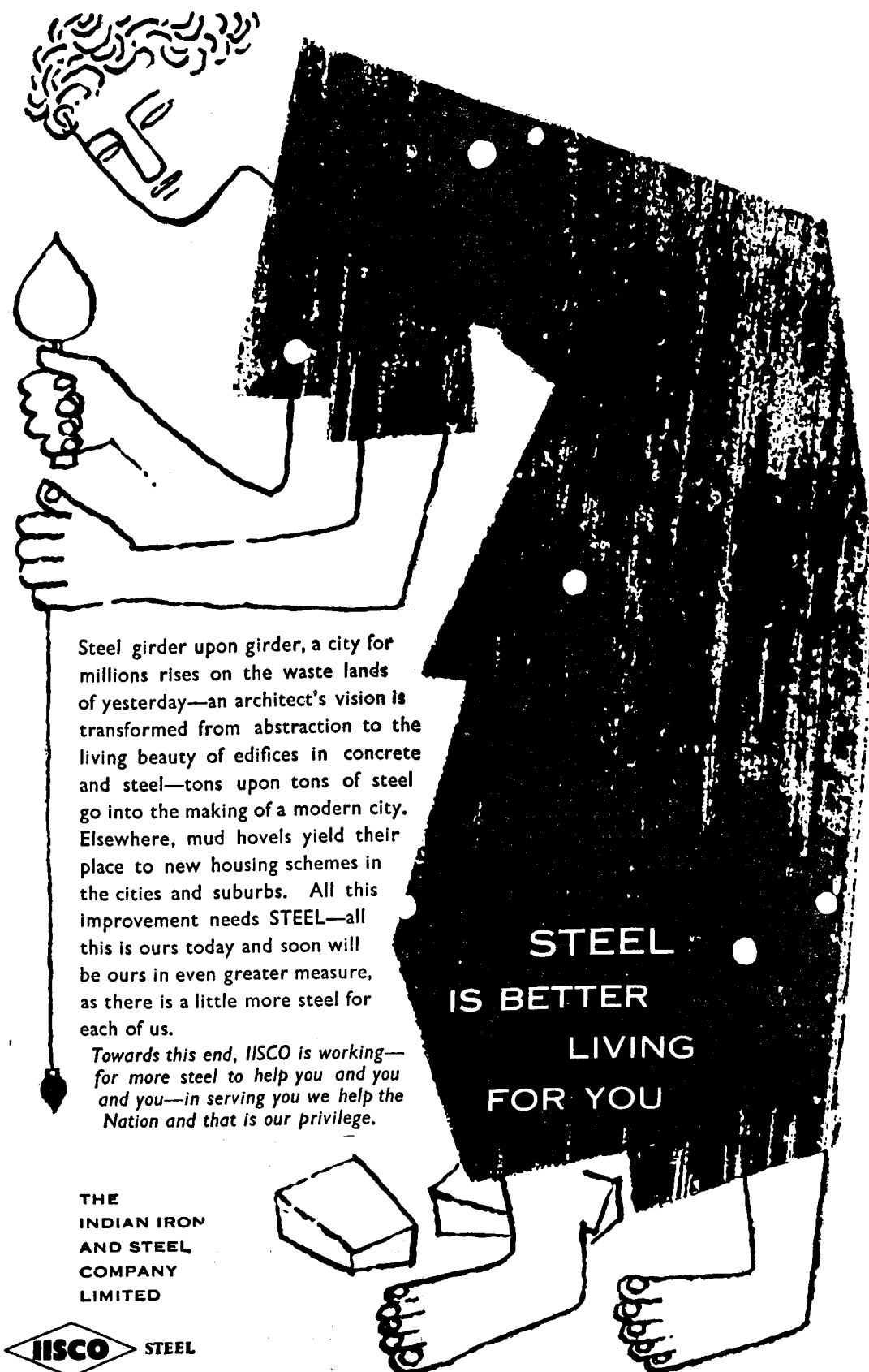
N.B. : For Hindu undivided families the amount of tax and percentages are also as shown for 'married persons' above except that such families are not liable to pay tax if the income is not more than Rs. 6,000 if there are at least two members entitled to claim partition.

PERCENTAGE OF TOTAL INCOME

income on incomes ranging from Rs. 3,000 to Rs. 30,00,000

Tax at 1961 - 62 rates on Total Income

Married With More Than One Child					Unmarried				
Wholly earned	Percent-age	Wholly un-earned	Percent-age		Wholly earned	Percent-age	Wholly un-earned	Percent-age	Income
10 Rs.	11	12 Rs.	13		14 Rs.	15	16 Rs.	17	18 Rs.
..	..	..	..		..	..	..	..	3,000
..	..	..	..		66	2.1	66	2.1	3,200
..	..	..	..		78	2.2	78	2.2	3,600
18	0.4	18	0.4		96	2.3	96	2.3	4,200
36	0.7	36	0.7		114	2.4	114	2.4	4,800
42	0.8	42	0.8		120	2.4	120	2.4	5,000
102	1.7	102	1.7		180	3.0	180	3.0	6,000
174	2.4	174	2.4		252	3.5	252	3.5	7,200
287	3.4	328	3.9		369	4.4	421	5.0	8,400
400	4.2	457	4.7		482	5.0	551	5.7	9,600
438	4.3	500	5.0		520	5.2	594	5.9	10,000
669	5.6	764	6.4		751	6.3	858	7.1	12,000
829	6.3	948	7.2		911	7.0	1,042	7.9	13,200
1,006	7.0	1,150	8.0		1,088	7.6	1,243	8.6	14,400
1,094	7.3	1,250	8.3		1,176	7.8	1,344	9.0	15,000
1,434	8.5	1,639	9.8		1,516	9.0	1,733	10.3	16,800
1,661	9.2	1,898	10.5		1,743	9.7	1,992	11.1	18,000
2,039	10.2	2,330	11.6		2,121	10.6	2,424	12.1	20,000
3,381	14.1	3,864	16.1		3,381	14.1	3,864	16.1	24,000
3,696	14.8	4,224	16.9		3,696	14.8	4,224	16.9	25,000
5,796	19.3	6,624	22.1		5,796	19.3	6,624	22.1	30,000
8,621	24.0	9,864	27.4		8,631	24.0	9,864	27.4	36,000
10,521	26.3	12,024	30.1		10,521	26.3	12,024	30.1	40,000
11,676	27.8	13,344	31.8		11,676	27.8	13,344	31.8	42,000
13,408	29.8	15,324	34.1		13,408	29.8	15,324	34.1	45,000
15,141	31.5	17,304	36.0		15,141	31.5	17,304	36.0	48,000
19,446	35.4	22,224	40.4		19,446	35.4	22,224	40.4	55,000
22,596	37.7	25,824	43.0		22,596	37.7	25,824	43.0	60,000
26,691	40.4	30,504	46.2		26,691	40.4	30,504	46.2	66,000
29,421	42.0	33,624	48.0		29,421	42.0	33,624	48.0	70,000
30,891	42.9	35,304	49.0		30,891	42.9	35,304	49.0	72,000
39,711	47.3	45,384	54.0		39,711	47.3	45,384	54.0	84,000
40,446	47.6	46,224	54.4		40,446	47.6	46,224	54.4	85,000
44,121	49.0	50,424	56.0		44,121	49.0	50,424	56.0	90,000
48,531	50.6	55,464	57.8		48,531	50.6	55,464	57.8	96,000
51,471	51.5	58,824	58.8		51,471	51.5	58,824	58.8	1,00,000
91,721	61.1	1,00,824	67.2		91,721	61.1	1,00,824	67.2	1,50,000
1,31,971	65.9	1,42,824	71.4		1,31,971	65.9	1,42,824	71.4	2,00,000
1,72,221	68.9	1,84,824	73.9		1,72,221	68.9	1,84,824	73.9	2,50,000
2,12,471	70.8	2,26,824	75.6		2,12,471	70.8	2,26,824	75.6	3,00,000
2,52,721	72.2	2,68,824	76.8		2,52,721	72.2	2,68,824	76.8	3,50,000
2,92,971	73.2	3,10,824	77.7		2,92,971	73.2	3,10,824	77.7	4,00,000
3,73,471	74.7	3,94,824	79.0		3,73,471	74.7	3,94,824	79.0	5,00,000
7,75,971	77.6	8,14,824	81.5		7,75,971	77.6	8,14,824	81.5	10,00,000
15,80,971	79.0	16,54,824	82.7		15,80,971	79.0	16,54,824	82.7	20,00,000
23,85,971	79.5	24,94,824	83.2		23,85,971	79.5	24,94,824	83.2	30,00,000



11C-80

NET CAPITAL FORMATION OUT OF THE BUDGETARY RESOURCES OF THE CENTRAL GOVERNMENT

(Rs. crores)

	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61
	Accts.	Accts.	Accts.	Accts.	Accts.	Accts.	Accts.	Accts.	Accts.	Revised	Budget
A. Net capital formation by the Central Government:											
(a) Fixed assets	49.2	49.4	43.2	67.5	86.8	127.8	183.7	202.9	179.9	205.7	251.9
(b) Works stores	9.9	5.0	— 1.0	3.2	— 2.5	5.1	23.0	37.2	21.0	— 19.3	— 19.1
(c) Increase in policy stocks of foodgrains etc.	— 9.3	10.4	— 15.7	— 24.4	68.1	— 12.5*	— 9.2*	21.8*	23.1	18.6	38.7
TOTAL	49.8	64.8	26.5	46.3	152.4	120.4	197.5	261.9	224.0	205.0	271.5
B. Financial assistance for net Capital formation:											
(a) To State Governments	41.1	76.3	98.8	130.4	230.7	272.7	206.0	261.6	283.1	315.3	346.9
(b) To Non-Departmental commercial undertakings	5.2	11.4	8.5	9.5	19.7	22.0	60.6	170.3	256.0	241.0	213.4
(c) To others	2.4	10.6	8.2	18.4	35.3	33.4	32.9	42.9	31.8	33.9	40.3
TOTAL	48.7	98.3	115.5	158.3	285.7	328.1	299.5	474.8	570.9	590.2	600.6
C. Total net capital formation out of the budgetary resources of the Central Government (A+B)											
	98.5	163.1	142.0	204.6	438.1	448.5	497.0	736.7	794.9	795.2	872.1

* Revised.

Note: Worked out from the budgets of the Central Government.

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Company Meeting

THE DECCAN SUGAR AND ABKHARI COMPANY LTD.

SIXTY-FOURTH ANNUAL GENERAL MEETING

Extracts from Mr. C. R. Srinivasan's Review

Presiding over the Sixty-fourth Annual General Meeting of the Deccan Sugar and Abkhari Company Limited, Mr. C. R. Srinivasan, Chairman said that although the net profit after taxation for the financial year ended 31st May, 1960 was about Rs. 3 lakhs more than that of the previous year the Directors had decided to maintain the dividend on the Ordinary Share Capital at the same level as last year.

Extracts from Mr. C. R. Srinivasan's Review are quoted below:

"The net profit after taxation was about Rs. 3 lakhs more but the Board considered it expedient to take further sums to General Reserve and to place a sizeable sum to Dividend Equalisation Reserve. In this connection I would draw your attention to Note 12 of the Notes on the Accounts headed "Contingent Liability". Unless and until we see the final shape in which the Price Linking Formula emerges from the Tariff Commission's enquiry, the sugar industry cannot tell with exactitude what price it will have to pay for cane delivered from the 1958-59 season onwards. As we have stated in this note, a reasonable provision for this factor has been made in the Accounts, but the possibility of a further Contingent Liability exists and in all prudence we must maintain a margin out of which, if it arises, it can be met. Another major factor which must be borne in mind is that during the current year owing to the All-India increase in production, sugar stocks at our Factories are likely to build up, and we must husband our cash resources to help carry this additional load.

PREFERENCE DIVIDEND

The enactment of the Preference Shares (Regulation of Dividends) Act, 1960 behoves us to declare Dividends totalling 9.1 per cent on the Preference Share Capital of the Company. Unfortunately this was enacted too late to enable us to pay the Final Dividend of 2.1 per cent subject to deduction of Tax for the year ended 31st May, 1960 together with the Interim Dividend for the current year. We have now made arrangements to pay it tomorrow.

PUGALUR FACTORY EXPANSION

In my speech at the last Annual General Meeting I told you that we had applied to the Government of India for permission to expand the capacity of Pugalur factory from 1,000 tons to 1,250 tons cane per day. I am glad to say that permission has been received and orders placed for almost all the necessary equipment. The scheme is expected to cost between Rs. 25 and Rs. 30 lakhs and if the required plant and machinery is delivered in time the new capacity will be effective from the 1962-63 season. Against the background of rising sugar stocks, a doubt may be raised in the minds of some of our shareholders as to the wisdom of going ahead with this expansion. I believe that the law of supply and demand must operate, and the fact that we have more sugar than this country requires will mean that prices will come down, and it is only those factories who can manufacture cheaply who will be able to continue to make a profit.

It is estimated that the expanded factory will produce sugar at approximately Rs. 17 per ton more cheaply than is currently possible. On a production of some 28,000 tons per annum, this Rs. 17 assumes considerable significance. Incidentally, in the last two years we have been able to link the Special and Main Seasons, thus eliminating the idle period between the two. In the current combined season it is hoped to produce 22,400 tons of sugar against 18,429 tons in the previous combined season.

TARIFF COMMISSION'S REPORT

I will now deal with the general problems of the sugar industry as they present themselves to us in the South. The most important events in the interval of time since I addressed you last were, first, the publication in April 1960 of the Tariff Commission's Report on the Cost Structure of Sugar and, second, the reference in October 1960 by the Government of India to the Tariff Commission of the egregious Price Linking Formula for sharing with the cane grower the price realised for sugar.

The outcome of the report on the cost structure of sugar is that the country has been divided into four sugar regions, the Southern region comprising the States of Andhra Pradesh, Madras, Mysore and Kerala, with recommendations as to the basis on which fair ex-factory prices are to be fixed for each region. While we have no serious quarrel with the structure of the ex-factory price suggested for the Southern region, subject to certain obvious lacunae being redressed, the main draw-backs of the recommendations are that (a) the Commission considers that a fair return to the industry is 12 per cent on employed capital within which to meet commitments under bonus and gratuity, interest on borrowed capital, dividend on preference shares, managing agents commission and income-tax and "finally leave a residue to a large majority of the units in all the regions to declare reasonable dividends" and (b) no rehabilitation allowance has been granted in the cost structure, in spite of the fact that the Supreme Court has freely conceded the necessity for it in industry when machinery prices have increased 5 to 6 times in the short space of a decade.

The recommendations of the Commission have been accepted by Government, but I can only hope that before fixing any ex-factory price in the South, where as yet there is only self-imposed control to sell at the same price as the average landed cost of North Indian sugar, Government will give due consideration to the representations made on the utter inadequacy of the "fair" return and the need for a rehabilitation allowance.

PRICE LINKING FORMULA

This brings me to the question of the freight advantage accruing to the Southern factories by reason of the Southern region being still on the whole somewhat deficit in sugar. It is obvious that this advantage can last only so long as the need for importing North Indian sugar continues and our selling price is influenced

ed by the landed cost of North Indian sugar. We in the South have for long voluntarily parted with the lion's share of the freight advantage to the growers in the shape of the SISMA formula or a negotiated settlement, keeping for ourselves only a little over one third of the net ex-factory price realised for sugar. The Price Linking Formula in the form in which it was placed on the Statute Book would upset this fine balance and reduce the factory's share to the point where profits would dwindle and the sugar industry would cease to attract the middle class investor who is still the backbone of the private sector. Perhaps a timely realisation of the ill-effects of the formula prompted the Government to refer it to the Tariff Commission. It is to be hoped that a solution will emerge from the findings of the Commission that will do justice to the industry, the cane grower and the worker in the factory. Proper representations have been made on behalf of the industry.

SUGAR PRODUCTION

The overall sugar situation in the country is that there is a large surplus, part of which must be exported albeit at a huge loss, if internal prices are to be maintained at economic levels. All-India production in the current season is likely to reach an all time record of 27 lakh tons, the South contributing as a whole thirty per cent more than the production in the last season. We in the South are fast attaining not only self-sufficiency but, owing to the unrestricted expansion that seems to be on the anvil, reaching a

state of affairs in which disposal of the substantial surplus after making due allowance for increased per capita consumption will present a problem that cannot be solved by exports which involve heavy loss all round, namely to the industry, the Exchequer and the grower. It behoves Government not to lose sight of the implications of over-expansion and its attendant evils, despite the exhortations of our planners and the pressure of the new vested interests.

Planners should realise that the bulk of next year's sugar crop is already in the ground. This sugarcane must be milled and any intention Government may have of curbing the expansion of sugarcane production can only show any effect on the production of the 1962-63 season.

Our relations with labour during the year under review have been satisfactory and I wish to record my appreciation and that of my fellow-Directors of the loyal work put in by them and the staff."

The Report and Accounts for the year ended 31st May, 1960 were adopted, the retiring Directors, Mr. M. J. Edwards, Mr. G. N. Noel-Tod and Mr. P. Hadfield were re-elected and the retiring Auditors, Messrs. Lovelock and Lewes were re-appointed on the same remuneration as for the previous year.

N.B.: This does not purport to be a report of the Proceedings of the Annual General Meeting.

INDIAN UNION

INVESTMENTS IN SHARES

Category of Shareholders	1955-56		1956-57		1957-58		1958-59		Percentage change in 1958-59 over 1955-56	
	Number of Shareholders	Dividend Income (Rs. Crores)	Number of Shareholders	Dividend Income (Rs. Crores)	Number of Shareholders	Dividend Income (Rs. Crores)	Number of Shareholders	Dividend Income (Rs. Crores)	Number of Shareholders	Dividend Income (Rs. Crores)
1. Individuals	99,948 (88.9)	29.57 (58.6)	110,661 (89.4)	33.75 (55.6)	110,523 (88.5)	33.99 (56.1)	125,099 (88.6)	39.72 (53.0)	25.2	34.3
a) Salary Earners	23,274 (20.7)	7.64 (15.1)	25,377 (20.5)	8.69 (14.3)	26,937 (21.6)	8.66 (14.3)	32,302 (22.9)	11.15 (14.9)	38.8	45.9
b) Non-Salary Earners	76,674 (68.2)	21.93 (43.5)	85,284 (68.9)	25.06 (41.3)	83,586 (66.9)	25.31 (41.8)	92,797 (65.7)	28.57 (38.1)	21.0	30.3
2. Hindu Undivided family	8,598 (7.6)	3.55 (7.0)	8,656 (1.7)	3.29 (3.8)	9,400 (7.5)	3.95 (6.5)	10,595 (7.5)	4.51 (6.0)	23.2	27.0
3. Unregistered firms and other Associations of Persons	2,059 (1.8)	2.19 (4.3)	2,161 (1.7)	2.33 (3.8)	2,310 (1.9)	2.42 (4.0)	2,726 (1.9)	3.22 (4.3)	32.4	47.0
4. Registered firms	—	—	388 (0.3)	0.45 (0.7)	560 (0.5)	0.64 (1.1)	657 (0.5)	0.94 (1.2)	—	—
5. Companies and other concerns assessable at Company rates	1,866 (1.7)	15.19 (30.1)	1,995 (1.6)	20.91 (34.5)	2,045 (1.6)	19.53 (32.3)	2,112 (1.5)	26.61 (35.5)	13.2	75.2
6. Total (1 to 5 Categories)	112,471 (100)	50.50 (100)	123,861 (100)	60.73 (100)	124,838 (100)	60.51 (100)	141,189 (100)	75.00 (100)	25.5	48.5

1. Figures in brackets are percentages to the totals.

DIVIDEND INCOME UNDER DIFFERENT INCOME GROUPS

	Below Rs. 5,000		Rs. 5,001 to 15,000		Rs. 15,001 to 25,000		Rs. 25,001 to One lakh		Over One lakh		Total	
	Number of Shareholders	Dividend Income (Rs. Crores)	Number of Shareholders	Dividend Income (Rs. Crores)	Number of Shareholders	Dividend Income (Rs. Crores)	Number of Shareholders	Dividend Income (Rs. Crores)	Number of Shareholders	Dividend Income (Rs. Crores)	Number of Shareholders	Dividend Income (Rs. Crores)
Hindu Undivided Families												
1955-56	3,692	0.42	2,368	0.37	1,162	0.32	1,203	1.15	173	1.29	8,598	3.55
1956-57	3,534	0.42	2,355	0.36	1,339	0.34	1,273	1.29	155	0.88	8,656	3.29
1957-58	3,141	0.41	3,172	0.49	1,438	0.42	1,489	1.44	160	1.19	9,400	3.95
1958-59	3,222	0.41	4,049	0.65	1,564	0.50	1,599	1.69	161	1.26	10,595	4.51
	(—12.7)	(—2.4)	(71.0)	(75.5)	(34.6)	(56.3)	(32.9)	(46.9)	(—6.9)	(—2.3)	(23.2)	(27.0)
Unregistered Firms and other Associations of Persons												
1955-56	1,532	0.99	246	0.08	83	0.04	147	0.24	51	0.84	2,059	2.19
1956-57	1,568	1.42	303	0.08	86	0.06	161	0.32	43	0.45	2,161	2.33
1957-58	1,753	1.54	244	0.08	104	0.07	164	0.30	45	0.43	2,310	2.42
1958-59	2,012	1.70	297	0.11	116	0.08	231	0.44	70	0.89	2,726	3.22
	(31.3)	(71.7)	(20.7)	(37.5)	(39.8)	(100.0)	(57.1)	(83.1)	(37.3)	(6.0)	(32.4)	(47.0)
Registered Firms												
1955-56	—	—	—	—	—	—	—	—	—	—	—	—
1956-57	—	—	—	—	—	—	269	0.10	119	0.35	388	0.45
1957-58	3	—	—	—	—	—	387	0.21	170	0.43	560	0.64
1958-59	—	—	—	—	—	—	468	0.31	189	0.63	657	0.94
Companies and other concerns Assessable at Company Rate												
1955-56	495	0.39	196	0.12	127	0.10	380	0.91	668	13.67	1,866	15.19
1956-57	506	0.61	175	0.10	131	0.13	427	1.07	756	19.00	1,996	20.91
1957-58	470	0.85	198	0.13	148	0.14	453	1.12	776	17.29	2,045	19.53
1958-59	462	0.57	228	0.15	143	0.13	448	1.03	831	24.37	2,112	26.61
	(—6.7)	(46.1)	(16.3)	(25.0)	(12.6)	(30.0)	(17.9)	(13.2)	(24.4)	(80.9)	(13.2)	(75.2)

N.B.: (1) The number of assessments and the income of unclassified assesses are included under income-group below Rs. 5,000. (2) Figures in brackets indicate percentage change in 1958-59 over 1955-56. Source: Reserve Bank of India.

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DIVIDEND INCOME UNDER DIFFERENT INCOME GROUPS

Income Groups													Total
Below Rs. 5,000		Rs. 5,001 to 15,000		Rs. 15,001 to 25,000		Rs. 25,000 to 100,000		Over Rs. One lakh					
Categories	Number of Shareholders	Dividend Income (Rs. crores)	Number of Shareholders	Dividend Income (Rs. crores)	Number of Shareholders	Dividend Income (Rs. crores)	Number of Shareholders	Dividend Income (Rs. crores)	Number of Shareholders	Dividend Income (Rs. crores)	Number of Shareholders	Dividend Income (Rs. crores)	
1. Salary Earners													
1955-56	2,521	0.15	12,850	1.25	3,471	0.86	4,006	2.98	426	2.40	23,274	7.64	
1956-57	2,366	0.16	14,497	1.47	4,014	1.00	4,065	3.32	435	2.74	25,377	8.69	
1957-58	2,896	0.17	14,783	1.47	4,371	1.07	4,439	3.41	448	2.53	26,937	8.65	
1958-59	5,144	0.30	16,736	1.70	4,770	1.14	5,141	4.32	511	3.69	32,302	11.15	
	(104.0)	(100.0)	(30.2)	(36.0)	(37.4)	(32.6)	(28.3)	(45.9)	(20.0)	(53.8)	(38.8)	(45.9)	
2. Non-Salary Earners													
1955-56	49,679	3.34	15,346	3.52	5,031	2.23	5,753	6.53	865	6.31	76,674	21.93	
1956-57	52,646	3.70	18,435	4.32	6,449	2.84	6,860	7.88	894	6.32	85,284	25.06	
1957-58	50,762	3.54	18,431	4.17	6,266	2.70	7,257	8.26	870	6.64	83,586	25.31	
1958-59	55,167	4.06	20,697	4.80	7,485	3.20	8,517	9.91	931	6.60	92,797	28.57	
	(11.0)	(21.6)	(34.9)	(36.4)	(48.8)	(43.5)	(48.0)	(51.8)	(7.6)	(4.6)	(21.0)	(30.2)	
3. All Individuals (1+2)													
1955-56	52,200	3.49	28,196	4.77	8,502	3.09	9,759	9.51	1,291	8.71	99,948	29.57	
1956-57	55,012	3.86	32,932	5.79	10,463	3.84	10,925	11.20	1,329	9.06	110,661	33.75	
1957-58	53,658	3.71	33,214	5.64	10,637	3.77	11,696	11.67	1,318	9.17	110,523	33.96	
1958-59	60,311	4.36	37,433	6.50	12,255	4.34	13,658	14.23	1,442	10.29	125,099	39.72	
	(15.5)	(24.9)	(32.8)	(36.3)	(44.1)	(40.5)	(40.0)	(49.6)	(11.7)	(18.1)	(25.2)	(34.3)	
4. Others@													
1955-56	5,224	1.41	2,614	0.43	1,245	0.36	1,350	1.39	224	2.13	10,657	5.74	
1956-57	5,102	1.84	2,658	0.44	1,425	0.40	1,703	1.71	317	1.68	11,205	6.07	
1957-58	4,897	1.95	3,416	0.57	1,542	0.49	2,040	1.95	375	2.05	12,270	7.01	
1958-59	5,234	2.11	4,346	0.76	1,680	0.58	2,298	2.44	420	2.78	13,978	8.67	
	(0.2)	(49.6)	(66.3)	(68.9)	(34.9)	(33.3)	(70.2)	(74.8)	(87.5)	(30.5)	(31.2)	(51.0)	
5. Total (3+4)													
1955-56	57,424	4.90	30,810	5.22	9,747	3.45	11,109	10.90	1,515	10.84	110,605	35.31	
1956-57	60,114	5.70	35,590	6.23	11,888	4.24	12,628	12.91	1,646	10.74	121,866	39.82	
1957-58	58,555	5.66	36,630	6.21	12,179	4.26	13,736	13.62	1,693	11.22	122,793	40.97	
1958-59	65,545	6.47	41,779	7.26	13,935	4.92	15,959	16.67	1,862	13.07	139,077	48.39	
	(14.1)	(32.0)	(35.6)	(39.1)	(43.0)	(42.6)	(43.6)	(52.8)	(22.9)	(20.6)	(25.7)	(37.0)	

N.B.: (1) The number of assessments of 'unclassified' assesseees are included under income-group below Rs. 5,000.

(2) Figures in brackets indicate percentage change in 1958-59 over 1955-56.

@ 'Others' comprise Hindu Undivided Families, Registered Firms and Unregistered Firms and Other Associations of Persons.

Source: Reserve Bank of India.

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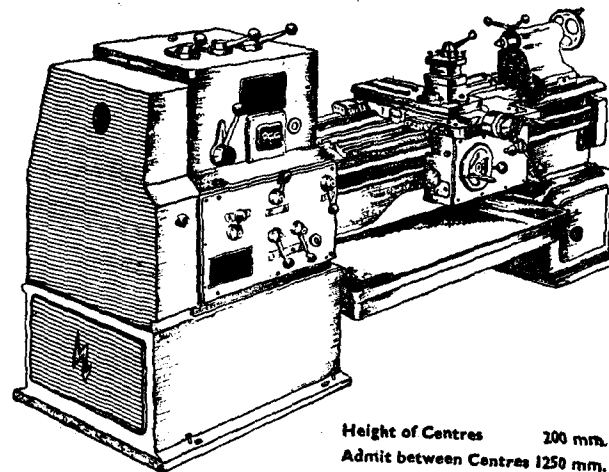
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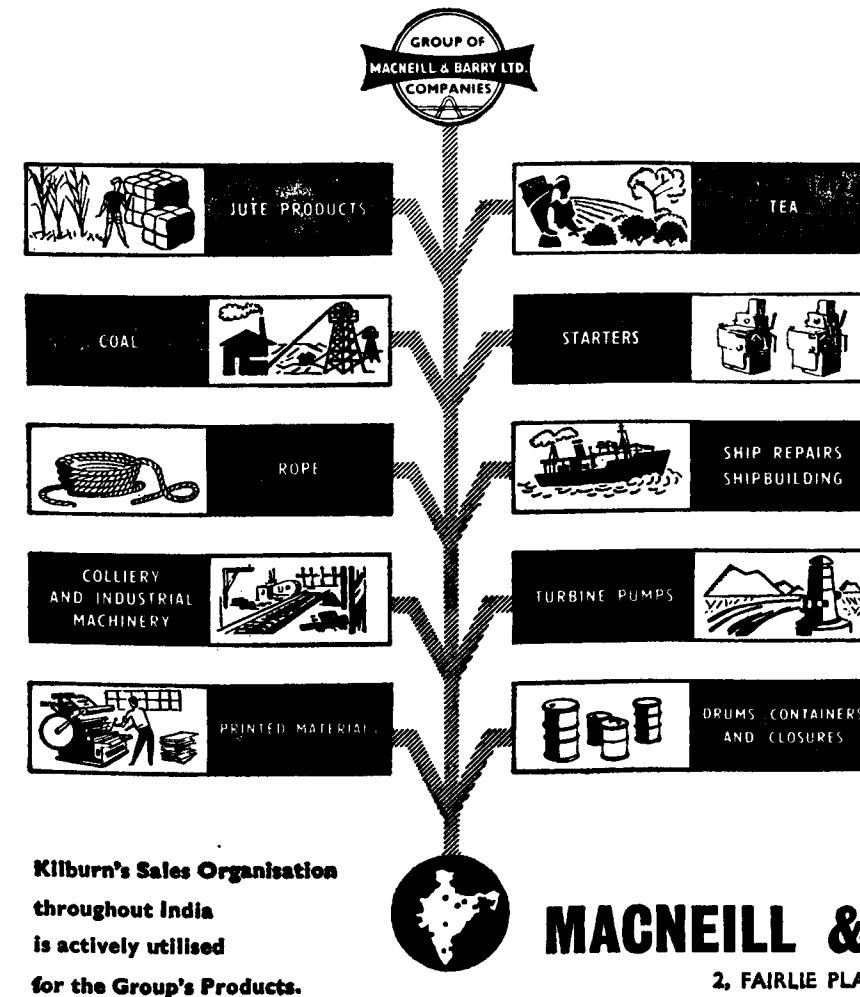
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The Board of Directors at their meeting held today have decided to recommend to the forthcoming Annual General Meeting of the Company payment of Dividends in respect of the year ended 30th June, 1960, subject to deduction of tax, as under :—

On 7 per cent, Cumulative Re-
deemable Preference Shares, in
accordance with the Preference
Shares (Regulation of Divi-
dends), Act, 1960, @ 9.1 %

On Ordinary Shares, @ 20 %

The Annual General Meeting will be held at the Registered Office on Thursday, the 30th March, 1961, at 4-30 p.m.

The Registers of Members and Transfer Books of the Company will be closed from 16th to 30th March, 1961, both days inclusive.

By Order of the Board,
J. K. INDUSTRIES PRIVATE LTD.,
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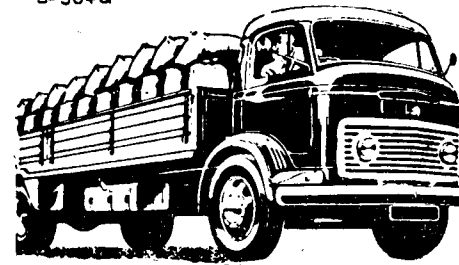
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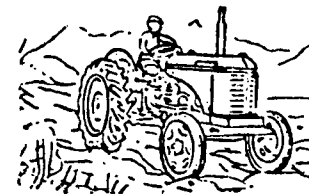
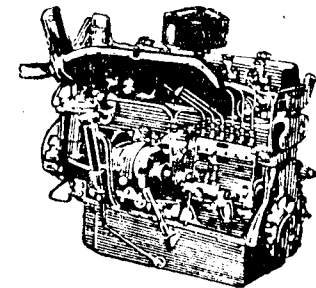


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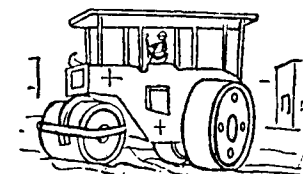


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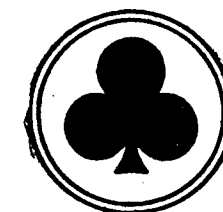
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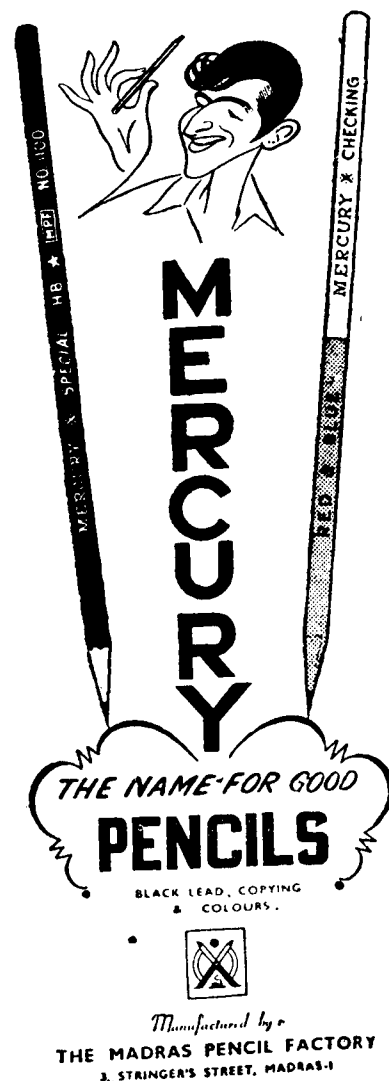
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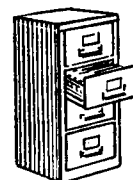
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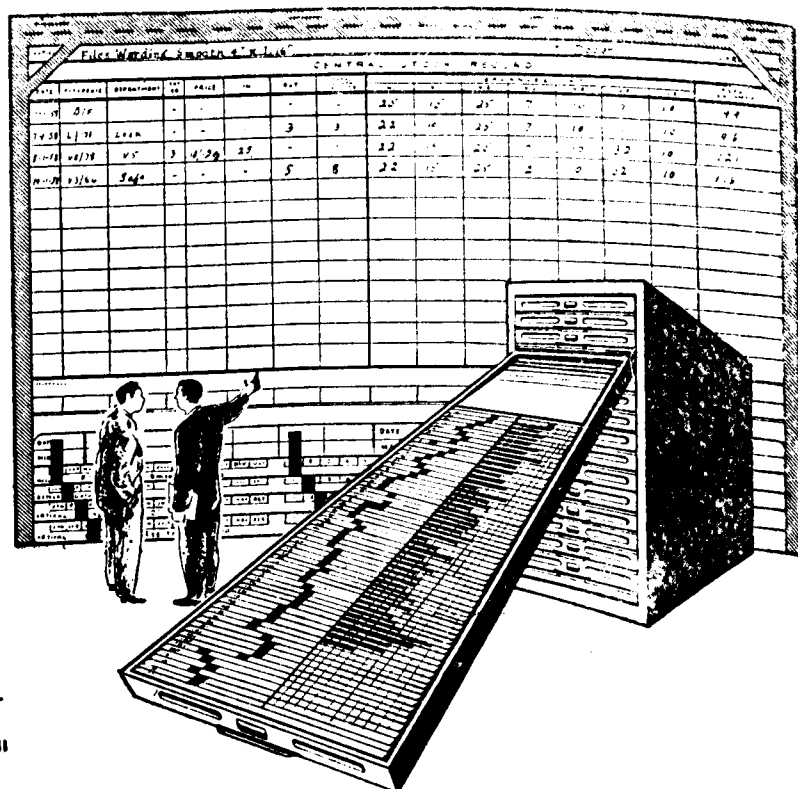
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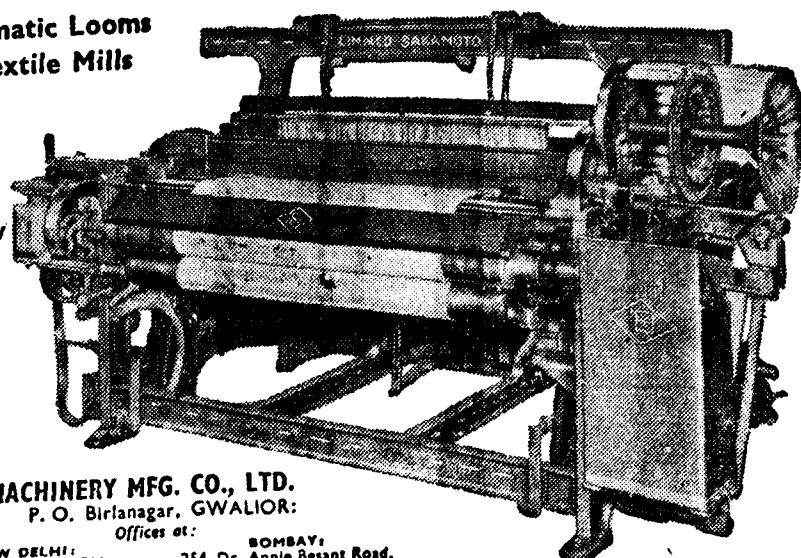
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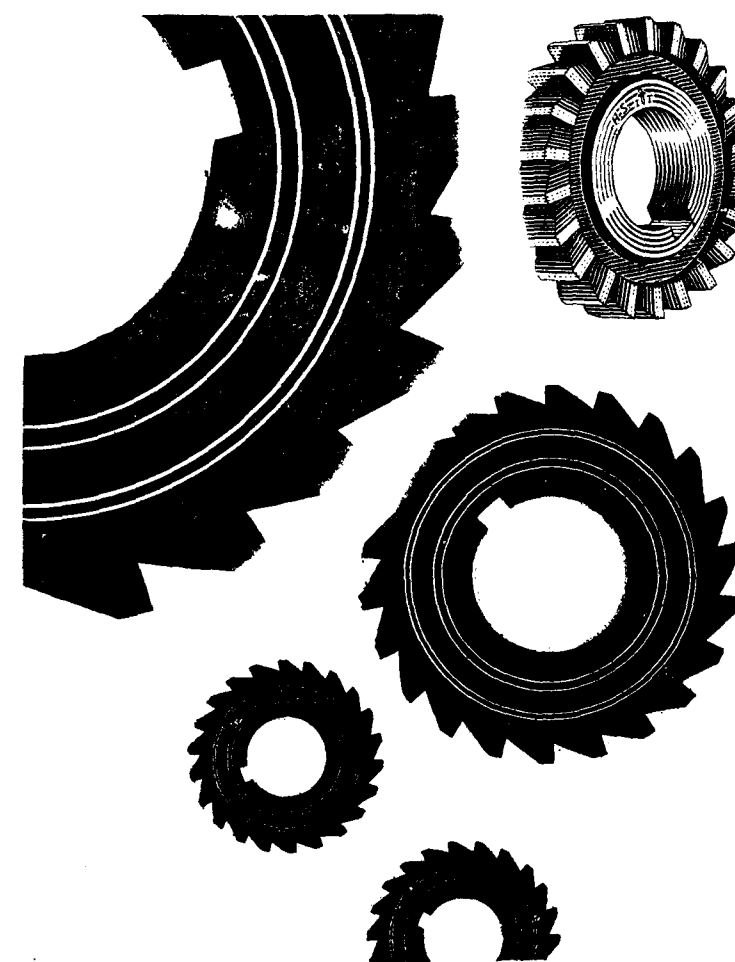
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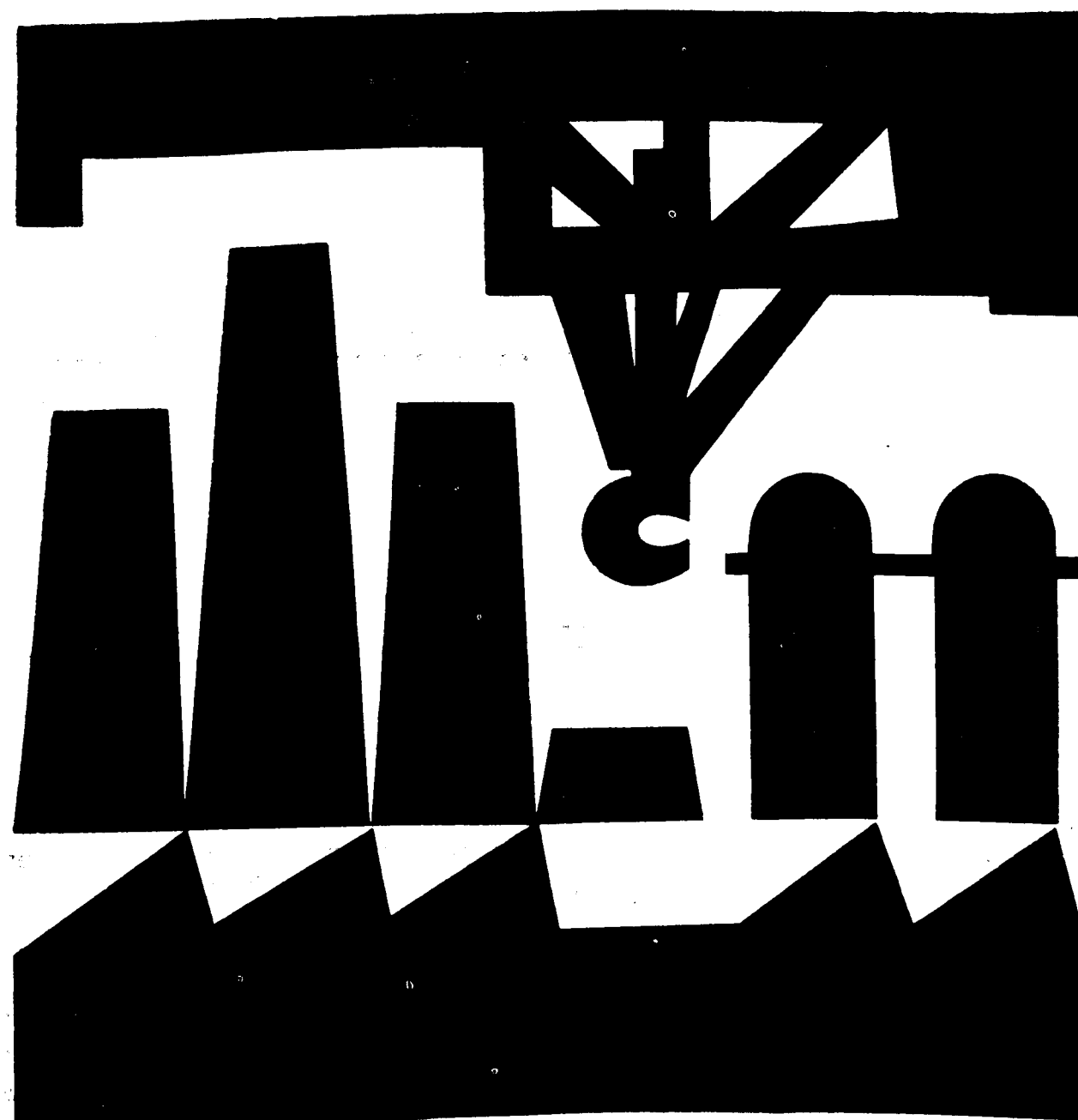
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Govind Ballabh Pant

FOR fourteen days and nights since he was stricken by cerebral thrombosis, Pandit Govind Ballabh Pant lay wavering between life and death while all India held its breath in prayerful suspense. On Tuesday morning, the small flicker of life, which had stubbornly refused to be subdued, quietly ebbed away. And thus there has left the Indian scene a great national figure, a hero of India's Revolution, a tower of strength in almost every recent national crisis. In a sense, his death was like his life, a struggle with invisible enemies, a battle fought with great physical handicaps. Death must always be the ultimate victor, but even in his last struggle Govind Ballabh Pant displayed again all his vigorous qualities. His end came earlier through some of these qualities — an indomitable devotion to duty, and a capacity to wrestle with almost every overwhelming blow until life was forced to an end. And thus, even in dying he struck wonder in those who waited breathlessly in suspense.

Half a million people in Delhi bore witness to the sorrow of the nation at the passing of one of the great giants of India's political life. Perhaps it was also the passing of an age; for those that are alive are less attuned to the demands of this kind of determined devotion to duty in ill-health and adversity. Many of those who have left are also more doctrinaire and committed than was Govind Ballabh Pant. Flexible and pragmatic, profoundly effective as a builder, but nevertheless without single-mindedness, he was a power in the nation while seemingly unconscious of his capacity to command and to compel. During the all-India strike of Government em-

ployees in July last the tremendous stature of the Home Minister shone through the tragedy, as though it were almost created as an ordeal for his proof. It is doubtful if India will find again a man so capable of the highest leadership, but so ready to accept second place in the affairs of this nation.

There is no better way in which we, who have seen this display of courage unto death, can record our admiration of so heroic a figure than by an attempt of imitation. Imitation can be the sincerest form of upliftment, as it is the sincerest form of flattery. India's generation in middle age today does not seem to have that capacity to endure, which made the great heroes of the Revolution. It is time we recognized that this is largely due to a weakness of will, which we are continuing to impart, even in a greater degree, to the generation which is to follow. We now recognize what a deep debt we owe to the Gandhian age, not so much for its capacity to achieve independence, as to build the highest calibre of individual dedication and physical courage. Now, as one by one the great figures of that age depart, we are left poorer not merely in the great talents of administration, in which it was not always superior to any other, but in the great elements of individual character in which it was supreme. This renewed their strength not from their environment but from deep wells built into unconquerable hearts and dedicated minds. If this nation could recognise that in building again these qualities we could relive the best of the Gandhian Age, it need not fear the tremendous ordeals which await it while it builds economic independence for the many out of the courage of the few.

Framework for Import and Export Policy

THE meetings of the Import and Export Advisory Councils on the 6th and 8th March were held under the shadow of, firstly, an impending tragedy and then the tragedy itself. This was particularly apparent in the meeting of Export Advisory Council which, on this occasion, did not appear to make much headway except that it drew from Mr. Lal Bahadur Shastri, Minister for Commerce and Industry, a statement of policy on the demand for new incentives for exports. It is now increasingly clear that the Government means business on exports and proposes, in some manner, to dovetail imports with exports, talking far less of concessions and doing more by pressures. The Minister, in fact, gave no support to the Federation's memorandum on the subject and even indicated to the Associated Chambers that there would be no reduction in the operations of the State Trading Corporation unless the private sector showed quick results in its development of India's export trade. The crisis in India's balance of payments is severe enough for stern action. One would only ask that these measures should be designed

to secure the purpose in view which is to increase our exports. It is not entirely clear that the State Trading Corporation is as successful in increasing exports as diverting to itself exports which would have taken place perhaps on more favourable terms otherwise.

The emphasis, however, was largely on imports. The record of the Government in the year 1960 is one which can generate satisfaction all round. Industrial production in organized industry in 1960 was 12 per cent above 1959, but as the Minister pointed out, if newer industries had been weighted suitably in the index, the figure would have been nearer 14 per cent. Secondly, industrial goods on the basis of the first ten months of 1960 now comprise 65.62 per cent of India's imports or nearly the peak figure in 1957 of 66 per cent, though the absolute quantity is nearly Rs. 100 crores less. All in all, a fine balance has been struck between the need for industrial and capital and consumer goods. The figures for "Consumer goods" (foodgrains) are down from 17 per

cent in 1958 to below 12 per cent during January to October, 1960 and "other items" from 10.75 per cent in 1958 to 9 per cent during January to October, 1960. Capital goods are marginally down from 13.82 per cent in 1959 to 13.55 per cent during January to October, 1960. It is true these figures do not indicate the extent of current production which has been shut off by the absence of raw materials, and the argument was advanced that some substantial bias towards maintenance, as distinguished from development, would still bring benefits to the economy as a whole. While the speech of Mr. Lal Bahadur Shastri indicated that some developments in this direction might still be contemplated, the Minister for Industry, Mr. Manubhai Shah, who concluded the deliberations of the Import Advisory Council in a most able speech, seemed to suggest that in current policy a good balance had already been struck. For several reasons, partly because development imports were tied, partly because some of the new industries were "raw material" producers, partly because certain consumer goods production had been necessitated to be supplied for political reasons, it was impossible to follow a rule of thumb that maintenance needs should always take precedence. The Minister was convincing, but the fact that the Government of India has appointed a Committee with Sir Ramaswami Mudaliar as the Chairman, to advise them on this very point in addition to procedure indicates that there is a recognition that the pragmatic balance now reached is not necessarily one proved to be the best in the circumstances.

On the face of it, with capital goods being produced in the country in increasing quantities, there is room for a further reduction of capital goods, perhaps by Rs. 10 or 15 crores per year and it may be that, until the Ramaswami Mudaliar Committee reports, it would be wise for Government to restraint licences of capital goods for duplication wherever possible. The point was made that productivity in Indian industry was held back by the fact that, when greater utilisation is made of capital goods—and it was admitted that capital goods are not being fully, or even adequately utilised in most cases—the raw materials to go with high production are seldom available. There is obvious need for examining not merely whether raw materials can be substituted in cases of increasing productivity for expansion but also of seeing whether the existing distribution of spares and raw materials as between established importers and actual users is the best possible. Preliminary indications are to the effect that actual users are indenting far more heavily than before, and that there are various categories of stores which are not related to potential capacity so much as

to "notional" capacity set down in the Development Wing's records. One of the proposals made at the Council was to the effect that a new set of norms needed to be introduced by which productivity could be accelerated by bonuses of raw materials or existing machinery rather than by an addition of capital goods. This is no more than the principle that existing capital goods should be fully worked, if necessary, through triple shifts before duplication of plants was sought.

It is sincerely to be hoped that a vigorous effort will be made to examine the whole problem of maintenance and development, not in the abstract on which many generalities have already been produced without assisting policy, but in detail so that the greatest economy can be exercised in the use of foreign exchange in serious shortage.

It is becoming increasingly clear that 1961 cannot be as favourable as 1960. It was stated at the meeting that in 1960 there had been net increase in imports of nearly Rs. 60 crores as against 1959. It is true much of this was raw cotton, but Rs. 26 crores were machinery and there were significant increases of iron and steel from Rs. 79 to Rs. 100 crores, raw jute from 1 to 7 crores, raw and synthetic rubber from Rs. 6 to Rs. 10 crores, copper from Rs. 15 to Rs. 21 crores and zinc from Rs. 5 to Rs. 8 crores. Whilst iron and steel, cotton and raw jute might be somewhat reduced, it is difficult to see where other cuts can be made. Almost the only refuge from the desperate situation which is now being reached with additional units coming into production must come from exports.

The Minister was perfectly justified in complaining that the general attitude towards exports, at the present time, was quite inadequate whether in the Government as a whole or in the business community. The suggestion that additional foreign exchange raw materials, for which no foreign exchange exists, can be provided in any significant quantities is clearly untenable. Consumer goods imports admit of no room to manoeuvre, and even if capital goods imports were reduced by Rs. 10 to Rs. 15 crores, this will not substantially change the raw materials position. In the year 1960, some windfalls in payments enabled the adverse balance of trade to rise from Rs. 319 crores in 1959 to Rs. 342 crores in 1960. There is no reason to suppose that India's current holding in the sterling balances admits of an equally adverse balance. Indeed, all indications point to the fact that the adverse balance on current account should be nearer Rs. 300 crores than the figure for 1959. This would suggest that unless exports rise by Rs. 40 to 50 crores further in 1961, a crisis in raw material imports will be inevitable.

TABLE

Imports of Capital Goods, Industrial Goods and Consumer Goods: 1957-60

Items	1957		1958		1959		Jan.-Oct. 1960.	
	Value	%	Value	%	Value	%	Value	%
1. Capital Goods	153.59	15.03	132.85	15.45	126.06	13.82	111.65	13.55
2. Industrial Goods	674.46	66.00	487.98	56.74	545.18	59.76	540.83	65.62
3. Consumer Goods:								
(a) Foodgrains								
(Wheat & rice)	51.65	5.05	146.67	17.06	146.16	16.00	97.20	11.79
(b) Other items	142.22	13.92	92.49	10.75	94.77	10.42	74.46	9.04
Total 1 to 3	1021.92	100.00	859.99	100.00	912.17	100.00	824.15	100.00
4. Returned goods and special transactions.	3.90		4.19		2.40		3.70	
Grand Total	1025.82		864.18		914.57		827.85	

(Value in Crores of Rs.)

The Indian business community needs to face squarely the challenges of this situation. Export promotion cannot always take place at a current profit and it is no argument to say that the private sector operates at a profit only. Investment in new markets is a legitimate charge on profits and the fact that the Government will pay by way of reduced taxation its contribution to such exports implies that the public sector is also a partner to

The German Mark and India

THE revaluation of the Deutsche Mark has been announced at long last; it was delayed so long that its coming was doubted. And it came as a welcome surprise. The phenomenal expansion of West Germany's currency reserves and the continued undervaluation of the DM for over two years now had become a source of great concern because of its sharp adverse consequences on world exchange rates. Its unrealistic par value in relation to the American dollar and the pound sterling—the two media for world trade exchange—had added to the strains. Realignment of its rate to a reasonable parity was inescapable and the determination of the US Administration not to devalue the dollar, firmly reiterated by President Kennedy, gave a new sense of urgency to the question of the revaluation of the DM.

Speculation how far the German Government's decision could be related to pressure from America will remain unresolved. But Dr. Erhard has vehemently denied the fact of such pressure and his denial need not be regarded as altogether lacking in substance. It would be wrong to overlook the internal pressures operating within the German economy which certainly had a decisive influence on the decision to revalue. Prolonged undervaluation had served to give an unprecedented boost to Germany's exports, but rising costs were also one of its consequences which fractionally offset its benefit. The artificial parity, however, could not stem inflationary forces in the domestic economy. Wages rose in Germany by something like 20 per cent in 1960 and of course prices also moved up fast. Conservative forecasts for 1961 placed the likely rise in the domestic price level at upwards of 3.5 per cent. With general elections due in September this year, effective action was necessary to reduce the impact of inflation on the standard of living. It may be that revaluation with other related action may hold the price line.

Upvaluation of the DM by 4.75 per cent has been regarded as very moderate and critics have not been slow to emphasise that revision upto 10 per cent could have been made with the IMF's consent. From the German angle, a higher rate of revaluation would have exposed the industry in the Common Market itself to acute competition from France and Italy. In the external context, the objective of revaluation was to assist rectification of the imbalance in world payments and in fairness to Germany it ought to be conceded that she has now made an appreciable contribution to the process of redressal, first, by bringing down her Bank Rate from 5 per cent, to which it was raised a year and a half ago, to 3.5 per cent and, secondly, by revaluation.

America, caught up for a long time in the throes of the worst post-war payments deficit, expects greater cooperation from Germany and the official statement on the German decision says that revaluation has been "useful but a modest step towards redressing the basic imbalance." This divergence of views notwithstanding, no doubts need be entertained that there will be no further action on changing the par value of the

the private sector's loss. There must be organized a far greater drive in the Export Promotion Councils for the earning of the foreign exchange as a sheet-anchor of a policy to keeping India's industry running at high capacity. It is sincerely to be hoped that the Ramaswami Mudaliar Committee will find means for dovetailing imports with exports so that compulsion is, so to speak, exercised from within.

DM. Any speculation on this score seems altogether unwarranted.

Revaluation of the DM will remove some of the current strains on the US dollar (as well as the pound sterling), but its effects will be seen immediately in repatriation of short-term funds and in this process America stands to derive a good share of benefit and relief. But the Kennedy Administration will have no reason to relax its efforts to seek long-term relief to America's serious problem of external deficit. In concrete terms it means that the Administration will need to pursue its negotiations to bring Germany round to the advisability of accepting a greater share of defence contribution and aid to developing countries. External defence expenditure and economic aid abroad undoubtedly constitute the two major causes of America's problem of deficit.

The impact of the revaluation of the DM on India is to be considered first in relation to the credits she has obtained from Germany and on similar aid she expects to receive in the near future on a larger scale. The immediate effect of revaluation would be to raise India's burden, in terms of rupees, of repayment of her outstanding German loans. The German Government's decision to provide a large allocation of \$1,000 million in 1961 by way of economic aid to underdeveloped countries has raised legitimate hope in this country that it will receive a fair share in it. But revaluation would appear to have introduced an element of uncertainty in the quantum of aid for the current year provisionally fixed at \$1,000 million.

This uncertainty arises from the stiff opposition offered by the German Federation of Industries to revaluation. As much as 50 per cent is presumed to be the contribution to these credits for 1961 from private subscription—presumably from industry. So far, firm commitment has not been made by German industry in respect of one-fifth of its assumed share and if the strong views expressed by Herr Fritz Berg, Chairman of the Federation, are a correct indicator, the uncommitted part may not come forth in view of the repercussion of revaluation on Germany's export industries.

The credits provided by Germany for 1961 will be the composite contribution of the Federal Government, the ten State Governments and private sources. America is using her persuasive influence on the German Government to place them on a budgetary and long-term footing as a principle of policy. How far this suggestion will be accepted is difficult to say. Earlier reports in this country that Germany will announce her readiness at next month's Washington meeting of the Aid-India Club to extend additional credits of over Rs. 250 crores for the Third Plan may have to be taken with subdued optimism.

In view of India's substantial dependence on Germany for supply of capital goods and industrial materials, the most immediate adverse effect of revaluation will be to push up the prices of our imports from Germany in terms of our currency.

(Continued on page 722)

A DELHI DIARY

GOVIND BALLABH PANT

MY last Diary a fortnight ago was given over to Govind Ballabh Pant. Friends of mine rightly took that as a farewell; in any case there is little more one can say to-day. The great crowds that lined the roads on the evening of the funeral procession showed that Pandit Pant, recluse as he was supposed to be, seemed to have struck deep roots into the popular mind. Tears were freely shed, and I felt amongst people, who had never seen and heard him, a sense of great loss. Almost everyone who is old enough to have a memory of the days of struggle feel that some roots have been torn away. I expect it is largely because these roots were so deep in the nationalist struggle that the passing of the heroes of the revolution moves us greatly. Today we are supposed to know where we are going with socialist pattern of society and plans every five years and exhortations from Ministers every week! Hardly anyone of those in the front ranks of the nationalist struggle had a sense of early arrival; each day brought its own difficulties without hope of ultimate fulfilment in any particular person's life-time. And yet, those were glorious days. In that sense was it better, after all, to have travelled hopefully than to have arrived?

THE COMMON MAN: BABUJI?

During Budget week and for a short while after, we hear a great deal about the common man. This week (before the Budget debate in the Lok Sabha opens) I have been repeatedly asked: What does the common man get out of the Budget? Greatly daring, I evade the answer by asking who is the common man. At this point there is general laughter and no one has yet given me a definition of what the object of their affections really is. Some picture the common man as the kisan, badly clothed and fed, and presumably exploited by the village money-lender, but the picture is wearing thinner and thinner as the volume of agricultural production grows and as there are clear marks of improvement in the rural standard of living. There are others to whom the common man is the notable Babuji, whom I see every day in "The Indian Express". I see Babuji has stopped giving pocket money to his children because of inroads into his cost of living. I am Babuji because I have made a similar decision in respect of mine!

I am trying my hardest to forget about the various impositions which now belong to Mr. Morarji Desai's multisided armoury. I have managed to find escape in two occasions this week which deserve to be inscribed in this Diary as do all occasions which—in spite of the socialist pattern of society and its expression in the Budget—can still raise us from every day worries into a different world. The first of these occasions was the recital at Sapru House last Saturday of the famous German cellist, Ludwig Hoelscher, accompanied on the piano by Otto Soellner. The cello is an amazing instrument; it speaks from the wells of its own space, like an echo coming off a rounded wall and reverberating within. But I had never realized that it could be made to play as though it were a violin on the one hand and a great hollow on the other. Ludwig Hoelscher could

play at both ends of the cello's range with magnificent skill, clearly making himself the foremost cello soloist we have ever had in Delhi. According to tradition in the Delhi Music Society the great classical pieces come at the beginning in a section called Part I. It was right that Beethoven should have received pride of place with the famous Sonata in A Major, the better because so many of us were familiar with its music. Schubert followed with another Sonata in A Minor, but dare I say, in the presence of real connoisseurs, I liked the lively touch of the second part and some relatively unknown composers more than I liked that two great pieces. Perhaps it is nice to be diverted with light and lively things like Frescobaldi's Toccata in D Major, and Dvorak's Rondo with encore after encore till Hoelscher had to give us extra pieces; one an unforgettable piece from Bach without an accompaniment. I still think the piano assists the cello but I was voted by a majority in a quick poll who thought his cello was best by itself!

Another interesting evening followed quickly with the Hungarian Film Festival which was opened by the Defence Minister and ran through three days of full houses. I think most of us have been much impressed by the standard of Hungarian pictures and are happy to find that the Iron Curtain does not, in any way, dominate the scene.

THE DEUTSCHE MARK

On Holi, which was last Friday, there was a great departure from tradition with the Prime Minister making it clear that he was not celebrating Holi and with a very large number of people in the Capital subdued in view of the fact that Pandit Pant was critically ill. I can say proudly that I displayed unusual bravery and drew no fire in some of the main roads of Delhi. But the occasion to remember was not Holi, but the Press Conference of Dr. Wilhelmi at the Ashoka Hotel that evening. The German Minister for Federal Property was in good form describing the plans on German assistance which had already been agreed; he gave a cheerful picture of likely favours to come. But the point that stays in my memory was the answer to a bold pressman who asked him if he could throw any light on the proposals to revalue the Mark. I thought I caught a moment's hesitation, but Dr. Wilhelmi was quick to recover. He said he thought it was very improbable! The Deutsche Mark was revalued at midnight that day. Thus, true to tradition, one goes on denying the course of financial history until it bursts on an astonished world. I see Mr. Selwyn Lloyd has just said that there is no intention of devaluing sterling. I suppose this can be literally true, and yet there might be a devaluation all the same. Only this time, speaking, from deep knowledge of astrology, and the abstruse sciences of economic prediction which abound around me, I say the rupee is staying put. The Finance Minister seemed very anxious to have all the rupees that we have. Let us not buy even an appreciating currency so long as rupees are in such short supply!

—ARGUS

THE GERMAN MARK AND INDIA

(Continued from page 721)

This demand for German imports has gained considerable inelasticity by reason of our tight foreign exchange outlook. Taken along with the increase in the cost of German debt service, this will be an additional strain on India's payments deficit with Germany which has defied, so far, all attempts at its mitigation. Theoretically, it is possible to argue that our exports to Germany will be stimulated by revaluation. But the reality of the prospect is different. Our exports are handicapped by restrictive quotas, as in the case of textiles, or by the purchase tax, as in the case of tea and coffee, which are unlikely to be removed for fiscal

reasons. These handicaps apart, the most noteworthy fact is that revaluation will extend the benefit of stimulation to all the exporting countries. There will be no change, on the score of revaluation, in the relative position of India as an exporter to Germany vis-a-vis her competitors. Now that Germany has launched a disinflationary policy in which import liberalisation will be an ingredient, India's efforts to reduce her baffling deficit must be pursued in the direction of removal of the barriers and a greater intake of her exports by Germany to give content to the enlightened policy of aid with trade.



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of 3" to 4½" thick. Foam concrete 2" to 4" thick was laid over the roof for additional heat insulation. The roof was finally waterproofed with Stp "Tarfelt". Precasting and absence of shuttering have enabled each bungalow to be completed in all respects within a month.



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THE WEEK'S NOTES

Tea Industry

FALLING EXPORTS

THE STATEMENT of Mr. Satish Chandra, Deputy Minister of Commerce and Industry, in the Lok Sabha on March 3 in reply to a question on tea exports in 1960 should suggest that there prevails some confusion in the counsels of the Government as to the real cause of fall in tea exports from this country. Only three days earlier the Union Finance Minister in his taxation proposals had announced a reduction on export duty on tea. This was presumably done to make Indian tea more competitive on the world market. It is indeed intriguing that Mr. Satish Chandra should have attributed the fall in tea exports last year to primarily shortfall in production.

India's tea exports have been going down since 1958. In 1959 India exported only 472.5 million lbs. of tea as against 505.9 million lbs. in 1958. Last year exports fell to about 421.6 million lbs. The fall of nearly 49 million lbs. in tea exports in 1960 cannot surely be attributed only to decline in output which has been of the order of about 20 million lbs. India's tea exports to the United Kingdom, which accounted for nearly 65 per cent of the off-take of her exportable surplus in 1958, fell to 282.2 million lbs. in 1959 and 259.85 million lbs. in 1960. In the meantime, exports by her competitors, especially Ceylon and East African countries, have been going up.

The reduction of 9 nP. per kgm. in export duty on tea is thus welcome. But it is very unlikely that it will help in stepping up exports of the commodity to any large extent. This is because of the fact that simultaneously with the reduction in export duty, excise duty on loose tea has been increased by 7 nP. to 8 nP. per kgm. As pointed out by the Committee of the Tea Association of India, the excise duty on loose tea being non-refundable, the tea industry can derive little comfort from the gesture of the Union Finance Minister. Is it not possible to grant some rebate in excise duty on loose tea exported from the country? That would help substantially in stepping up both production and exports of tea.

The Government of India will also do well to make available to the industry adequate quantities of fertilizers and loans for replanting purposes. This should help in bringing down the cost of production to some extent. The industry on its part should devote greater attention to production of quality teas in order to meet the growing competition from East Africa and some of the South-East Asian countries which export mainly common teas.

Congo

DISPATCH OF INDIAN TROOPS

THE DECISION of the Government of India to send an entire brigade of 3,000 men to the Congo in response to the request of the U.N. Secretary-General, to fight, if need be, the Congolese armed units, Belgian military and para-military personnel, and all foreign mercenaries will be viewed with concern both at home and abroad. The purpose of this dispatch of troops, as clarified by Mr. Nehru, is to expedite the withdrawal of Belgians and other foreign auxiliaries who are in the Congo without the U.N. nomination. While no one disputes the complications that have arisen due to the interference of foreign elements in the Congolese situation, the mere withdrawal of foreign influence would not solve the many deep-rooted and tangled problems that have been created during the past few months. The genesis of the internal strife has gone too deep into the national fibre for outside force, however neutral and well-intentioned, to be effective in bringing about sanity in an explosive situation. The use of force may aggravate the disease rather

than cure it. Moreover, it will create a dangerous precedent of using United Nations' force to disarm the Government of a member nation.

Even those who disagree with India's policy on the Congo will not doubt the sincerity and purpose of Mr. Nehru in sending troops in aid of U.N. operation there. But the question is: Will not this weapon of sending troops to remedy an explosive situation act as a boomerang on India herself, particularly when Kashmir is on the Security Council's agenda? It is not inconceivable that violence and armed conflict may be manoeuvred to give the semblance of pretext for the U.N.'s armed intervention once India has endorsed the policy of such intervention.

It would have been the better part of discretion for India not to have got involved in a dubious course of action and thereby given room for misunderstanding, culminating in hostile attitudes in a highly sensitive area. It is a noble thing to help someone in distress; but if the help that is meant for its good is organised by the third party on its own, it is fraught with embarrassing consequences. The wisdom of rushing to participate in such a scheme of help is open to serious question.

Commonwealth Conference

SOUTH AFRICA'S MEMBERSHIP

A wide range of important topics will be discussed at the Commonwealth Prime Ministers' Conference in London which started on last Wednesday; but the continuance of the membership of South Africa in the "Commonwealth Club" will indirectly overshadow all other discussions. Dr. H. F. Verwoerd, the Prime Minister of South Africa, made it clear that he was not ready to barter away his policy of apartheid with membership of the Commonwealth. He, however, expressed the feeling that he would not walk out of the meeting if South Africa's policy of racial discrimination was discussed. This is a significant departure from the earlier strategy of South Africa to abstain from any meeting which discussed her racial policy.

This change of attitude might have followed the sense of possible isolation that may ensue if South Africa is excluded from the Commonwealth and perhaps because of Britain's private persuasion of Dr. Verwoerd to agree to a discussion of the issue of apartheid and let a considerable part of the feeling steam off. It will be South Africa's political victory if she is allowed to retain her membership of the Commonwealth, as well as her policy of apartheid. And if the aim could not be achieved by threats of anger, the strategy has been changed to that of patience and wait-and-see.

Dr. Verwoerd has, of course, left little choice for the non-white members of the Commonwealth; for he demands a public acceptance of his Government's right to pursue its doctrine of apartheid while still enjoying the Commonwealth membership. And this is impossible for most non-white members of the Commonwealth to accede to. It is known that most of the Prime Ministers are forthright and unhesitant in condemning in public the racial discrimination practised in South Africa. But when it comes to the question of taking action on South Africa's membership of the Commonwealth, they are hesitant. There will be long discussions and private consultations between the Prime Ministers on ways of handling the issue. True to the typical Commonwealth spirit, the Conference would end without arriving at any decision on South Africa's expulsion from the Commonwealth. There will be a challenge to the statesmanship of the Premiers to find a compromise formula to confirm membership of South Africa to save both South Africa's face as well as that of the other members.

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UNION CARBIDE INDIA LIMITED

NOTICE

NOTICE is hereby given that the Board of Directors of Union Carbide India Limited, at their meeting held on Monday, the 27th February, 1961, recommended to the shareholders for their approval, at their 26th Annual General Meeting of the Company to be held on 15th May, 1961, the payment of a Final Dividend of Rs. 1.05 Naye Paise per share subject to the deduction of taxes in respect of the Company for the year ended 25th December, 1960.

By Order of the Board
G. BOWLAND,
Secretary.

Registered Office:
1 & 3, Brabourne Road,
Calcutta - 1.

27th February, 1961.

The World Abroad

BUST THAT TRUST!

By ODYSSEUS

AN INFLUENTIAL GROUP is, I understand, to introduce a private member's bill in the New Delhi legislature against monopolies.

This is a subject on which there has been more confusion to the square inch than any other. I propose, therefore, in the succeeding article to try to clear a small path through this jungle.

Most people are against monopolies, price fixing, mergers, and oligopolies, on the ground that they hold consumers up to ransom. So their initial reaction is to call for legislation making monopolies, oligopolies, and the whole gamut of restrictive practices illegal. It is, however, a fact that many monopolies arise not because one firm has used unfair trading practices to eliminate its competitors, but simply because (in the classic example) it makes better mouse traps than anyone else and its administration is better than its competitors. It may have bought out less efficient competitors over the years, and the final result may be that, owing to good management and economies of scale, the public gets better mouse traps, more cheaply, than if a score of smaller firms, with correspondingly bigger overheads, were all competing for a fairly stable demand for mouse traps.

In real life, absolute monopolies are virtually non-existent. The characteristic modern situation is one of oligopoly, in which a few firms compete in the manufacture of, say, motor cars, or a group of similar products, like chemicals. Here again, it is a fact that many oligopolies are the result of mergers, which bring economies of production and administration, and which create firms with sufficient resources to undertake extensive and costly research to develop new techniques and products. The prices of, for example, motor cars in the UK and in the USA would be substantially higher, if the three or four big manufacturers, like General Motors in the USA, or Rootes in the UK, were compelled to dissolve into the innumerable small companies which they amalgamate. Then, again, it seems but common sense to recognise that if a fixed selling price for, say, tooth brushes, is prohibited, the ensuing price war may simply lead to the elimination of weaker producers and end in the monopoly, or oligopoly, of the strong.

THREE KEY QUESTIONS

Faced with these facts, the anti-monopolist replies that it still remains true that an oligopoly can abuse its power, and can overcharge consumers, and that legislation is needed to control it. I concede this at once, but three questions need to be answered before you initiate legislation.

(1) Do you want to prevent excessive concentration of economic power in private hands, regardless of the economic advantages that may accrue from concentration?

(2) Do you want to ensure competition?

(3) Do you want to promote efficiency, rationalisation, and economic growth?

If you answer "Yes" to the first question, you are a democrat, and you believe in individual freedom and in private enterprise. You are not a Socialist, because his "solution" to the problem of excessive concentration of economic power in private hands is to transfer it to the state, i.e., to concentrate all power in the hands of a ruling party and/or civil servants. Whatever this achieves, it is the end of individual freedom and of private enterprise.

If you answer "Yes" to the second question, you again obviously believe in private enterprise, because the Socialist rejects "competition" as the "grab instinct," and wants it replaced by state monopolies. Nevertheless, the moment that you want anti-monopoly legislation to promote competition, you are faced with all the practical difficulties of whether better and cheaper motor cars, anti-biotic drugs, electrical appliances, or mouse traps, will be made by many firms, few firms, or by only one firm, or under what circumstances capital will be available for expensive research and development, and so on.

If you answer "Yes" to the third question, you are opening the door to ever increasing state control, which is likely to end either in a stagnant economy, or in Socialism, because any anti-monopoly legislation must be enforced by a court of judges or a commission of permanent officials of some kind. If it is a permissible defence to a prosecution to say "Yes, we have fixed prices with our competitors, but they are reasonable," or "Yes, we have an agreement with our competitors, but we can't be called a monopoly because we only control 33 (or any other) per cent of the market, or we must behave reasonably because we are always faced with the possibility of competition from substitutes, or we have combined against cut-throat competition, or look at our record, our productivity is outstanding, our wages are high, profits reasonable, so why should we not enforce price restrictions?" — if it is a permissible defence to say that, in the circumstances, your monopoly is doing no harm, and is indeed adding to the growth of the economy, the difficulty is that these are not matters of fact, which can be decided by a court in the light of a statutory definition.

WHAT IS "REASONABLE" PRICE?

They are all questions of economic performance, to which no indisputable economic tests can be applied. What is a "reasonable" return on capital? Consumers, business men, civil servants, and politicians, will reply differently according to personal interests at stake, experience of industry (if any), and their political faith. An arbitrary decision that, say, a 15 per cent return on capital is enough to meet all costs of production, to build up reserves, and to pay for research, is not a general principle. For one product, or industry, it may be ludicrously high; for another ludicrously low. Called upon to decide questions of economic performance, efficiency, and growth, a court can only express an opinion on the circumstances of each particular case. And since there are as many differing circumstances as there are firms, and industries, and national economies competing with other economies, it follows that no firm can know if it is evading the law

simply by examining the court's opinion. Its own circumstances might lead the court to a different judgement.

In other words, where the law requires a court to take into account whether a price, a percentage, or a performance is "reasonable," or good for economic growth, the state must create a Commission to enforce continuing control of prices and practices, with powers for periodical reviews of a firm's situation as new circumstances arise. If you believe in competition, individual enterprise, flexible, resourceful, business management, and in mobility of labour, you will have created a Frankenstein monster which will slowly devour all that you cherish.

There is no perfect solution to the control of monopoly and restrictive business practices, but out of a choice of difficulties, the least inimical to freedom and to economic growth is the US system, described in "The Anti-Trust Laws of the USA" (Cambridge University Press, London, 1960. Price 45 sh.), by Mr A. D. Neale. As the American, Mr Abe Fortas, says in a foreword, "I know of no other single volume which covers the entire field of anti-trust so comprehensively and so well. In about 500 pages, Mr Neale sharply analyses the case law and statutes in each area of anti-trust....."

What is illegal in the USA is to try positively to create a monopolistic or oligopolistic situation, to enter into agreements with others to limit competition, to keep out newcomers, to eliminate competitors by collective boycott, exclusive agreements discriminating against particular buyers or suppliers, dividing up markets etc. etc. Monopoly, oligopoly, mere large size, or price leadership in themselves are not illegal. You cannot be penalised because by making a better mouse trap you beat all competitors, or reduce them to a few large firms, by your competitive efficiency. The basic question before a US court is: "How did this firm attain its

TRUST BUSTING IN THE U. S. A.

THE USA has enforced antitrust laws since the Sherman Act of 1890—longer than any other country in the world. Since a private member's antitrust bill is likely to be introduced in the New Delhi legislature, it is worth asking how far US antitrust has been successful.

Mr. A. D. Neale, an Englishman, has just published "The Antitrust Laws of the USA" (Camb. Univ. Press, London, 1960. Price 45sh), which an American authority describes as the only single volume which covers the entire field, so comprehensively and so well. Mr. Neale points out that the basis of US antitrust (to use a convenient abbreviation) is, first, the conviction that any large concentration of power should be held in check. Antitrust is the projection of this US conviction into the economic sphere: an economy of independent, competing businesses disperses economic decision-making. Secondly, because Americans prefer that power should be controlled by men under the laws rather than by granting powers to administrators or officials, antitrust is carried out by statutes laying down general principles and not by administrative regulation. As all men are equal before the law, this has meant that antitrust is accepted as beyond partisan controversy, whereas it is likely that its administrative regulation by politicians or economic experts would have aroused a sense of bitterness and injustice which would have kept agitation against antitrust continuously alive.

US antitrust has been successful in ending a wide range of restrictive agreements between competitors.

present position?" This is not a question of opinion but of fact. If you attain supremacy by collusion, boycotts, or restrictive practices, prison and enormous fines await you. If you attained it by monopolistic practices, it is no defence to argue that your prices are, in fact, reasonable, that your mergers have led to greater efficiency, or that you are not abusing the position that you have created. These are matters of opinion with which the court is not concerned. The existence of a body of case law, interpreting the statutes, means that any lawyer can advise whether what you propose to do is legal or not.

If you are a Socialist, you should read "The Control of Monopoly in the UK" (Longmans, Green, London, 1960. 25 sh.) by P. H. Guenault and J. M. Jackson, who offer a first class analysis of the British Restrictive Trade Practices Act of 1956. This book, and Mr Neale's, bring out clearly the different American and British approaches. The American, distrusting concentrations of power, whether economic or political, sees the remedy in a general principle — a law. The Englishman has hitherto been less worried by the mere possession of power. To prevent its abuse, he has preferred to set up administrative controls, dealing with each case on its merits. Thus, although some practices are prohibited by law, the UK Restrictive Practices Court is also concerned with whether the way in which a monopoly is exercised is good or bad for the consumer, whether it would benefit the economy for an industry to be made more compact, or whether, having regard to the conditions "obtaining or reasonably foreseen" (sic) at the time of the application (sic), the removal of a restriction would be "likely to have a serious and persistently adverse effect on the general level of employment" (sic). These are all matters of opinion. If the UK court can recruit judges capable of making infallible business decisions and of accurately foreseeing economic trends, the UK can look forward to a prosperity with which no other country will be able to compete (unless, by higher pay, it attracts some of these economic wizards into its own service).

Detection and enforcement are reasonably effective. It must be stressed that whereas most of the cases expounding the law deal with difficult border line issues, these are far outnumbered by straightforward cases dealing with clear violations. The probability that offences will be prosecuted, with the full support of public opinion powerfully influences business conduct.

Agreements between independent firms to fix a common price or to divide the market, or to exclude new entrants in an industry, to grant special terms to a favoured group, or to enforce collective boycotts, are illegal and the courts have developed a keen nose to detect camouflaged agreements. Note that, in many cases, such agreements could be defended on economic grounds as promoting economies of scale or other industrial advantages, but the US courts will not admit such defences because they are questions of economic opinion or assessment, not matters of fact. From the first, the US courts themselves rejected the idea that they should try to assess the balance of economic advantage. They maintain that once an economic argument is admitted (for example, that an agreement is justified as a protection against "excessive" competition), the door is opened to more and more subtle economic arguments between "expert" witnesses. The court is concerned neither to decide between rival economic theories nor with the effect of an agreement, but solely with its restrictive intent.

IMPORTANCE OF "INTENT"

The vital importance of "intent" is that the mere fact that a single firm dominates one market is not

illegal, providing that it has achieved its position by fair competition. Some firms in the USA are giants because of the size of the market which they supply; but mere size is no offence; in many cases their size does not give them control of the market nor free them from competition. In most cases the power of large firms is shared in an oligopolistic market in which competition is by no means excluded. Monopolising is not simply dominating an industry but intending to dominate it. The courts' job in such cases is to find out what the firm was "really up to". Moreover, the bigger the firm, the more sensitive is it to the possibility of antitrust action. Far from crushing a new entrant or an inconvenient small rival, big firms tend to show unnatural solicitude for its survival. Their legal advisers will scrutinise, as potential evidence of intent to monopolise, any proposal to acquire another business (whether horizontally or vertically), to buy the patents of a rival process, to secure raw material supplies by long-term contracts, to undertake to supply, over a period, the full requirements of important customers, and so on.

Mergers, and take-overs, raise difficult problems for antitrust. Mergers go on all the time and many Americans think that they should be stopped. Here, again, the guiding principle is "intent"—what was in the minds of those merging? Mergers often occur simply because many businesses disappear by being sold rather than by being wound up. Some disappear because they are inefficient, some because of changes in demand, some because of the death or retirement of key men. Some mergers make for real economies of scale, e.g., where two firms are below the optimum size, or where it is essential for up-to-date production methods to combine different types of technical knowledge. Others secure tax advantages or spread, and so reduce, investment risks. Even large firms may combine in order to survive. All these are legitimate aims. The courts will only crack down on mergers if they smell out an intent to reduce competition or to monopolise.

Mr. Neale offers many concrete examples to illustrate the principle. Here is one. A large metal smelter may see advantages in branching out into fabrication. If he does this by expanding within the framework of the one company, he may well be able to amass a substantial share of the market in the new field without incurring a charge of monopolising. He must not, however, favour his new enterprise by denying supplies to an already existing regular customer.

If, on the other hand, our smelter were to seek to secure a like share of the market, with similar economic results, by buying up an existing fabricating company, his legal risk would be much greater. Nevertheless, a merger or acquisition is a voluntary action on the part of the company acquired, and the courts would not undo the merger without solid indications that it would significantly impair competition in the industry. But if our smelter seeks to tie up a share of the market by binding independent fabricators, or distributors, contractually, or by collusive agreement, to deal with no other supplier, or by insisting on supplying their full requirements over a substantial period, then antitrust action will follow—even though the share of the market secured is relatively small.

U.S. LAW IS NOT PERFECT

Nobody pretends that the enforcement of antitrust in the USA achieves perfection. This is an imperfect

world. It is only those who hold some vast, world-transforming faith, such as the final triumph of reason or of the proletariat, who believe that there exists a set of doctrines, which are absolutely correct, by means of which all political and economic problems can be solved, in the same way that the laws of engineering, properly applied, enable you to manufacture a motor-car.

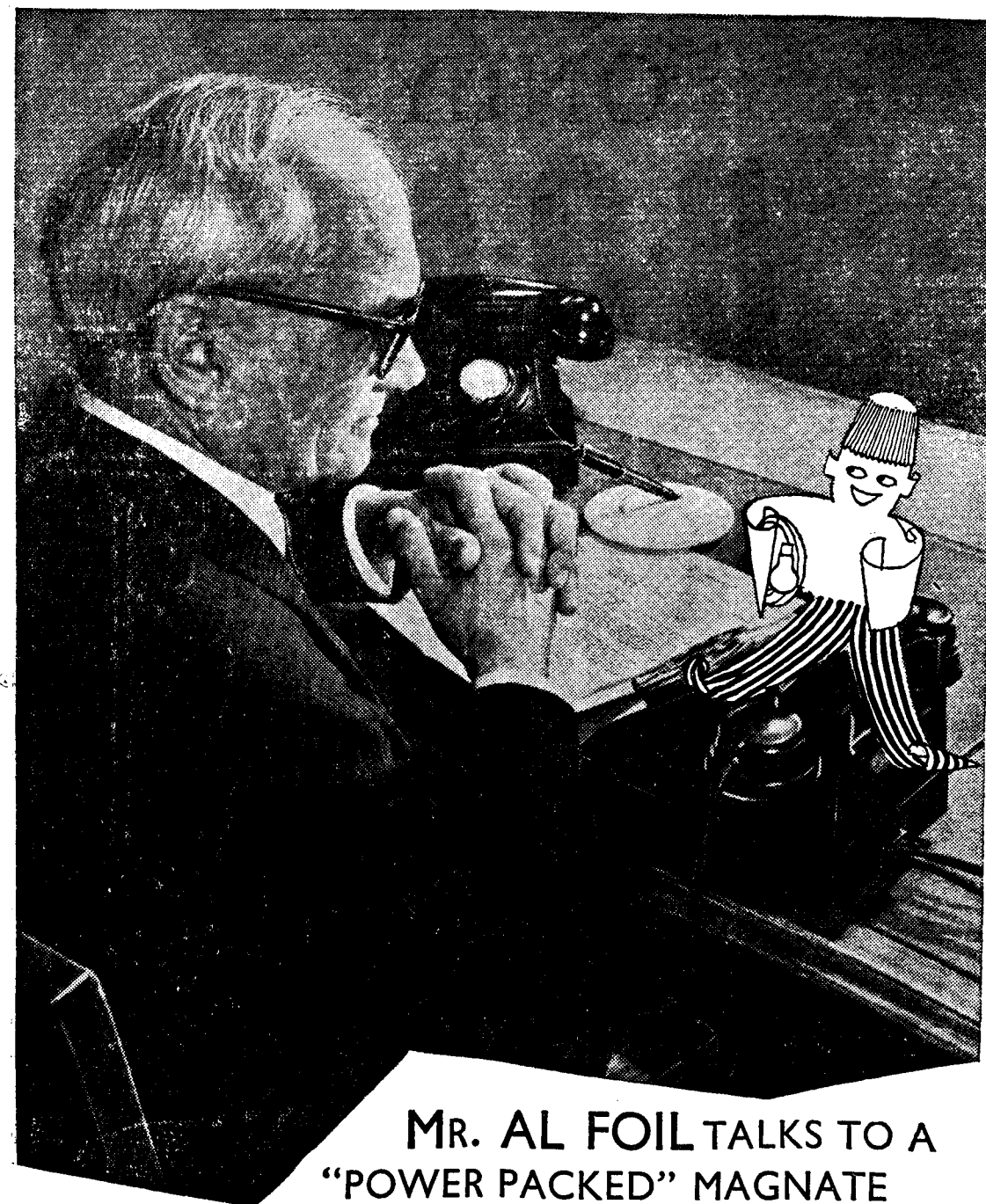
Of course, some US industries succeed some of the time in avoiding price-competition. Of course, the degree of oligopoly in some industries is a barrier to new entrants, or at least reinforces the inevitable barrier created by the large minimum capital and technological requirements of so much industry. Of course, enforcement is not perfect: it is, for example, difficult to get clear evidence of collusion in close-knit industries. Moreover, in this type of law—that of "mala prohibita", an act which is illegal as opposed to "mala in se", an act evil by its own nature—in which no serious moral stigma attaches to offences, self-enforcement may be lax, and except where the case-law is very clear, business men are inclined to go ahead as they think best and argue about the law if, and when, the need arises.

Thus, in the borderland between, on the one side, overt agreements between competitors and outright monopolisation, with which the law can deal effectively, and, on the other side, a situation in which there is enough competition to prevent the excessive accumulation of private economic power—the borderland, in short, of oligopoly—US antitrust succeeds only in approximating to its aims.

US antitrust is, in other words, a workable compromise with the facts of real industrial life, acceptable to American public opinion. Americans believe in private enterprise; they believe that competition in industry is good; they want to make concentrations of private economic power difficult. All the evidence suggests that, as far as is humanly possible, they have succeeded.

Has American experience any lesson for India? I wonder. Antitrust works in the USA because all Americans agree on its aims, and its outstanding aim is not to destroy, but to uphold, private enterprise—not to allow it to enfeeble itself, but to make it alert and progressive by maintaining as vigorous competition as may be enforceable in practice.

The danger in India is that antitrust legislation might be used as an instrument to speed Socialism. The chances are that US legislative precedents would not be followed, and that the model of the British Restrictive Trade Practices Act, 1956 (admirably described in Guenault and Jackson's "Control of Monopoly in the UK", Longmans, Green, London, 1960. Price 25sh) would be adopted instead. As I elaborated in the preceding article, although the UK Act does not prohibit certain practices outright, it is also concerned with trying to decide whether, in any given case, the competitive situation is good or bad for the growth of the economy, whether having regard to the conditions "obtaining or reasonably foreseen", the removal of a restriction would be "likely to have a serious and persistently adverse effect on the general level of employment." Slightly amended by Socialists, the UK Act could bring, one after the other, every firm, and every industry, under the Board of Trade's administrative control.



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The European Scene

FOOD FROM WEST EUROPE

From Our Special West European Correspondent

PARIS, March 5.

THE large food surpluses that have accompanied North American prosperity since the war have begun to appear in West Europe too. This is no coincidence but is closely connected with the renovation of the West European economies and the vast expansion of European industry. In the 1930's and earlier, one thought of agricultural surpluses as a sign of depression (i.e. farmers' sales declined as industrial activity slowed down) or as the result of excessive protectionism. Thus an excess of food in an industrialised country was either an accident or an error; on either view, production of food could be cut back, either by deliberate policy or by market forces, without damaging industrial expansion. No one thinks that now, except, maybe, for one or two particular crops like sugar beet which are easy to grow and sometimes over-subsidised. In general an expansion of agricultural production (and most agriculture in temperate countries is the production of food) is now seen to be an inevitable accompaniment of industrial expansion, which is why it occurred in the USA and Canada, and then in all the prosperous north-west European countries whose industrial progress now matches North American. Since food consumption in all these countries was already well above the subsistence level, the appearance of surplus food is a consequence of industrial expansion.

This is only in part the outcome of policies that one might condemn as mistaken, e.g., the fixing of support prices that must necessarily encourage over-production because higher than what consumers offer. When one sees a noisy lobby securing such support prices one is inclined to regard the operation as banditry. And yet what else can governments do when urban industry is progressing rapidly? On social and political grounds they cannot allow urban revenues to run too far ahead of rural revenues and if they did, industrial progress would be slowed down: the rural dwellers, after all, constitute a large part of the market for the products of industry, and no one is more in favour of high farm incomes than the automobile manufacturers. More rapid economic expansion is possible if industrial gains are more equally spread, as by the method of financing farm subsidies with urban taxes; fast-growing industry can fairly easily bear the burden of higher food costs. The operation would nevertheless be shortsighted if farmers accepted their subsidies and did nothing about increasing productivity. In practice, they do not; they realise that the only permanent hope of equality with industrial workers is to increase farm productivity in pace with the rise in industrial productivity. And then they find that expanding industry gives them the means to do just that: it provides them (granted subsidies give farmers the means to buy on a scale large enough to permit mass production) with cheap implements, the wherewithal of mechanisation, chemicals for fertilisation, pest destruction, etc, low-cost transport and so on. The upshot is that all the countries that have practised price supports for food have been generously rewarded with astonishing increases in farm productivity—which would mean in many cases that the resultant food surplus would persist even if price supports were now moderated.

To those that have, shall more be given. For we arrive at the paradox that in a world where millions are starving and in rags, and where developing countries face the choice between hastening industrialisation and risking food shortages, the small group of advanced nations secure both industrial progress and a

food surplus. To seek to relieve this paradox by destroying surpluses, or by deliberately restricting food output, if necessary, by paying Western farmers not to produce (as in the USA where Mr. Eisenhower still gets his subsidy for NOT growing beetroot on his Gettysburg farm) will seem to most to be simply criminal. Thus the USA preferred to export its surpluses at immense losses or even to give them away, and we know how useful a contribution that has been to the Indian economy, among many others.

The new fact is that the same situation is now in view for West Europe and this will become more evident in the next four years. The thought of getting cheap food from West Europe is, at first sight, an improbable one but if India acts in time and persuades governments to choose the path of expansion and generosity rather than of restriction, very useful quantities of food could be made available on similar terms to the US wheat loans and grants. West Germany has just decided to increase farm subsidies to around 4,000 million DM this year (because it is election year) although the danger of surpluses is already clear. West German farmers have performed the feat of supplying 55 million compatriots with 80 per cent of their food, which seemed impossible ten years ago in a truncated republic that had lost its traditional farmland; and they have done so while reducing their numbers and reducing their acreages, giving men to industry and land to housebuilding. At the present rate of subsidisation, surpluses are inevitable in the near future. They have already appeared in France, where this year there is a 27 per cent excess of wheat, 35 per cent excess of barley, 50 per cent excess of corn, 14 per cent excess of sugar, 5 per cent of wine (leaving Algerian wine out of account), 10 per cent of milk, etc., etc.

Nor is this glut the accidental result of a good year; it was the 1959 drought that was exceptional, whereas food surplus will remain the normal. In a recent prophetic study called "European Agriculture in 1965", the Economic Commission for Europe says that a ceiling on productivity increases has not been reached yet, and European farms will continue to become more efficient despite the fall in prices that is inevitable in most products other than meat. This fall in prices will not stimulate local consumption proportionately: market research shows that a 10 per cent drop in farm prices causes only a 2 per cent rise in demand for agricultural produce as a whole. Between now and 1965 the ECE forecasts that European farm output will rise faster than internal consumption, and concludes, "By 1965 the problem of surpluses will arise in serious form in the cases of several products, especially in Continental north-west Europe." Specifically, it foresees absolute excesses in cereals, notably those used to make bread, in potatoes, sugar, milk, eggs, poultry and wine. The only products where there is no danger of surpluses are beef, veal and pork. Demand for them will encourage diversion of the surplus of cereals from human to animal consumption, but in the Mediterranean countries where the rise in living standards is not fast enough to create higher demand for meat, the surplus of corn will be considerable.

These calculations are confirmed in a study that relates only to France. Total agricultural output has been increasing at 4 per cent a year, and in the next few years it will do so at 4 to 6 per cent a year. A bigger population and higher living standards will absorb only 2 to 3 per cent a year extra, leaving the remainder—i.e., around 3 per cent of present total production—as an absolute surplus. In the case of

fruit, vegetables and wines, the problem will be dealt with by concentrating on quality; there is a surplus of cider apples but no sign of an excess of table apples, a surplus of cheap wine but no chance of an excess of fine wines. In other foodstuffs, however, absolute excesses are inevitable, and some of them are already with us. Only in one case, that of sugar beet, has the Government chosen the path of restriction, and even then it has been strongly criticized; everywhere else it is obliged to permit, if not to go on encouraging, the expansion of output. The West European economies are doomed, by the nature of their economic and political structure, to go on producing surpluses.

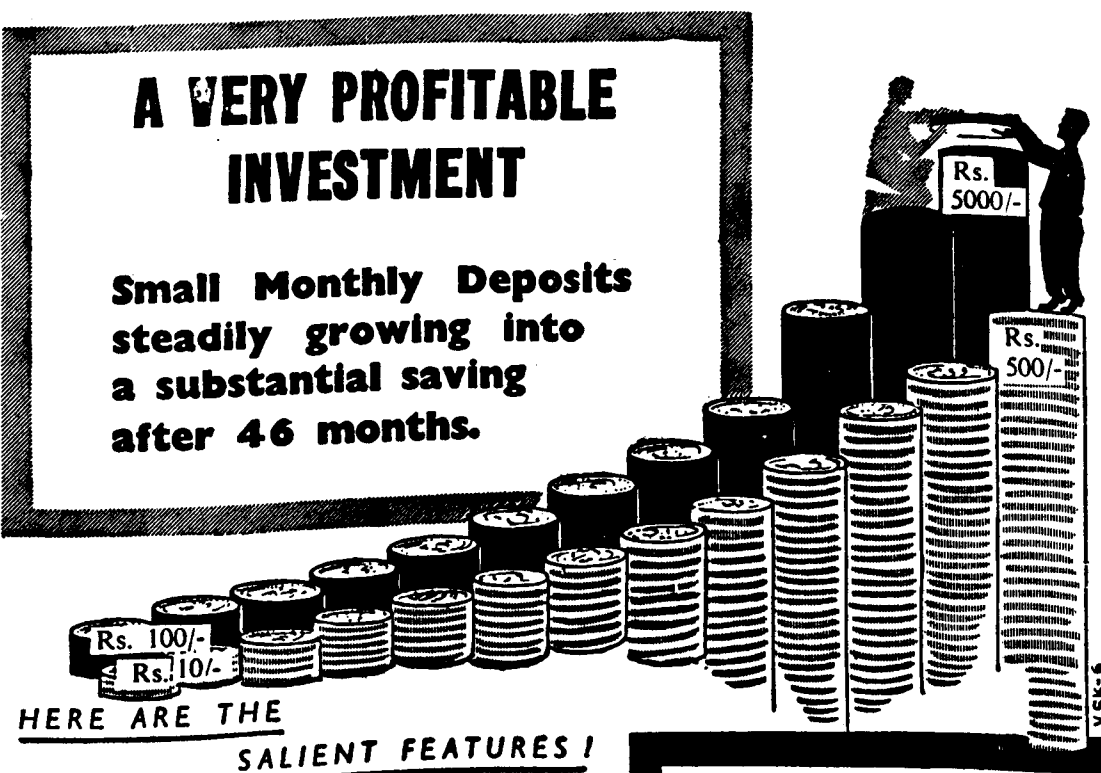
Naturally, these products are too expensive to be sold outside the circle of industrialised countries, except at heavy loss. But the mere fact of being priced at higher than the free international market price does not prove that a line of production is uneconomic, because free market prices are depressed by the large surpluses of North America, themselves produced in just the same way as the new European surpluses. For example, the internal price paid for European wheats (33.81 New Francs per quintal in France, 37.93 NF in the UK) seems high compared with the world price, but in fact is directly comparable with the real cost of growing wheat in North America 32 N.F. in Canada and 32.45 NF in the USA). Wheat prices are low because North America, which had a stock of 496 million quintals on August 1 last) sells at a loss or gives wheat away. The important thing is to persuade European Governments to do the same, as part of their aid pro-

grammes to developing countries, rather than cut back production in a world where so many are hungry.

In other words, they could combine their assistance to their own farmers with their assistance to developing nations. The appearance of surpluses in West Europe as well as in North America might facilitate this by making possible a sort of world bank for agricultural surpluses in which all the advanced nations would participate. It has been suggested that this bank could work in the following way. Each advanced country would set a target quota of food aid, depending on its abilities. To meet that quota it could buy up its own farmers' surpluses at cost price, and not an anna over cost price; what price it paid for the foodstuffs required for internal consumption would be its own affair, but where surpluses appeared it would buy them at cost price and give them to the food bank. If it had no surpluses, it could buy them, again at cost price, from neighbouring countries that did have a surplus, until it had met its quota. This food would be given or lent to developing nations by the bank, and not by one Western government. No Western farmers would be paid not to produce, and their Governments would not go through the present double-loss operation of paying farmers to grow the unsellable and then selling it at a loss while they also give separate grants to developing countries. European farmers are interested in this plan and if governments such as India's are too, they should take it up with European governments before these latter have decided to do with their ever-increasing surpluses.

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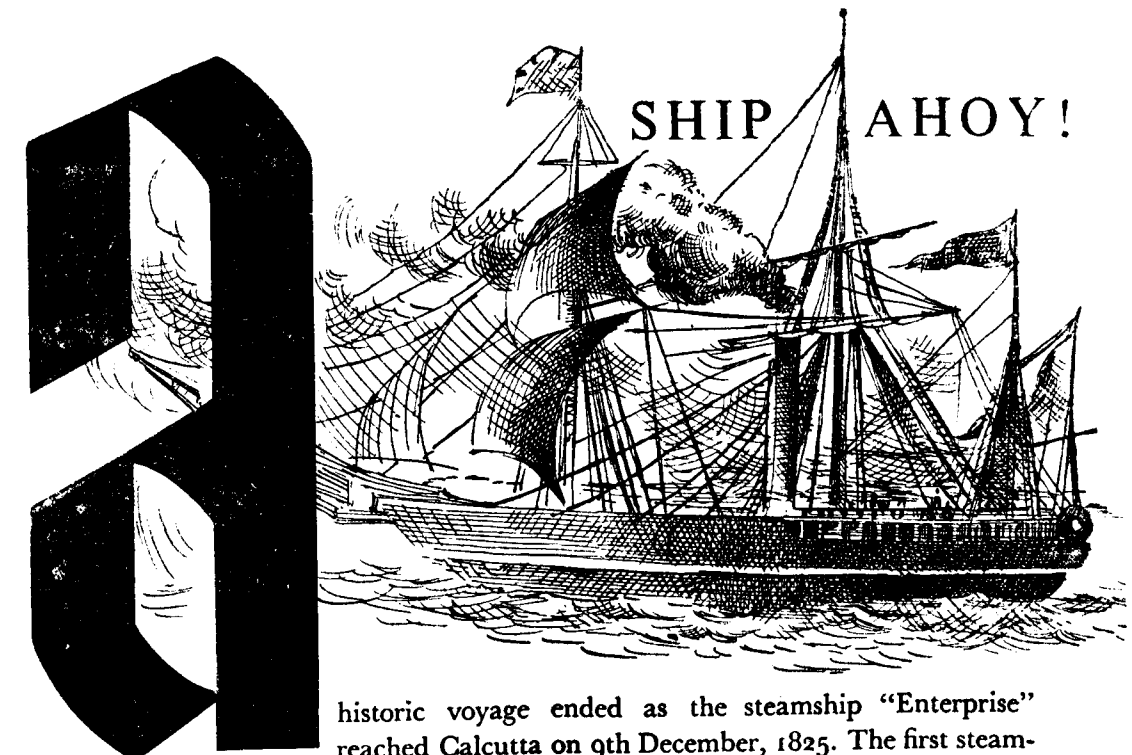
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Economic Report from the U.S.

CONSTRUCTION INDUSTRY

By GUY SIMS FITCH

WASHINGTON, March 1.

ONE of the industries that normally is counted on to support an economic upturn is showing significant signs of strength. This would be the construction industry, including that highly important segment which is devoted to residential building. Contracts for future construction throughout the United States jumped 13 per cent in January to a new high for the month, according to the F. W. Dodge Corporation, leading private research organization in the industry. This represented the sixth consecutive month in which contracts showed an increase over the previous year. Significantly, all three major construction categories—residential, non-residential and heavy engineering—contributed to the January increase. Particularly heartening was the rise reported in residential building contracts, inasmuch as housing activity has been lagging for some time. From a high of 1.6 million in the spring of 1959, the seasonally adjusted annual rate of new housing started dropped to slightly below the million mark in December, 1960. Thus, any upturn in housing, an important business indicator which often precedes general economic movements, is cause for cheer.

At the moment, there is considerable hope that housing starts for 1961 as a whole can be raised to 1.3 million which would represent a gain of about 50,000 over the 1960 level. Achievement of the 1.3 million total would be no easy task, however, for it would mean a steady rise to an annual rate of 1.5 million by the end of the year. There are some experts who believe that the huge vacuum of housing that existed at the end of World War II has been filled—for the time being, at any rate. They cite as evidence the declining demand over the past year or so for single-family homes. This trend seems to have continued in January, according to the Dodge Corporation's figures, which show that most of the rise in residential construction contracts that month was accounted for by apartment buildings and hotels. All indications point to vigorous moves by the Kennedy Administration to confront these difficulties and stimulate a sound upsurge in home building. It is doing this largely by inducing reductions in interest rates on home mortgages, thereby making purchases of new homes more attractive to prospective buyers. Just this week, the Administration initiated a direct effort to bring down the costs of mortgage money. Secretary of the Treasury Douglas Dillon met with four prominent officials of savings and loan associations—financial institutions which are the source of some 40 per cent of all home-mortgage money. The talks have been described as "exploratory", and the Secretary's approach as one of "persuasion". But their objective is clearly revealed in a formal Treasury statement: "The Administration is desirous of seeing long-term interest rates, including mortgage interest rates, reduced at this time in order to help stimulate the economy." Savings and loan associations usually make "conventional" mortgage loans—that is, loans not backed by government insurance or guarantee. Rates on conventional loans have been easing somewhat, and in most parts of the country have declined from about 6 per cent to 5.75 per cent in recent months. However, the Administration evidently would like to see a further and more general dip. The belief is that if the savings and loan groups were to limit their dividend, or interest,

payments to shareholders (or depositors), they could safely charge less for the loans they make.

Both dividend and loan rates are somewhat higher on the West Coast, where capital is in relatively short supply. Hence, Mr. Dillon has held this first meeting with officials of California savings and loan associations. Indications are, however, that the Treasury also will be discussing the matter with savings and loan officials from other parts of the country as well. The Administration already has moved on other fronts to cut borrowing costs. A month ago, for instance, President Kennedy ordered a reduction to 5.5 per cent from 5.75 per cent in maximum interest rate permitted on mortgages insured by the U.S. Federal Housing Administration (F.H.A.). At that time, savings and loan industry leaders offered to co-operate in making home mortgage costs cheaper. Last week, the U.S. Federal Reserve Board (F.R.B.), the Government's principal monetary and credit manager, embarked on a new operating technique designed to drive down the cost of long-term money in general—a move that could affect interest rates on home mortgages also. Response to this operating shift has been prompt, featured so far by a desired and distinct easing of long-term rates. Meanwhile, by relaxing its stress on short-term bills only, the F.R.B. will help keep short-term interest rates up. And this, in turn, can help halt or reverse last year's flow of short-term funds out of U.S. and into foreign capital markets, and thus contribute to an improvement in the international balance of payments of the United States.

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WORLDGRAM

India

India's Foreign Trade in Merchandise in January, 1961: The provisional figures of India's foreign trade in merchandise by all routes — sea, air and land — on private and Government accounts during January, 1961, according to information available in the Department of Commercial Intelligence and Statistics, Calcutta, are given below:

Exports	Rs. 53.84 lakhs
Re-exports	Rs. 70 lakhs
Imports	Rs. 83.42 lakhs
Balance of trade	Rs. —28.88 lakhs
The figures exclude trade with Tibet, Sikkim and Bhutan, and the trade arising in the Andaman and Nicobar Islands and the Laccadive, Minicoy and Amindivi Islands. In the case of Nepal, air borne trade alone is included. The figures are exclusive of the value of certain consignments of private merchandise under reference to the customs for verification and of Government stores awaiting adjustment.	

Table I below brings together the provisional figures for January, 1961, along with similar figures for December, 1960, January 1960 and the revised figures for January, 1960:

Foreign trade in merchandise	TABLE I			
	Jan. 1961	Dec. 1960	Jan. 1960	
			Provisional	Revised
		(in lakhs of rupees)		
Exports	53.84	69.21	51.51	50.82
Re-exports	70	75	53	53
Imports	83.42	75.55	62.53	70.71
Balance of trade in merchandise	—28.88	—5.59	—10.49	—19.36

The cumulative totals for the ten months ended January 1961 are shown along with the corresponding figures for 1959-60 in Table II below:

Foreign trade in merchandise	TABLE II			
	Cumulative totals for ten months			
	April to January			
	1960-61	1959-60	Provisional	Revised
			(in lakhs of rupees)	
Exports	527.24	543.88	531.22	
Re-exports	9.18	4.04	6.51	
Imports	839.38	681.90	781.16	
Balance of trade in merchandise	—302.96	—133.98	—243.43	

Fertilizer Factory at Nangal: Initial production of calcium ammonium nitrate started in the Nangal Fertilizer Factory on the 22nd February 1961 thus marking the birth of the second Fertilizer factory in the public sector after Sindri. The main contracts for the Nangal Fertilizer Project were awarded during 1957-58. A turn-key contract (minus civil works) for the group of fertilizer plants proper beginning from air separation cum ammonia plant and ending with the plant for bagging the end-product fertilizer was awarded on the 10th October 1957. Contracts for supply of equipment for electrolysis facilities were awarded between March 1957 and September 1958. This equipment, covering roughly half the total equipment installed in the factory, has been departmentally erected by the fertilizer Corporation of India Ltd.'s own technical personnel.

Testing and commissioning of the fully erected plant commenced when a minimum supply of power from the first Bhakra generator became available, even though to occasional interruptions, from the 6th of December 1960. Nitrogen and oxygen were first produced on 7-1-61 and hydrogen on 10-1-61 in both cases during the commissioning stage. Ammonia was first produced on 11-2-61; nitric acid on 16-2-61 and finally the first production of calcium ammonium nitrate was achieved on the 22nd Feb. 1961. Electric power is the factory's main material and when the factory operates to its full designed capacity and produces 1,200 tons of fertilizers per day, its consumption of electric power would be of the order of 1,60,000 to 1,65,000 kw. On the basis of the current availability of 50,000 kwts. of firm power, the daily average production of the factory will be limited to 300 tons of fertilizer. This will be gradually stepped up first to 400 tons and then to 800 tons per day as and when supplies of 70,000 kw. and 1,15,000 kw. of firm power, respectively, are assured. The heavy water plant for which a contract was awarded, on 26-11-58, is still under erection and is expected to go into production at the end of this year according to schedule.

Central and State Government Loans: Government promissory notes of the following loans enfaced for payment of interest at Delhi and New Delhi, interest on which falls due for payment during March 1961, will now be accepted by the Public Debts Office, Reserve Bank of India, New Delhi, for payment of interest to facilitate delivery of securities and interest warrants on the due dates.

Central Government Loans

- 3% Conversion Loan 1946.
- 2½% Loan, 1976.
- 3% Loan 1967-68.

State Government Loans

- 2½% Loans 1961.
- 3% Loans 1961-66.
- 3½% Loans 1962.
- 4% Loans 1967.
- 4% Loans 1968.
- 4% Loans 1970.
- 4½% Loans 1969.

West German Assistance for India's Third Plan: Dr. Hans Wilhelmi, Minister for Federal Property in the Federal Republic of Germany disclosed in New Delhi recently that his Government was prepared to make available on a long term basis a sum of DM 400 million (Rs. 45.5 crores) towards India's requirements during the first year of the Third Plan. Of this amount DM 100 million will be untied so as to strengthen India's foreign exchange reserves and will be made available early in the financial year 1961-62. To enable India to start immediately with the placing of urgently required orders, the Federal Republic have agreed already last year to guarantee credits in respect of export transactions and had indicated the possibility of a subsequent consolidation of these credits on a long term basis. The amount so consolidated would be considered part of the German contribution towards India's Third Five-Year Plan. The Federal Government have already recognized the importance to the Indian economy of the Rourkela Steel Plant and its extension. They have noted that this expansion would require foreign equipment and services totalling DM 450 million in value and that orders for the entire

expansion will have to be placed early. The Federal Government have, therefore, promised to help India to obtain appropriate credit facilities in the Federal Republic.

LIC Business in 1960: In a written reply to a question by Mr. Anirudh Sinha, the Minister for Finance, Mr. Morarji Desai, disclosed that the total amount of business completed by the Life Insurance Corporation of India during the calendar year 1960 was Rs. 411.42 crores.

Zonewise figures were:

Northern Zone	Rs. 62.40 crores
Central Zone	Rs. 57.27 crores
Eastern Zone	Rs. 86.86 crores
Southern Zone	Rs. 107.41 crores
Western Zone	Rs. 97.48 crores

The total amount of business completed in foreign countries amounted to Rs. 7.96 crores during 1960.

U.K.

More Aid for Overseas Countries: A parliamentary paper published in London recently shows that the United Kingdom Government proposes to spend over £103 million in aid to overseas territories in the financial year 1961-62. This will be an increase of £8 million over total expenditure being incurred on overseas aid in the current financial year.

Silk Makes a Comeback in Britain: With silk regaining its place as the most glamorous fashion fabric in Britain, India's exports to United Kingdom market have more than trebled over the last three years. For the first 11 months of 1960, India's exports to Britain totalled 38,771 sq. yards of silk fabric, compared with 22,589 sq. yards for the whole of 1959 and 13,193 sq. yards in 1958. Britain's output of silk fabrics last year is put at 4,600,000 sq. yards, compared with 3,200,000 sq. yards a year earlier.

Italy

Highest Dam in the World: The Vajont dam built at Longarone, in the province of Belluno, is the highest in the world with its towering height of 265 metres. It was built by the S.A.D.E. company of Venice. Its 3 metre thick surface stretches over an arc 190 metres long. The dam lies on 23 metres thick foundations. The lake which will be formed by the dam has a capacity of 175 million cubic metres of water.

France

New Trade Agreement With Spain: A new trade agreement was recently concluded between France and Spain. It will be valid for the period November 1960 to 31st October, 1961. The new agreement renews the principal modalities of the agreement dated 5th November, 1959. Some modifications have been made especially concerning the importation of Spanish oranges into France. In addition, new accords have been inaugurated for the importation of Spanish vegetables. No modifications were made concerning French exports to Spain.

Bulgaria

Production of Vertical Hydro-Generators: Bulgarian machine-building has for some time now been producing machinery and equipment for hydro-electric stations. Burziya, Stoudena, Batolovo-2 and many other smaller power stations in Bulgaria are equipped with Bulgarian-made machinery and installations. All hydro-generators turned out so far, however, were

horizontal. This year the production of vertical generators for hydraulic power stations with a rating of 2,000 kVA has been launched. Under normal working conditions each of these generates sufficient power in 24 hours to satisfy the requirements of a small town.

Austria

New Sulphuric Acid Plant Project: Donau-Chemie AG (Danube Chemicals Co.) is planning to complete by the end of 1961 the construction of a new sulphuric acid factory to be erected in Lower Austria on the site of the old Moosbierbaum refinery operated by Osterreichische Mineralol-verwaltung (Austrian Mineral Oil Administration — OMV), which will be closed down after the opening of the large refinery under construction for OMV at Schwechat, Lower Austria. Sulphuric Acid production at the company's new plant on the Danube river will be based on the American Monsanto process, for which Donau-Chemie has already been licenced.

I.M.F.

Assistance to Yugoslavia: The International Monetary Fund is making available to the Government of Yugoslavia upto \$75 million in various currencies held by the Fund. These resources are to be used in support of a programme of exchange reform and trade liberalisation which is designed to strengthen the Yugoslav economy and to facilitate its trade and payments relations with the world economy. In addition to the Fund's assistance, the Yugoslav authorities have obtained assurance of substantial credits from the United States and a number of European countries including Austria, France, Italy, the Netherlands, Switzerland, and the United Kingdom. A consortium of German banks is also considering the credit to Yugoslavia. It is expected that the credit from the United States will amount to approximately \$100 million, and that the total of credits from Europe will exceed this figure. Of the \$75 million to be provided by the Fund, the equivalent of \$45 million may be drawn in a single transaction when the Yugoslav Government puts its programme into effect, in French francs, Deutsche marks, Italian lire, Netherland's guilders, pound sterling, and U.S. dollars, while the remaining \$30 million will be available under the terms of a one-year stand-by arrangement.

I.F.C.

Investment in KSB Pumps Private Limited of India: The International Finance Corporation has announced a commitment to invest US\$210,000 in KSB Pumps Private Ltd. of Bombay, to help finance the construction and operation of a plant at Pimpri near Poona, for the manufacture of special-purpose pumps. Principal shareholder is Klein, Schanzlin & Becker AG (KSB) of Frankenthal, Germany. This firm was formed in 1871 and is today a leading manufacturer of a wide range of pumps, compressors, and valves. Other shareholders are: the Industrial and Prudential Investment co., Ltd. of Bombay, the New India Development Corporation (Private) Ltd.; and a private investor. KSB will be responsible for construction of the plant, and for the Indian company's management and technical direction. Production is planned at about 800 pumps annually, and is expected to begin in 1962. Total cost of the project is estimated at \$630,000 in the U.S. dollars and dollar equivalent. The IFC investment of \$210,000 is in unsecured dollar notes bearing 7 per cent payable in dollars, and maturing between 1966 and 1971. IFC will also be entitled to receive additional interest in rupees related to profits. IFC's commitment is subject to completion of the necessary legal formalities.

NEWS IN BRIEF

INDIAN

The Board of Directors of the Blue Mountain Estates Ltd. have allotted 5,25,000 equity shares issued as bonus shares in December, 1960.

A process on "Benzyl chloride" has been developed at Regional Research Laboratory, Hyderabad. Imports of "Benzyl Chloride" during 1959 were 27,338 lbs. valued at Rs. 29,424.

The British and U.S. investments in India have registered a marked rise during the period 1948 to 1958. The British investments in 1958 were Rs. 398.03 crores as compared to Rs. 206.02 crores in 1948; an increase by 93.2 per cent. The U.S. investments in 1958 were Rs. 59.85 crores as compared to Rs. 11.17 crores in 1948, an increase by 435.8 per cent.

The Central Agriculture Ministry is soon likely to launch a project for providing training in fish processing with the assistance of the Japanese Government.

The Government of India has announced their acceptance of the recommendations of the Central Wage Board for Sugar Industry subject to certain conditions.

From an annual output of Rs. 11 crores ten years ago, the production of industrial machinery in India has risen to well over Rs. 100 crores per year. The value of the output of machinery in 1960 is estimated in the neighbourhood of Rs. 120 crores.

The Government of India allocated a sum of Rs. 370 lakhs for inland fisheries schemes of the States during the Second Plan period and made available loans and grants to the extent admissible under the G.M.F. Rules.

It is reported that contracts for the supply of 5,84,750 tons of fertilizers in terms of sulphate of ammonia to be delivered during March-June, 1961, had so far been placed. The supply during 1960-61 was expected to be 10,86,000 tons in terms of sulphate of ammonia or 42% of the level of demand.

About four million Kw. of electric power could be generated from the water resources in the rivers Chenab and the Jhelum in the Indian territory.

Arrears of income-tax as on March 31, 1965, were Rs. 207.8 crores gross; March 31, 1956, Rs. 233.53 crores gross; March 31, 1957, Rs. 267.33 crores gross; March 31, 1958, Rs. 287.32 crores gross; March 31, 1959, Rs. 152.36 crores effective, and as on March 31, 1960, was Rs. 133.61 crores effective.

The Government of India have sponsored 12 agencies to provide financial assistance in the form of loans and grants to industries in the private sector.

There were 1,943,000 metric tons of food grains in the Central Reserve stock at the end of 1960. This consists of wheat 1,239,000 metric tons, rice 676,000 metric tons, and other food grains 28,000 metric tons.

It is reported that nearly 28 lakh employees of some 7,225 factories and industrial establishments are now members of the Employees' Provident Fund.

FOREIGN

One of the largest exhibitions of foreign stamps in the world. "ifa 1961," will be held in Dusseldorf in December, 1961. This will be the third exhibition of its kind to be held in Germany, previous ones being the "Iposta" (1930 in Berlin) and the "Interposta" (1959 in Hamburg).

As the first project to be executed by the International Telecommunication Union on behalf of the United Nations Special Fund, assistance will be provided for the establishment of a training and research centre for telecommunications and electronics in the Republic of China.

Imports of raw wool into the U.K. in January totalled 75m. lb. (actual weight), the highest monthly figure for a year. Nearly half the total—some 38m. lbs.—was from Australia.

It is reported the American Smelting and Refining Company is cutting back zinc production by 11 per cent—roughly 11,000 short tons—at its refinery at corpus christi, Texas.

Legislation is to be submitted at the current session of the Quebec legislature to allow the Province's Caisses Populaires (credit unions) to invest in corporation stock, which may result in the establishment, in the Montreal area of a steel mill, the first in the Province.

It is reported the High Authority of the European Coal and Steel Community will ask the six member countries to establish or communicate to the High authority before December 31, all freight rates charged for the transport of coal and steel by road, rail or ship.

Peru has entered into a standby arrangement with the International Monetary Fund which authorises it to draw equivalent of \$30 m. over the next 12 months in currencies held by the Fund.

Spain will import oil seed products, coffee and cotton from North and South American countries under bilateral trade agreements. Cotton imports will include 7,350 tons worth \$5 m. from Mexico.

Britain's sugar beet crop last season was the highest ever recorded at 7,215,756 tons. According to the British Sugar Corporation, this represents 883,000 tons of granulated sugar.

Sweden's imports from the U.K. in the second half of last year, the period following the first E.F.T.A. tariff cut, were 7 per cent higher than a year earlier.

The British Petroleum Company has arranged to place a third loan of 60m. Swiss Francs (approximately £5m.) on the Swiss market. The offer for sale to the Swiss public is being made by a Syndicate of Swiss banks headed by the Swiss Credit Bank.

The Yugoslav National Assembly has enacted all the bills and draft legal regulations concerning amendments in the Yugoslav economic system. Among other things, the Assembly enacted the law on distribution of the income and amendments to the law on the banking and credit system.

THE UNITED COMMERCIAL BANK, LTD.

REGISTERED OFFICE: 2, INDIA EXCHANGE PLACE,
CALCUTTA-1.

NOTICE

NOTICE IS HEREBY GIVEN that the EIGHT-EENTH ANNUAL GENERAL MEETING of the Members of THE UNITED COMMERCIAL BANK, LIMITED, will be held at the Registered Office of the Bank at 2, India Exchange Place, Calcutta, on Wednesday, the 5th April, 1961, at 4 P.M. to transact the following business:

1. To receive and adopt the Report of the Directors and the Audited Balance Sheet as on 31st December, 1960 and Profit & Loss Account for the year ended 31st December, 1960;
2. To declare a dividend;
3. To appoint four Directors in place of Mr I. P. Goenka, Mr. Y. N. Mafatlal, Mr. R. L. Nopany and Mr. M. L. Tapuriah who retire under Article 92 of the Articles of Association of the Bank and, being eligible, offer themselves for re-appointment;
4. To appoint Auditors for Bank and its branches for the current year and to fix their remuneration;
5. To consider and, if thought fit, to pass, with or without modification, the following resolution as a SPECIAL RESOLUTION:

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

- (a) The first paragraph of Article 87 of the existing Articles shall be deleted and the following paragraph inserted in its place:

Each Director shall be paid out of the funds of the Company by way of remuneration for his services a sum not exceeding Rs. 100/- for each Meeting of the Board or any Committee of the Board attended by him.

- (b) At the end of the second paragraph of Article 87 the following sentence shall be added:

The Directors shall further be entitled to be reimbursed and/or paid all expenses that may be incurred or paid by them in connection with any business of the Company."

NOTE: (1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.

2. (a) The transfer books of the Bank will be closed from Monday, the 20th March,

1961, to Wednesday, the 5th April, 1961, both days inclusive.

- (b) The dividend, if sanctioned, will be payable on and after the 6th April, 1961, to those members whose names appear on the Company's Register on the 5th April, 1961.

- (c) Dividend Warrants will be posted to the Members at their registered addresses or in accordance with their mandates. Members are requested to advise change in their addresses, if any.

EXPLANATORY STATEMENT REQUIRED BY SECTION 173 OF THE COMPANIES ACT, 1956.

The item of Special Business to be transacted at the Annual General Meeting to be held on the 5th April, 1961, is to consider and pass a Special Resolution seeking to alter Article 87 of the Articles of Association of the Company.

By a special resolution passed on the 9th April, 1958, the remuneration of a Director was changed from a fee not exceeding Rs. 100 for each Meeting of the Directors or any Committee of the Directors attended by him to a fixed remuneration of Rs. 500 per month. By virtue of Section 309(2) of the Companies Act as amended by the Companies (Amendment) Act, 1960, monthly payments to Directors are prohibited. The proposed alteration is to bring the Article in conformity with the provisions of the Companies Act by reinstating the method of remuneration in force prior to the 9th April, 1958.

The second paragraph of Article 87 as it stands at present refers only to expenses incurred in connection with Meetings. It is proper that other expenses, e.g., charges for trunk telephone calls and cost of cables, which may be incurred by the Directors in connection with the business of the Company should be defrayed by the Company. The proposed addition at the end of the second paragraph is intended to enable this to be done.

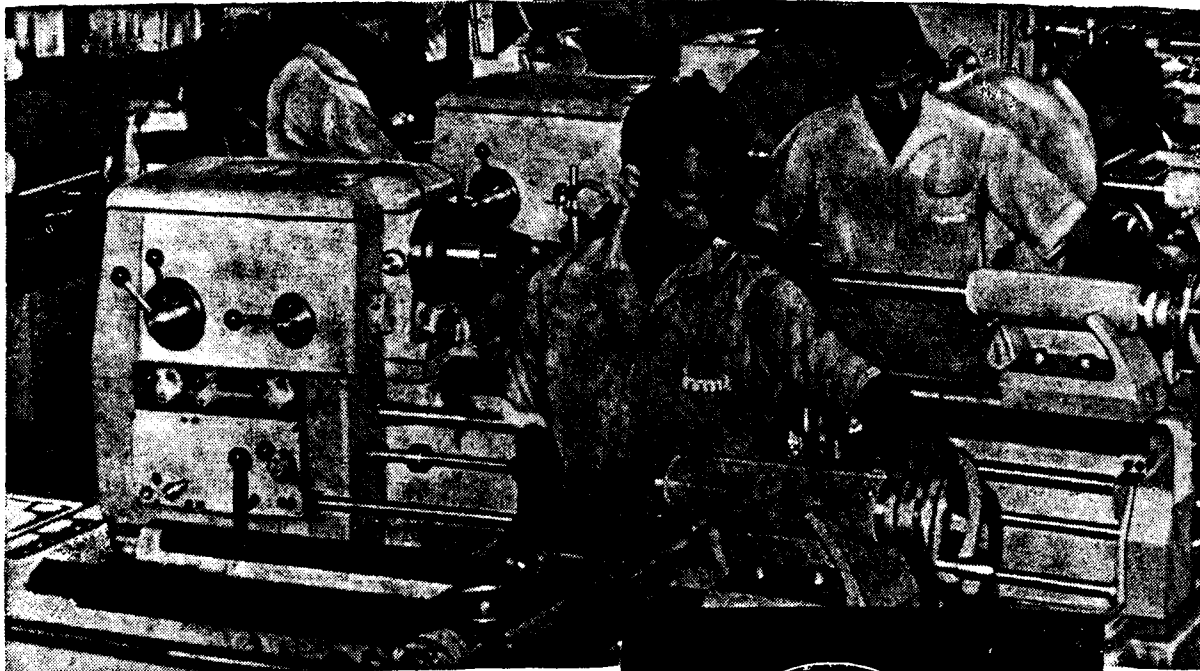
All the Directors are interested in the proposed amendments to the extent that they relate to the payment of Directors' fees and expenses.

By virtue of Section 35(B) (1) (a) of the Banking Companies Act, 1949, the present amendments regarding the remuneration payable to the Directors require the approval of the Reserve Bank of India, which will be sought after the Company gives its consent to the Special Resolution.

By Order of the Board,
S. T. SADASIVAN
General Manager.

CALCUTTA,
1st March, 1961.

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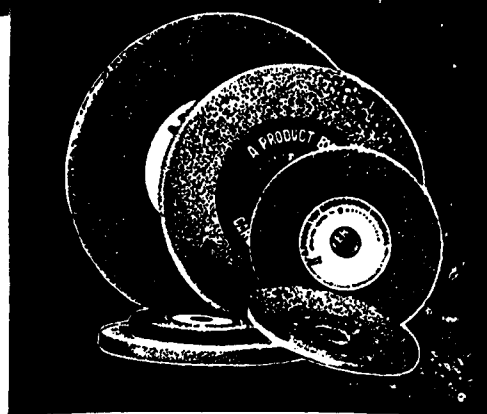
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THE BUSINESS WORLD

The Budget: Reactions in Bombay

By

CROESUS

IF the reactions on the Bombay Stock Exchange are any criterion, the first budget of the Third Five-Year Plan is eminently satisfactory, at any rate from the view of the stock markets. But this is not to say that the budget has been universally welcomed. For, perhaps very few budgets, have elicited a wider criticism from the middle classes, especially the upper middle classes, in particular those holding high administrative positions in business or industry. Barring this, and save for the expected criticism that the large increase in indirect taxation would add to the inflationary potential, it is surprising that, even after imposing fresh tax burdens to the tune of Rs. 60.87 crores, there should be more sympathisers for the Union Finance Minister's unenviable plight in the prevailing circumstances than one would normally expect. The explanation, of course, is that, given a Third Five-Year Plan involving a financial outlay of the dimensions envisaged, an outlay during the budget year 1961-62, that is the first year of the Plan, of Rs. 1,166 crores, and a taxation target for the Third Plan of Rs. 1,100 crores to be raised by the Centre alone, no one could have done better. Actually, to those who had roughly worked out the annual average increases in taxation necessary to collect Rs. 1,100 crores over the five-year period, the total additional taxation of Rs. 60.87 crores came as a surprise, as this amount is at least Rs. 15 crores below their estimates. But, as shrewd students of finance, they must have assumed that the Finance Minister's estimate of the total yield from his tax proposals is, as always, an underestimate. Surprise it was, however, to those that thought the Finance Minister dare not impose such a heavy burden on the eve of a general election. But, then, Mr. Desai had to satisfy not only those in this country clamouring for a still more ambitious plan but also those in the foreign countries who have to decide about the size of the aid to this country that the Government of India are determined to do the utmost to raise internal resources.

Very few, however, have pointed to the need for a far greater economy in civil expenditure than the powers-that-be are prepared to accept as a possible alternative to the present burdensome taxation.

Ignoring this last point and granting all the other considerations as above justifying the spreading of the tax net as wide as Mr. Desai has done, one still finds it difficult to explain certain anomalies in the pattern of taxation, such as tax on imports of capital goods and components and reduction in the development rebate in the context of the Government's declared policy of encouraging industrialisation. Take, again, the admittedly unhealthy innovation of subjecting an industry to pay excise duty on both the intermediate raw material and the finished product manufactured by it, as in the case of the cotton textile industry and perhaps also the rayon industry (units producing their own caustic soda). Perhaps Mr. Desai may say, it is only an extension of the same practice as double taxation of shareholders! Consider also the anomaly of the Finance Minister's categorically declaring that

"throughout the next five years, it must be our endeavour to keep the pressure of prices under check" and his selection, at the same time, of commodities constituting basic needs for raising additional revenue, which cannot but lead to higher prices. This is, of course, apart from the apparent contradiction implicit in a promise of higher standard of living, on the one hand, and a determined drive to discourage consumption, on the other, as in the case of kerosene. On a detailed examination, therefore, of all the tax proposals, one school of opinion has observed that Mr. Morarji Desai has attempted the impossible task of pleasing every body by a fine balancing of reliefs and burdens alike. Both in refusing to do away with financially unfruitful imposts like the Wealth and the Expenditure Taxes and in not offering concessions to the hard-pressed middle classes, the Finance Minister has shown that his budget is no less political than economic.

Banking circles are somewhat sceptical of the success of the large borrowing programme proposal. A target of Rs. 235 crores for 1961-62 in the face of an actual fulfilment of less than Rs. 200 crores, including prize bonds, as against a target of Rs. 250 crores for 1960-61 is not at all understandable. But, if this target is fulfilled, it is bound to lead to a severe shrinkage in the capital market for the private sector. According to informed quarters, money in 1961-62 will be tighter than even during this year. What Mr. Desai and his advisers seem to have forgotten is their student-day arithmetical problem of a cistern with two taps, an inflow tap and an outflow tap, the latter having a greater velocity. Our savings pool after all is not bottomless to permit of a simultaneous drain by both the public and the private sectors on the scales proposed.

To turn now to the reactions to few of the individual proposals. Let me begin with the corporate sector. This sector has had a mixed bag of concessions and burdens. While the decision to reduce the tax on bonus issues is a welcome, albeit partial, response to a long-standing demand, Mr. Desai has taken away the grace from his gesture by not going the whole hog, that is do away with this tax altogether, even in respect of bonus issues out of taxed profits. Also, even with the established fact of a higher yield from corporation tax, contrary to official forecasts in the past, the Finance Minister has not cared to say a word about reducing the incidence of this tax. But, instead, this sector is called upon to accept a reduction of 5 per cent in the Development Rebate with effect from the new financial year. Whether to mitigate the effect of this or out of deference to the Tyagi Committee, Mr. Morarji Desai has allowed a successor company, when one company is amalgamated with another, or a firm is converted into a private company, the development already allowed to its predecessor to continue. Again, more psychological than substantial is the relief in respect of the tax on dividend on inter-corporate investment based on the element of foreign participation. The concession in respect of foreign technicians, the

reduction of taxation of royalties payable to foreigners, and the initial depreciation allowance of 20 per cent of the actual cost in respect of buildings erected by the employer for low paid employees have all been welcomed. But one concession that does not seem to have received much notice is the proposal to allow as a deduction an amount not exceeding 10 per cent of the total income of a financial corporation if appropriated to a special reserve account until such account approximates the paid-up capital. It is not clear, however, whether this concession applies to investment corporations also.

Of all the industries, the textile industry and the tobacco industry seem to hold particular fascination for all Finance Ministers. But, in this budget, the textiles have had a worst treatment than even tobacco. Thus, the cotton, woollen, silk, and art silk industries are called upon to pay between Rs. 12.75 crores out of a total of Rs. 60.87 crores, or around 20 per cent! Singling out one industry, especially the cotton textile industry even after it has submitted to all the pressures of the power-that-be, is difficult to understand.

The tea export trade must feel gratified at the reduction in the export duty on tea, but the industry as

a whole cannot be said to benefit much because of the increase in the rates of excise duty that have been effected to make up for the loss on export duty. A curious justification it must seem, at any rate to coffee drinkers, to find the Finance Minister solemnly saying that he raised the duty on coffee "to keep the incidence of duty on this commodity on more or less the same level as on tea for which an average increase of 33 per cent in the rates is proposed by notification". Surely, the circumstances affecting tea and coffee in India are not the same today. No sane person would think of imposing a burden on a commodity like coffee, which has not been faring well either on the export front or on the domestic front, the trouble being strong buyer-resistance. Some purist public financiers have posed the question, whether the new taxation proposals satisfy one of the three main essentials of a sound taxation policy, viz. simplicity. If the complaints of the excise staff about the extra responsibilities suddenly thrust on them as a result of the new excise duties, if the additional number of units brought under excise control number as many as 800 and if the incidental expenses of administration are estimated to cost Rs. 10.55 lakhs per annum, according to the Finance Bill itself, the new proposals can hardly be described as simple. In fact, our whole taxation pattern is tending to become more and more complex and complicated.

Power Planning in Gujarat

THE pattern of power development in the country has effectively established the truism that there can never be too much power in any country. What we have witnessed during the last many years has been that, once power is made available to any area, subsequent expansion has been of such a galloping nature as to confound even the most robust optimists. The power shortages we have been hearing from various parts of the country have only served to confirm the experience of veteran electrical engineers that, although load may initially have to be based on potential demand, eventually, it is the demand that will influence and determine the load.

Although by reason of this peculiar characteristic of the industry, power shortage has become a fairly general phenomenon in almost all the Power Systems in the country, the palm for power shortage must go to Gujarat. And, as far as Gujarat is concerned, it is also true to say that this situation is, to a large extent, man-made, as I shall presently explain.

The main source of power in the industrial region of Gujarat—the City of Ahmedabad and its environs—is the Sabarmati Thermal Power Station operated by the Ahmedabad Electricity Co. Ltd. The record of service of this Company, until very recently, at any rate, has been one of power capacity always being ahead of demand. Unfortunately, this happy record of progressive policy suffered a serious setback, when valuable time was lost over a sterile agitation in determining the type of plant to be installed for the Company's new project. To some extent, the difficulties were also accentuated by the delay in the release of foreign exchange by the Government of India. Nevertheless, with the original conception of the Company to proceed simultaneously with both the stages of its new project, the time lag in the commissioning of two 30 MW sets (incidentally the foreign exchange component of the first set has been taken care of by the DLF Loan) forming part of the project could certainly have been minimized. In the event, however, finalization of the second stage of the project was delayed by certain wiseacres holding the view that power shortage would not afflict the area before 1964-65! The creation of the separate Gujarat State and the consequent accelerated development in that region has certainly proved these quarters to be wrong.

Again, it is the pigheadedness of some in power who were responsible for stalling thermal power development that is putting Gujarat in a power predicament today. This section which, for the sake of convenience, may be described as the "hydro lobby" must take the entire blame for soft-peddling thermal development in the State. If investigated, this episode, I understand, would produce quite interesting results. It is common knowledge that, for the present at any rate, Gujarat has next-to-no hydro development. True the State has some potentialities in this respect if the waters of the Narbada are harnessed. Also to a certain extent, seasonal power would be available from the proposed Ukai Project. But these projects are long-term in character, and I am at a loss to understand how even the most ardent hydro enthusiasts could consider stalling thermal development in the meantime to sustain hydro development which is yet to become a reality.

My researches into power shortage have revealed that at one stage, an ambitious project to run an express transmission line between Bombay and Ahmedabad was mooted, involving the Central Government itself financing some portion of it. The then Bombay authorities, I believe, were very keen and would only have been too glad, to spare some part of the Koyna power to Gujarat, but it would appear that certain superior intellects in Gujarat thought then that such a line, if installed, would come in the way of the State creating its own power facilities! It is not unlikely that at the altar of the concept of owning a power station like the proposed Cambay Thermal Power Station the long-term interest of the State was thus sacrificed. Now, while Gujarat is willing, nay anxious, to have a greater quantum of power, Maharashtra seems loth to consider releasing any power, having regard to its own pattern of load growth.

The proposed Cambay Thermal Power Project would certainly add to the power potentialities of Gujarat sizeably. But much would depend upon the project coming to fruition earlier in 1964. Present indications, however, are that to attempt to achieve this time limit would be to cut it too fine.

Business Notes

State Bank

STEADY PROGRESS

MR. P. C. BHATACHARYA, Chairman of the State Bank of India revealed at the annual general meeting held in Bombay that after making usual provisions, the bank's profit in 1960 showed an increase from Rs. 1.87 crores to Rs. 2.18 crores. Incidentally, this enables the bank to restore the net dividend that was previously available to shareholders. The deposits declined by Rs. 6 crores from Rs. 563.4 crores in December 1959 to Rs. 557.4 crores in December 1960. The entire decline was accounted for by time deposits which fell by Rs. 34.5 crores (9.7 per cent) to Rs. 320.5 crores over the whole year. This obviously, is a matter of concern, even after making allowance for the transfer of PL 480 deposits to the Reserve Bank, in view of the demand for an increasing bank credit. It is to be noted even during the slack season the contraction in the bank credit was much smaller compared to the previous year. Other financial details would be found in the speech of the Chairman published elsewhere in this issue.

So far as the Bank's expansion programme is concerned, it may be recalled that under Section 16(5) of the State Bank of India Act, the Bank was required to open not less than 400 branches within a period of five years from July 1, 1955 or such extended period as the Government may specify. It is a matter of gratification that the Bank has fulfilled that obligation without obtaining extension of the period which was permissible. In this context, it may be mentioned that a sum of Rs. 32,94,654 was debited during the year to the Integration and Development Fund in respect of the year 1959, in order to meet partially the loss incurred at the Bank's new branches. But this is a price of expansion particularly in virgin areas.

The Bank's scheme for the provision of co-ordinated finance to small scale industries recorded good progress during 1960. The number of industrial units assisted and the limits sanctioned increased during the year by 63.8 per cent and 69.2 per cent to 2,451 and 782 lakhs respectively, while the amount outstanding rose still faster, by 106 per cent to Rs. 366 lakhs. A start was made during the year in the use of refinance facilities offered by the Refinance Corporation for Industry Private Ltd. The Bank's procedure relating to the grant of advances against warehouse receipts was further simplified during the year. As on September 30, 1960, the credit limits sanctioned by the bank against warehouse receipts aggregated Rs. 215.7 lakhs as against Rs. 104.4 lakhs as at the end of September 1959.

Engineering Goods

EXPORT PERFORMANCE

INDIAN ENGINEERING goods are beginning to gain a foothold in the export market and this is largely due to their competitive merit. Mr. A. K. Bhattacharya, Chairman, Engineering Export Promotion Council, indicated recently that as against the export target of Rs. 8.50 crores, the engineering goods had earned foreign exchange to the extent of Rs. 10 crores during 1960. Some of the important items are:

	1959	1960
	(Rs. lakhs)	
Electric fans and parts ..	39	89
Sewing machine and parts ..	31	54
M. S. pipes ..	2	21
Screws ..	0.50	12
Cutlery and stainless steelware ..	10	18
C.I. pipes and other castings ..	12	22
Diesel Engines ..	13	22
Oil mill machinery ..	12	13

Engineering goods from India have been well received in industrialized countries like the U.K., West Germany, Holland, Yugoslavia and the United States,

apart from the South-East Asian and West Asian countries. It appears that lower production cost in the manufacture of items like sewing machines, diesel engines, etc. has helped the Indian exporters to compete with the established producers. It must also be said to their credit that the end-products have been of fairly good finish.

Mr. Bhattacharya was of the opinion that Indian engineering goods could certainly be exported to the extent of Rs. 30 crores a year if producers were "provided with facilities and incentives which their competitors from other countries received from their respective Governments." As an instance he pointed out that in Japan the income-tax is levied only on 40 per cent of the profit earned on sales outside the country. This measure provides the exporters a relief to the extent of 3 per cent of the total exports. In view of the foreign exchange shortage which the Indian economy is experiencing, engineering exporters do need facilities to intensify their efforts.

Corporate Sector

COMPANY REGISTRATIONS

ONE EVIDENCE of the impact of planning in India is the increasing number of companies that are coming into existence in the private as well as public sector. During the calendar year 1960, a record number of 1641 new companies with a total authorised capital of Rs. 288 crores was registered as against 1,399 new companies with total authorised capital of Rs. 169 crores registered during 1959. Ever since the enforcement of the Companies Act from April 1956, over 5,600 new companies have been formed with a total authorised capital of Rs. 983 crores. The total paid-up capital of the companies at work increased by about Rs. 625 crores between April 1956 and end 1960. Of this increase in paid-up capital, approximately Rs. 425 crores were in the Government sector. As far as new registrations in 1960 are concerned, 141 were public companies, with authorised capital of Rs. 158 crores. The remaining 1500 companies were private and had a total of authorised capital of Rs. 130 crores.

As between the regions it seems the new registrations helped to bring about a balanced growth in the Indian economy. The new registrations were more and more in the northern and southern regions which were comparatively less-industrialised before 1956. In 1960, the Southern Region comprising Madras, Andhra Pradesh, Mysore and Kerala accounted for 437 companies. The Eastern Region comprising West Bengal, Bihar, Orissa, Assam, Manipur and Tripura accounted for 467 new companies, while in the Western region consisting of the composite State of Bombay and Madhya Pradesh, 425 new companies were registered. In the Northern region, comprising the Punjab, Himachal Pradesh, U.P., Rajasthan and Delhi, also the position has improved from 203 new companies in 1958 to 235 in 1959 and 312 new companies in 1960.

As regards the forms of management, of the new companies registered in 1960, 1038 companies have proposed to be run directly by the Board of Directors, whereas 574 companies have proposed to be managed by Managing Directors. Only 22 companies expressed themselves in favour of appointing Managing Agents. The number of companies that have chosen to be managed by Secretaries and Treasurers, and Managers, was 8 and 4 respectively. Of the 5638 companies registered during the period commencing from the enforcement of the new Act to the end of December 1960, only 66 companies have favoured the managing agency form of management, 13 have gone in for secretaries and treasurers and 10 for the new statutory managerial class of managers. It is seen that no less than 3897 companies out of a total of 5,638 have proposed to be run directly by boards of directors and 1642 by managing directors.

FROM THE CAPITAL'S CORRIDORS

THE BEAS PROJECT

DETAILS are now available of the project planned for harnessing the irrigation and power potential of the river Beas. The project consists of the following two units:

Unit No. 1: The Beas-Sutlej link for diversion of Beas waters into the Sutlej to avail of 1,000 feet fall en route for generation of electric power and extension of irrigation facilities to the arid tracts lying to the South and South-West of Punjab.

Unit No. 2: The Beas Dam at Pong.

A detailed project report of the first unit is under preparation. This unit is expected to cost Rs. 80 crores and will take about eight or nine years for completion. Installation of the power plant included in this unit will, however, be phased for completion earlier according to the development of load demand in the region.

The second unit is estimated to cost Rs. 92.65 crores. In this unit is included construction of a dam on the river near the village Pong, about 24 miles from Mukerian, to impound the seasonal flow of water in a reservoir having a live capacity of 5.5 M.A.F.

The project will ensure extension of perennial irrigation facilities to about 5 million acres of land in Punjab and Rajasthan. Power potential of the project would be nearly 240 MW.

The Pong reservoir will extend to 23 miles upstream the dam site and will submerge about 58,000 acres of land, out of which 28,000 acres are culturable. A number of villages would be submerged. The Pathankot-Jogindernagar metre-gauge railway line would be submerged from mile 28 to 43 and shall have to be realigned above the maximum reservoir level. A fair weather unmetalled road from Talwara to Dera Gopipur, on the left bank of the river, would also be submerged in two reaches for a length of about 11 miles. On the right banks, the road from Nurpur to Dera Gopipur via Jawali and Raniyal would also be submerged in a number of reaches. About 9,400 families (approximately 70,000 persons) are likely to get displaced.

The proposed design of the dam envisages building of an earth and rock fill 325 feet high above the river bed on the right side and construction of a concrete semi-hollow deck slab buttress type dam 250 feet high on the left side. The central 463 feet length of the concrete dam will serve as an over-flow spillway controlled by eight radial gates. The spillway is designed to pass a maximum flood of 650,000 cusecs. It will take about 8 years to finish the construction work.

A project report for this unit was prepared by the Punjab Government. It is now under revision in the light of the latest technological advice and hydrological studies.

Pending finalisation of the project reports for both the units, a provision of Rs. 49 lakhs in the revised estimates for 1960-61 and Rs. 350 lakhs in the Budget estimates for 1961-62 have been made by the Union Finance Minister.

For the execution of the Beas Dam Project (Pong), the United States Government has promised a loan of \$53 million and the World Bank a loan of \$23 million.

HEAVY VESSEL PLATES AND STRUCTURALS PROJECTS

Some last minute hitch appears to have developed in the negotiations that the Government of India has been having with Dary Ashmore for securing technical consultancy services for the Heavy Vessel Plates and Heavy Structural Projects. Enquiries show that the fees demanded by Dary Ashmore are considered to be rather on the high side. The view held in New Delhi appears to be that foreign collaborators should not attempt to make all their profits from one project only; they should widen the base of their operations by

charging fees which are not only reasonable but also competitive.

Some difficulty is also being experienced in arranging foreign financial assistance for these projects. The British credit from which these projects were to be financed is so phased that there will not be adequate funds available for them.

MEKONG RIVER PROJECT

The Government of India has decided to actively participate in the Mekong River Project which will bring prosperity to the areas lying within Laos, Thailand, Cambodia, and Vietnam. This was announced by President Rajendra Prasad in his inaugural address to the 17th session of the UN Economic Commission for Asia and the Far-East. The session is currently being held here.

India will contribute Rs. 12.5 lakhs for carrying out comprehensive examinations to prepare a project report for a barrage to be constructed in the Tonle Sap sector of the Mekong River Valley. The President described this project as an illustration of international co-operation achieved through ECAFE.

EXPANSION OF CALCUTTA

A provision of Rs. 10 crores on Central Government account, it is understood, is being made in the Third Five-Year Plan for expansion, and improvement of Calcutta under a master plan for the city. A similar provision is likely to be made in the Plan for the West Bengal State.

The Hoffman Mission, it may be recalled, had suggested an outlay of Rs. 200 crores for expansion of Calcutta. The West Bengal Government, in co-operation with the World Health Organisation, has made some studies on the problems of the city which will be integrated into a master plan. It has requested the Ford Foundation to arrange for a team of experts to be sent to Calcutta to assist in the preparation of the scheme.

No approach for funds has been made so far to the World Bank or to any other agency to meet part of the expenditure to be incurred on the scheme. Some assistance will, however, be had from abroad when the master plan is ready.

IFC INVESTMENTS IN CAPITAL STOCKS

According to advices received from Washington, Mr. Robert L. Garner, President of the International Finance Corporation, has announced that a resolution to amend the IFC Charter to permit it to make investments in capital stocks is being submitted to the Corporation's Board of Governors for its approval. Hitherto, the Charter has been preventing the IFC from making such investments.

AID-INDIA CLUB MEETING

The World Bank, it is learnt, will be circulating shortly two papers—one dealing with the economic situation of India since the study conducted by the Hoffman Mission and the other dealing with the various Third Plan projects for which external assistance would be required—among the Aid-India Club members for their guidance. These papers will contain an assessment of the World Bank regarding foreign aid requirements of India's Third Plan. They will also suggest how this aid should be provided.

Meanwhile, another World Bank Mission is expected to arrive here on March 12 to study the development programme of railways under the Third Plan. This Mission, which will include six experts from Canada, will study the management and organisation problems and the accounting system of Indian railways and will suggest ways and means to improve their working.

The World Bank teams which visited India during the past few months to study the problem of coal

movement and development of roads and ports are understood to be busy with writing their reports in Washington.

DIESELISATION OF INDIAN RAILWAYS

The Government of India has accepted a tender submitted by the General Motors, USA, for supply of 40 broad-gauge diesel locomotives. Orders for 60 metre-gauge diesel locomotives have also been placed with the US manufacturers. Their purchase will be financed with a loan from the Development Loan Fund.

It is proposed to have diesel traction for goods trains on about 3,800 miles of busy sections during the Third Plan period for movement of coal, raw materials for steel plants and other through traffic.

DIESELISATION OF ROAD TRANSPORT

The greater portion of commercial vehicles operating in India at the end of the Third Five-Year Plan are likely to be diesel-driven. Commercial road transport throughout the world has been rapidly changing over from petrol to diesel-driven vehicles during the last few years. In this country also production of petrol-driven vehicles has been practically stopped, and the four commercial vehicle manufacturers are now concentrating on production of diesel vehicles only. Conversion of old petrol-driven vehicles into diesel driven vehicles is also taking place at a rapid pace.

BADRAVATI STEEL WORKS

The Government of India has approved a Rs. 7 crores expansion programme for the Mysore Iron and Steel Works. The programme envisages setting up at the works an LD plant, an electronic furnace, a billets and light structurals mill and expansion of the foundry and electric supply resources. The expansion programme when completed will raise the production of saleable steel at this works to 85,000 tons per annum.

This expansion scheme was included in the Second Five-Year Plan but could not be undertaken due to some difficulties. Orders have now been placed for the import of plant and machinery required for setting up the LD plant, electric furnace and billets and structurals mills. Work is simultaneously going on for the expansion of the foundry and on the other related programmes.

The Government of India has agreed in principal to Mysore Government's request for financial assistance for this expansion programme. The Central Government will provide assistance in the form of participation in the equity capital of the company and in the shape of a loan to the Mysore Iron and Steel Corporation which is being set up to handle this steel-works. A provision of Rs. 25 lakhs has been made in the next year's Budget estimates for purchase of shares of the proposed Corporation. Besides, a provision of Rs. 1 crore has been made in the Budget estimates for grant of loan to the Corporation.

BHILAI STEEL PLANT

Hindustan Steel Limited proposes to invite a top level expert from the Soviet Union to advise on efficient management and organisation of production at the Bhilai Steel Plant, set up during the Second Plan period with Russian aid. The expert will be called upon to suggest in particular the outlines of a system of periodic departmental returns and reports within the works for the management, general information and control purposes.

DURGAPUR FERTILIZERS

West Bengal Government, it is understood, is now negotiating for technical collaboration for setting up a fertilizers manufacturing factory at Durgapur with a consortium of American firms.

Meanwhile, the Government of India has taken the decision to invite tenders from British firms for

setting up the Nahorkatyia fertilizer factory. The main raw material to be used at this unit will be the refinery gases. Part of the British credit made available for the Third Plan will be utilised to finance this project.

FOREIGN ASSISTANCE FOR COAL MINING

Assistance from abroad, especially from the United States, the United Kingdom, France, West Germany and Poland, is being sought in respect of certain difficult aspects of open-cast and underground mining and erection and maintenance of Central workshops and washeries. Some offers have already been received from the first four countries; these are being considered by the Government of India. A technical team from Poland is at present studying the problems of deep shaft mining of coking coal in Jharia coalfields. It will be some time yet before final decisions are taken as to the scope and mode of assistance to be availed of from each of these countries.

In addition, an open-cast mine, two underground mines and a workshop in the Korba coalfield, and two washeries—one in Kathara and the other in Karanpura—are to be established with the credits offered by the U.S.S.R.

The following projects are likely to receive the highest priority: (i) underground mining of thick and steeply inclined seams in Kathara, Karanpura and Jangdih; (ii) open-cast mining of coking coal near Ramgarh; (iii) deep shaft mining of coking coal in Jharia.

MORE MACHINE TOOL FACTORIES

Mr. Manubhai Shah, the Minister for Industry in the Union Government, stated in the Lok Sabha last week that the German Democratic Republic (East Germany) had offered to collaborate in setting up a machine tool factory in India. A draft agreement, he added, had been drawn up setting out the terms of collaboration. The agreement is proposed to be signed in East Germany after an Indian delegation has visited the Leipzig Fair. The delegation would also select the class of equipment which would be taken up for production at this factory.

Mr. Shah further said that a Calcutta firm, recently licensed for manufacture of machine tools, had put up a proposal to enter into technical collaboration with an East German firm for the manufacture of lathes. The proposal is being examined by the Government.

Mr. Shah also disclosed that the question of setting up two medium type machine tool factories in the public sector during the Third Five-Year Plan was under consideration. The Hindustan Machine Tools Limited have been entrusted with the task of drawing up project reports for setting up these factories. The estimates of costs, selection of sites, etc., are under examination by the Hindustan Machine Tools.

THIRD PLAN POWER PROJECTS

Preliminary work on seven Third Plan power projects, having a total installed capacity of 885,400 kW., has been authorised to be started. Two of these projects, Kundah Stage III Extension Scheme and Mettur Tunnel Power Scheme, with installed capacity of 240,000 kW. and 1,00,000 kW., respectively, are located in Madras State. In Kerala, Pamba-Kakki Hydro-electric Scheme will generate 300,000 kW. of power. The Cambay thermal station, with an installed capacity of 150,000 kW. is in Gujarat, and Khaperkheda thermal station extension, with 30,000 kW. capacity in Maharashtra. In Assam, the Naharkatiya power station will produce 50,400 kW. of power. The Barauni thermal station extension scheme will produce 15,000 kW. of power in Bihar. The power generated at these projects will be largely used for industrial development of the country.

ATOMIC ENERGY

In order to produce the requisite quantity of fuel elements required for the first atomic power station to

be set up at Tarapore, the capacity of the existing Uranium Metal Plant and the Fuel Fabrication Facility Plant at Trombay is envisaged to be increased four-fold. This expansion scheme, estimated to cost Rs. 2.5 crores, is included in the Third Five-Year Plan. The Budget estimates for 1961-62 contain a small provision for meeting the preliminary expenses of this programme.

A By-product Recovery Plan (Project Phoenix) is also being set up for treating irradiated fuel elements and extraction of valuable by-products therefrom. This project will cost about Rs. 2.56 crores—Rs. 1.27 crores on account of equipment and Rs. 1.29 crores on account of civil engineering works, erection charges, etc. The work on the construction of the building to house the plant is in progress. Orders for a substantial part of the equipment have been placed. The plant is scheduled to be commissioned in the financial year 1962-63.

It is also proposed to develop fully during the Third Plan period the Jaduguda Mines (the principal source of uranium ore in India) so as to enable the production of sufficient quantities of uranium ore from which the necessary uranium metal for atomic energy development programme will be produced. A small provision has been made in the Budget estimates for 1961-62 for meeting the preliminary expenses of this scheme. The scheme is estimated to cost Rs. 4.5 crores.

The Plan also envisages setting up of a Uranium Ore Mill, with an ultimate capacity of 1,000 tons per day, for treating the ore mined at Jaduguda Mines. This mill will cost about Rs. 4.5 crores and will take three years for completion.

STEPPING UP COTTON CLOTH OUTPUT

The target of 9,300 million yards of cotton cloth fixed for the Third Five-Year Plan is proposed to be achieved by taking the following steps:

- (1) Adequate expansion of the spinning sector of mill industry to ensure the supply of 2,250 million lbs. of yarn, which will be required to produce 9,300 million yards of cloth.
- (2) Intensive working in the decentralised sector.
- (3) Some expansion of the weaving side of the mill sector.

WOOLLEN INDUSTRY'S REHABILITATION PROGRAMME

The decisions of the Government of India on the Report of the Working Group set up by the National Industrial Development Corporation to draw up a programme for rehabilitation and modernisation of the woollen industry have been published.

Some of the major recommendations made by the Working Group have been broadly agreed to by the Government. In its unanimous Report, the Working Group had emphasized the urgent need for rehabilitation and modernisation of the woollen industry within a period of 5-6 years. The Group has assessed the total cost of the rehabilitation programme at Rs. 11.25 crores, consisting of Rs. 10.25 crores for plant and machinery and Rs. 1 crore for land and buildings. The foreign exchange component has been assessed at Rs. 9.25 crores for import of plant and machinery. The Working Group is of the view that industry from its own resources would be able to meet about 75 per cent of the total cost. The balance will have to come from State lending institutions.

As regards the Working Group's recommendation that the National Industrial Development Corporation should extend loan assistance facilities to the woollen industry for meeting rehabilitation requirements, the Government, after careful consideration, has come to the conclusion that for the present the NIDC would not be in a position to render such assistance to the woollen industry, particularly in view of the heavy demand on its funds from the cotton textile and jute industries.

The Government has accepted in principle the Working Group's recommendation that essential expenditure on spare parts should be adequately provided for. After ascertaining the position about the spare parts manufactured indigenously, priority would be given in future for the import of the necessary spare parts.

The recommendation of the Working Group about fabricating indigenously certain finishing and preparatory machinery during the Third Plan period has also been accepted by the Government in principle. A Committee has been appointed to assess the demand of machinery for different textile industries, including woollen industry, in relation to the indigenous capacity and to suggest suitable steps to bridge the gap between demand and supply. The possibility of manufacture of woollen finishing and preparatory machinery would be fully explored by this Committee.

The Government is examining the recommendation of the Group that the present export incentive scheme might be modified to provide an increase in import entitlement for machinery from 10 to 20 per cent in the value of exports. The recommendation that foreign exchange earned by export of old machinery should be utilised for the import of permissible types of new machinery has been accepted. The Government would consider on a priority basis the question of releasing foreign exchange for import of plant and machinery not covered by the export incentive schemes and rupee payments purchases.

The Government is also examining the recommendation of the Working Group that the excise duty on woollen fabrics should be reviewed with a view to consolidating the position of the industry.

TELEPHONE INDUSTRY

The production of telephones, exchange lines and transmission equipment by the Indian Telephone Industries Ltd., Bangalore, is expected to go up from the current level of 1,20,000 telephones, 88,000 exchange lines and Rs. 75 lakhs worth of transmission equipment to 1,80,000 telephones, 1,36,000 exchange lines and Rs. 260 lakhs worth of transmission equipment per annum under the Third Plan. It is proposed to set up at this factory an additional unit during the Third Plan period for the purpose.

BRIEFS

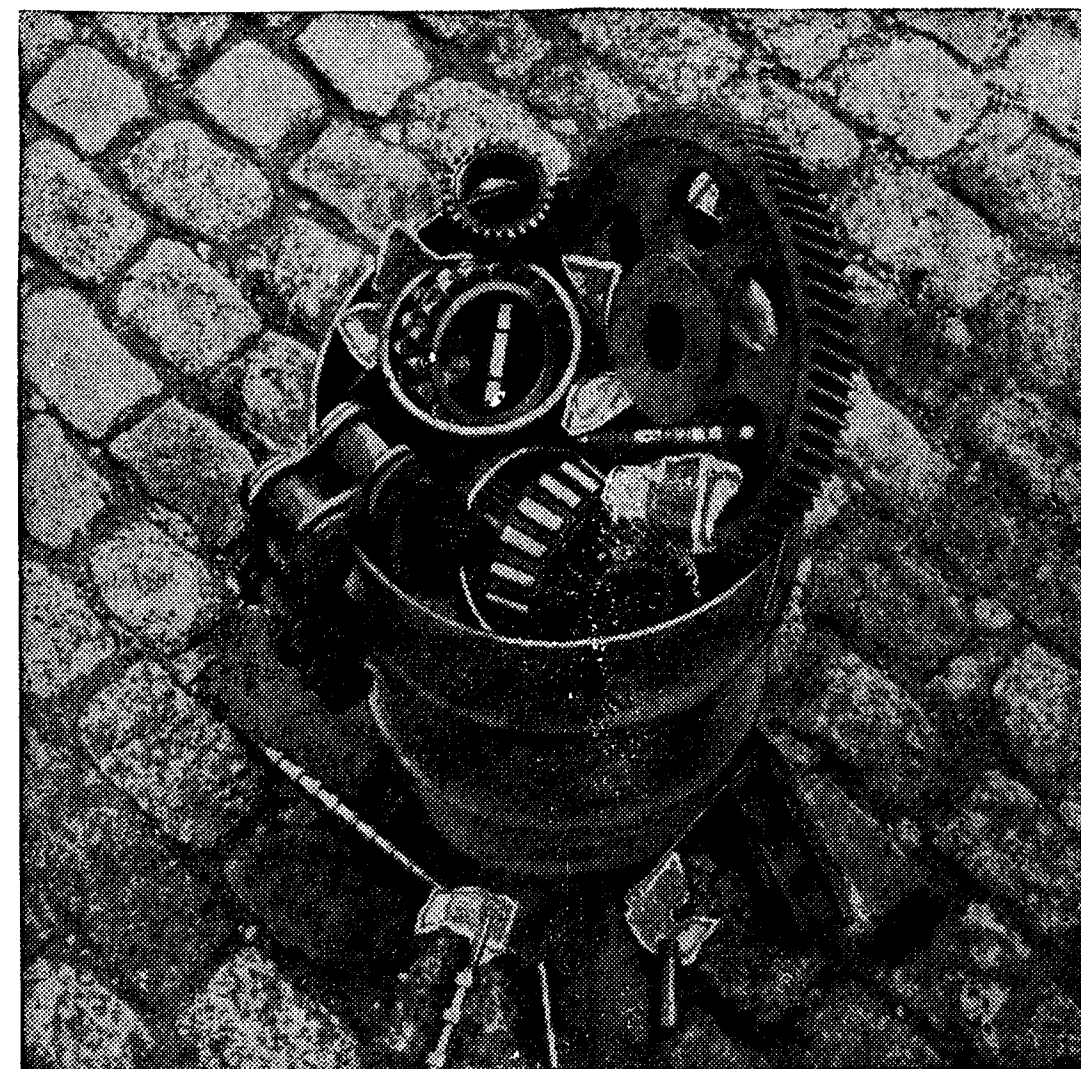
A new company, known as Messrs. Limac Limited, Madras, has been formed to manufacture earth-moving equipment such as crawler type heavy tractors, shovels, etc. The factory will be set up at Madras. The target of crawler tractors to be manufactured by this company will be fixed by the Government after the firm goes into production.

*

Most of the offers from various Indian parties for acquisition of ships to undertake shipment of foodgrains from the United States to this country under the last year's 17 million tons foodgrains deal have been examined by the Union Government and found to be unacceptable. There are, however, still some proposals under consideration.

*

An application from a private sector firm has been received by the Government of India for the grant of a licence under the Industries Act for setting up an aluminium smelter, with a capacity of 20,000 tons per annum, at Annapur or near Korba, in Madhya Pradesh. A Swiss firm has agreed to provide the technical know-how. The proposal is understood to be under examination by the Government.

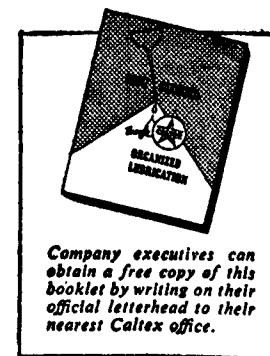


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COMPANY AFFAIRS

THE NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION

During the year the National Industrial Development Corporation has established a Technological Consultancy Bureau for serving the various projects under study or in the process of implementation. The functions of the Bureau would include preparation of preliminary studies, investigations and selection of sites, preparation of detailed project reports and the designing of structures. The work of the Bureau will be confined for the present to the public sector projects.

The implementation of the bio gas/fertilizer project, for which the Government of India have entered into an agreement with the Hungarian Foreign Trade Company for Chemical Products, has been entrusted to the National Industrial Development Corporation. Action is being taken for the installation of the two pilot plants, one in the Indian Agricultural Research Institute, New Delhi, and the other in the National Sugar Institute, Kanpur. The Technological Consultancy Bureau will take up the execution of the constructional works on receipt of the designs and technical documents from the Hungarians.

The schemes of the National Industrial Development Corporation for financial assistance to jute and cotton textile industries for modernization and rehabilitation are progressing satisfactorily. A sum of Rs. 6.07 crores has been advanced to the Corporation for granting loans to the two industries up to November 30, 1960. The scheme for assistance to jute and cotton textile industries for acquiring machinery on hire-purchase basis for speeding up limited schemes of modernisation and rehabilitation has also been making good progress. A scheme for providing loans to jute and cotton textile industries on short-term basis against guarantees and collateral security for the installation of improved machinery has recently been introduced. In regard to the scheme for financial assistance to the Machine Tool Industry, the Corporation has sanctioned assistance to the extent of Rs. 35 lakhs.

BANK OF INDIA

The Bank of India Limited recorded an increase in its deposits from Rs. 100.69 crores at the end of the year 1959 to Rs. 109.4 crores at the end of 1960. During the same period advances increased from Rs. 67.94 crores to Rs. 83.86 crores, an increase by about six crores. The transactions for the year resulted in a profit of Rs. 1.03 crores as against Rs. 82.68 lakhs during the previous year. This shows a satisfactory functioning of the bank's business. The Bank opened branches during 1960 at Hong Kong and in India at Bhowanipur in Calcutta, at Mount Road in Madras, at Ajmere Gate Extension in Delhi, at Indore and at Walkeshwar in Bombay.

An interim dividend was paid for the half-year ended June 30, 1960 at the rate of 7.50 per cent. subject to deduction of tax at the prescribed rates, on the Paid-up Capital of Rs. 3.00 crores which absorbed Rs. 22.50 lakhs. A sum of Rs. 25 lakhs was provided for Income-tax and Super-tax and another sum of Rs. 18 lakhs was separated for the payment of Bonus to Staff. The Directors have now proposed the payment of a final dividend for the half-year ended December 31, 1960 at the rate of 12.50 per cent. subject to deduction of tax at the prescribed rates, making 20 per cent for the year, on the Paid-up Capital of Rs. 300 crores which will absorb Rs. 37.50 lakhs.

UNION BANK

The Union Bank of India Limited during its working for the year to December 31, 1960 recorded a profit of Rs. 27.16 lakhs against Rs. 24.28 lakhs in the previous year. The Directors have reported that the deposits of the bank which stood around 24.60 crores at the end of 1958, rose to Rs. 32.17 crores at the end of 1959 and were around Rs. 28.50 crores towards the end of 1960. The advances increased from Rs. 15.78 crores at the end of 1958 to Rs. 20.57 crores and Rs. 17.31 crores at the end of 1959 and 1960 respectively. After providing Rs. 8 lakhs towards taxation and Rs. 5.36 lakhs towards provision of bonus to staff the directors have proposed the payment of a dividend of Rs. 57 nP per share or 11.2/5 per cent per annum subject to deduction of tax on 12 lakh shares, absorbing Rs. 6.84 lakhs.

THE BRITISH INDIA CORPORATION LIMITED, KANPUR

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New Egerton Woollen Mills Branch North West Tannery Branch

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Cawnpore Textiles Ltd. Champaran Sugar Co. Ltd.
Brushware Limited Saran Engineering Co. Ltd.

Secretaries for: Beta Picker & Co. Private Ltd. Agents for: Royal Exchange Assurance.

COMMODITY NEWS AND NOTES

MANUFACTURE OF FIRE REFINED COPPER

The Development Council for Non-Ferrous Metals recommended that the Government should give consideration to the scheme of Messrs. Binani concerning with the fire refining of imported scrap and blister copper. The scheme of Messrs G. D. Binani for installation of a refinery for the manufacture of fire refined copper from imported blister copper and scrap is still under consideration. However, the Government of India do not encourage schemes involving a marginal foreign exchange saving only.

The Council approved the requirements of the following non-ferrous metals for the Third Plan period as under:

S. No.	Item	1958 (tons)	1961 (tons)	1966 (tons)
1.	Aluminium	35,000	50,000	100,000
2.	Copper	53,120	85,000	170,000
3.	Lead	19,720	35,000	65,000
4.	Zinc	52,950	85,000	187,000
5.	Tin	—	7,000	10,500
6.	Antimony	—	750/800	900/1,000

With regard to the development of indigenous manufacture of Alumina Hydrate and Sodium Aluminate for Chemical Industries, it was suggested that the demand of these items should be shared by all Aluminium projects in the country.

In this connection a circular letter is being issued to the existing indigenous manufacturers as well as prospective manufacturers, who have since been granted industrial licences for installation of Aluminium Smelter in the country.

TEA EXPORTS

Exports of tea fluctuate from year to year. The quantity exported during 1960 was lower than quantities exported during previous years. There is however no firm trend to show that our exports are declining. The decline in exports in 1960 was mainly due to the shortfall in production on account of drought conditions in North East India during the early months of the 1960-61 season. Progressively, greater quantities of nitrogenous fertilizers are being supplied to the tea estates.

IMPORTS OF ALUMINIUM, COPPER AND NICKEL

The Government of Canada make available some imports of aluminium, copper and nickel under the Colombo Plan Aid Programme. Broadly the arrangement is that consumers in India place orders on firms in India who are normally acting as agents of Canadian manufacturers and suppliers of these metals.

For 1960/61, a sum of Canadian \$11.7 million has been offered to India under the above programme for import of these metals as detailed below:

Aluminium \$5.5 million (11176 metric tons apprx.)
Copper \$5.5 million (4674 metric tons approx.).
Nickel \$7 million (183 metric tons approximately).
Total: \$11.7 million.

TIN-COPPER ALLOY

As a result of investigations conducted at the Indian Institute of Science, Bangalore, tin-copper alloy deposits which are adherent, smooth and fire-grained have been prepared using the pyrophosphate bath. Aside from its non-poisonous character and stability, the electrolytic bath has special advantages compared to the commercial stannate cyanide bath.

It operates at lower bath voltage and higher current density, the range of deposit-composition is wider (10-96 per cent copper), and cathode efficiency is up to 100 per cent which is about twice that of stannate-cyanide bath.

GROUNDNUT CAKE OIL FLOUR

One oil mill has been selected for operating the plant to be put up at Bombay for the commercial production of cheap edible groundnut cake oil flour. The company is making arrangements to receive and install the equipment which UNICEF has offered. In regard to the second plant to be set up in Madras an oil mill to collaborate with the Government of India and UNICEF is expected to be selected shortly.

FUTURES TRADING

The Minister of Commerce, Mr Nityanand Kanungo, recently called upon the trade bodies engaged in futures trading to maintain high standards of self-regulation, discipline and fair trading practices. Mr Kanungo, who was inaugurating a conference of the Presidents and Directors of the Recognised Associations, sponsored by the Forward Markets Commission, warned that there had been undesirable trends in futures trading and, that unless these were promptly controlled, not only would the basic purpose of the futures trading be defeated, but also grave detriment to the national economy would be caused. The Minister said that the conditions in the oil seed and jute market had not been quite conducive to permitting unfettered self-regulation by the Associations. The Forward Markets' Commission had been constrained to intervene on some occasions. Mr Kanungo referred to the substantial increase in the prices of commodities like groundnut, castor seed, rape seed and mustard seed, raw jute and jute goods in the last few weeks and said that this rise did not merely reflect a change in supply and demand position, but was due to a significant extent to speculative activity. It was obvious, he said, that when Government were trying their best to hold the price-line and promote exports through concessions and incentives, they could not allow these efforts to be undermined by uncontrolled speculative activities.

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18

Company Meeting

THE STATE BANK OF INDIA

Speech of the Chairman, Shri P. C. Bhattacharyya, at the Sixth Annual General Meeting of the Shareholders held in Bombay.

Gentlemen,

I have much pleasure in welcoming you all to this Sixth Annual General Meeting of the State Bank of India. The Report of the Central Board of Directors for the year 1960 together with the Bank's Balance Sheet as on 31st December, 1960 and the Profit and Loss Account for the year ended 31st December, 1960, has already been circulated to you and has been taken as read.

2. I am happy to say that in marked contrast to the position in 1959, the Bank recorded good progress in its traditional business during the year under review. As a result, the Bank's net profit, after the usual and necessary provisions have been made, shows an increase from Rs. 1.87 crores to Rs. 2.18 crores. We have been able thereby not only to strengthen our Reserve Fund and other Funds to a greater extent than last year but also to declare a dividend of Rs. 22.75 per share for the year, thus restoring practically the net dividend that was previously available to the shareholders.

3. There are two reasons for the increase in the Bank's net profit for the year: the increase in the level of the Bank's advances and the rise in the Bank's lending rates after October 1, 1960. The Bank's advances (including bills) which had stood at Rs. 156.5 crores in December 1959 increased sizeably in the course of the busy season and reached a peak of Rs. 215.7 crores in July 1960. They continued to remain at a high level during the slack season and rose further after the commencement of the current busy season. On February 17, 1961, the Bank's advances stood at Rs. 259.2 crores. Secondly, consequent on the Reserve Bank's directive of September 21, 1960, asking all scheduled banks to charge a minimum rate of 5 per cent on advances and to raise their average lending rates by half a per cent, the State Bank of India Advance Rate was raised from 4½ per cent to 5 per cent with effect from October 1, 1960 and other lending rates of the Bank were also increased suitably. This has obviously added to the Bank's earnings during the year.

4. The total deposits of the Bank declined during 1960 by Rs. 6.0 crores. This was solely due to the fact that no deposits of U.S.P.L. 480 funds accrued to the Bank after May 12, 1960 and a sum of Rs. 72.0 crores out of the amounts previously deposited was transferred to the Reserve Bank of India during the year. If the U.S.P.L. 480 deposits are kept out of account, the average deposits of the Bank increased by Rs. 27.9 crores in 1960, as compared to an increase of Rs. 122.0 crores in the total deposits of other scheduled banks. However, the growth of deposits of the State Bank of India as well as other scheduled banks slowed down in the latter half of 1960. This decline in the rate of growth of deposits is a matter of some concern especially in the context of an increasing demand for bank credit. The slack season contraction in bank credit was also much smaller during the last two years. If therefore, the demand for bank credit continues to rise and to remain high throughout the year, all efforts will have to be made by banks to increase deposits.

5. One point deserves to be mentioned in this context. The banking system must continuously play an active role in the overall mobilisation of resources. For this purpose, it is necessary that new techniques be employed from time to time. Hitherto, banks have

depended more on urban areas and industrial and commercial centres for collection of deposits. I feel that the possibilities of securing more deposits from rural and semi-urban areas should now be explored with vigour. Upto the end of 1960, we have opened 429 branches mostly in the rural and semi-urban areas of the country. The total deposits at these branches have increased from Rs. 29.32 crores in 1959 to Rs. 37.03 crores in 1960; and the average deposits per new branch have risen from Rs. 8.17 lakhs to Rs. 8.63 lakhs. I feel, however, that there is still considerable scope for increasing bank deposits in these areas. It has been said that the low rates of interest that we pay on deposits have been an inhibiting factor. In order to reduce the influence of this factor we have raised, as a measure of experiment, the Bank's interest rate on savings bank accounts to 2½ per cent per annum and that on savings bank deposit accounts to 2½ per cent with effect from the 1st of this month. I do hope that this experiment will produce the desired effect and that it will be possible to report better progress next year.

6. I would now refer to the Bank's developmental activities. I am happy to say that with the opening of the Bank's branch at Kairana in Uttar Pradesh on June 1, 1960, the Bank's statutory obligation to open 400 branches in five years was fulfilled before time. This is an achievement which has no parallel in the history of Indian banking. Twenty-nine more branches have been opened between June 1 and December 31, 1960.

7. The Branch Expansion Programme has placed a heavy strain on our staff resources at all levels. The problem of manning new branches was particularly difficult. In addition to taking in many direct recruits, a large number of persons with limited experience had to be promoted; and all these persons had to be appointed to hold charge of branches and other supervisory posts as quickly as possible after giving them the minimum training necessary for the purpose. The Programme has also put a heavy strain on the Local Head Offices as well as the Central Office of the Bank. Your Directors therefore thought that the position should be reviewed comprehensively before deciding on the Bank's future branch expansion policy. A Committee of the Central Board, under the chairmanship of Professor D. G. Karve has been constituted for this purpose. I understand that the work of the Committee has been progressing well and that it will submit its report shortly.

8. In regard to the other two developmental activities, viz. the financing of small scale industries and provision of rural credit, the Bank has made further progress during the year. The credit limits granted by the Bank to small scale industries and to co-operative institutions went up to Rs. 7.8 crores and Rs. 22.4 crores respectively during the year. There has been one development to which I may make a special reference. This is the introduction by the Government of India of a Credit Guarantee Scheme for small scale industries. We have been taking full advantage of this scheme.

9. I now come to the Subsidiary Banks. I am happy to say that the process of integration of the eight State-owned or State-associated banks with the State Bank of India, started on October 1, 1959 has been completed. The complicated and arduous task of

determining the compensation payable to shareholders of the old banks has also been completed. It is gratifying that the shareholders of all the old banks have accepted the compensation determined by the State Bank of India as final, without any demur. The total compensation payable in the case of all the eight Subsidiary Banks amounts to Rs. 8.05 crores out of which Rs. 6.86 crores have been paid upto February 17, 1961. I may also mention here that part of the compensation is payable in the form of shares of the new bank at the option of the shareholders of the old bank and in the case of two Subsidiary Banks as many as about 1,100 shareholders in each case have taken shares of the respective new bank.

10. The annual reports of the Subsidiary Banks have been sent to you and these show that all the eight subsidiaries have shown improved working results in 1960. The State Bank of Hyderabad, The State Bank of Mysore and the State Bank of Travancore have declared dividends for the year at 6 per cent, 9 per cent and 5 per cent respectively. In the case of two subsidiaries, no dividend was declared as no compensation had been paid during the year. Regarding the rest, profits were not sufficiently large to justify declaration of dividends. In two of these cases, profits of the corresponding old banks were not subject to income tax previously whereas provision had to be made for taxation in 1960. This reduced considerably the profits available for distribution. I have every hope that the transitional difficulties in all these cases will soon be overcome and all the Subsidiary Banks will show better operational results in future.

11. The Annual Report refers to a strike from March 4 to March 25, 1960 by the members of the clerical and subordinate staff of the Bank. The essential business of the Bank and Government was carried on during the period, with the assistance of supervising staff and non-striking members of the clerical and sub-

ordinate staff. I must commend the way in which they worked, under very trying conditions and served the Bank during the strike. I extend to them my special thanks and I am sure, the shareholders and the Directors would also like me to convey their thanks to them. As you are aware, the dispute has been referred to and is pending before the Tribunal. The present position in this regard is that the Tribunal has given its Award on the question of interim relief; it has not granted any of the demands put forward by the employees on this account. The hearing on the main demands is continuing.

12. I have pleasure to acknowledge that while the dispute is pending before the Tribunal, our relations with the employees have been generally good. I take this opportunity to record my appreciation of the work put in by all the grades of our staff during the year and convey to them my sincere thanks.

13. I would like to mention here that our staff has recently been active in organising several sports activities and social gatherings etc. We believe that these are very good activities for developing and promoting closer contacts among all the categories of staff. We have therefore been lending our support to these activities and I do hope that the number as well as the variety of these activities will increase at all the branches and offices of the Bank so as to lead to the promotion of congenial staff relations which are so necessary for every organization.

14. Before concluding, I would like to place on record my sincere thanks to Shri Mangaldas Pakvasa who rendered valuable service to the Bank as its Vice-Chairman between February 25, 1959 and April 16, 1960. I would also like to express my sincere thanks to Shri B. P. Patel for the good work that he did as a Managing Director of the Bank for over four crucial years between April 1956 and June 1960.

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18

BALANCE SHEET OF THE STATE BANK

As at 31st December, 1959				CAPITAL AND LIABILITIES				As at 31st Dec. 1960			
Rs.	nP.	Rs.	nP.		Rs.	nP.		Rs.	nP.	Rs.	nP.
		20,00,00,000.00		1. Capital:							
				Authorised Capital — 20,00,000 shares of Rs. 100 each		20,00,00,000.00					
				Issued, Subscribed and Paid-up Capital — pursuant to Section 5(1) of the State Bank of India Act, 1955) — 5,62,500 shares of Rs. 100 each				5,62,50,000.00			
5,62,50,000.00				2. Reserve Fund and Other Reserves				7,45,00,000.00			
7,20,00,000.00				2a. Integration and Development Fund (maintained under Section 36 of the State Bank of India Act, 1955)							
				3. Deposits and Other Accounts:				1,97,79,687.00			
1,68,86,841.00		343,23,53,629.33		Fixed Deposits		312,81,16,767.56					
		36,47,68,527.22		Savings Bank Deposits		41,84,40,699.64					
581,16,94,099.75		201,45,71,943.20		†Current Accounts, Contingency Accounts, etc.		221,66,74,334.90		576,32,31,802.10			
				4. Borrowings from Other Banking Companies, Agents, etc.:							
		10,00,00,000.00		§(i) In India		8,17,00,000.00					
11,95,50,000.00		1,95,50,000.00		(ii) Outside India		1,79,50,000.00		9,96,50,000.00			
				§Includes an amount of Rs. 17,00,000 borrowed from the Refinance Corporation for Industry (Private) Ltd. as per contra							
				Particulars:							
				(i) Secured by Government Securities, Bills Discounted and other securities assigned for refinance per contra		9,96,50,000.00					
		11,95,50,000.00		(ii) Unsecured							
		11,95,50,000.00				9,96,50,000.00					
8,52,13,974.01				5. Bills Payable				8,22,64,096.72			
		3,07,36,405.25		6. Bills for Collection being Bills Receivable as per contra:							
3,33,24,501.55		25,88,096.30		(i) Payable in India		1,66,33,235.63					
				(ii) Payable outside India		28,01,139.50		1,94,34,375.13			
		56,25,000.00		7. Other Liabilities:							
		29,319.87		*Final Dividend for the year		71,71,875.00					
3,06,91,003.71		2,50,36,683.84		Unclaimed Dividends		29,870.74					
				Inter-Office Adjustments (including Rs. 3,70,240.52 due to Imperial Bank of India)		6,18,31,562.35		6,90,33,308.09			
1,46,42,202.08				8. Acceptances, Endorsements and Other Obligations per contra				1,55,77,893.37			
		55,73,153.56		9. Profit and Loss:							
		1,87,10,445.23		Balance brought forward from last year		55,87,498.79					
				Profit for the year		2,17,59,053.29					
		2,42,83,598.79				2,73,46,552.08					
				Amount set aside for payment of Dividend (made up of Interim Dividend Rs. 56,25,000 and Final Dividend Rs. 71,71,875)		1,27,96,875.00					
		1,12,50,000.00		Amount transferred to Reserve Fund		25,00,000.00					
		20,00,000.00		Amount transferred to Pension Fund		7,29,000.00					
		6,96,100.00		Bonus to staff		42,00,000.00					
		40,00,000.00		Amount transferred to Staff Welfare Fund		5,00,000.00					
		2,50,000.00		Amount transferred to Staff Co-operative Housing Fund		10,00,000.00		56,20,677.08			
55,87,498.79		5,00,000.00									
				10. Contingent Liabilities:							
				Claims against the Bank not acknowledged as debts							
Rs. 3,45,142.25				Bills of Exchange rediscounted							
Rs. ..				Outstanding Forward Exchange contracts		20,68,45,230.79					
Rs. 22,70,59,142.18				On partly paid-up shares		2,54,00,000.00					
Rs. 2,54,00,000.00				Guarantees given on behalf of Directors, Local Board Members or Officers of the Bank		98,650.00					
				Guarantees given on behalf of others		131,66,88,318.83					
		44,00,150.00									
Rs. 122,37,74,757.92											
624,58,40,120.89		Total						620,53,41,839.49			

† In addition to the credit of Rs. 30,93,750 pertaining to the final dividend for 1959, a sum of Rs. 30,93,750 was credited to this Fund on account of the interim dividend declared in July 1960. A sum of Rs. 32,94,654 was appropriated from this Fund during the year, under the authority of the Reserve Bank of India, in respect of the losses for the year 1959 of the new branches established under Section 16(5) of the State Bank of India Act, 1955, vide item 7 of the Profit and Loss Account.

‡ Includes Staff Welfare Fund and Staff Co-operative Housing Fund, ownership whereof vests in the Bank. Of which Rs. 39,44,531.25 is to be credited to the Integration and Development Fund (item 2A above) bringing the amount in the said Fund to Rs. 2,37,24,218.25.

OF INDIA AS AT 31st DECEMBER 1960

As at 31st December, 1959				PROPERTY AND ASSETS				As at 31st Dec. 1960			
Rs.	nP.	Rs.	nP.		Rs.	nP.		Rs.	nP.	Rs.	nP.
60,31,65,943.66				1. Cash:						65,19,88,908.59	
				In hand and with Reserve Bank (including foreign currency notes)							
				2. Balances with Other Banks:							
				On current account							
4,52,19,135.53		4,52,19,135.53		(i) In India							
				†(ii) Outside India		Rs. 2,72,71,799.03		2,72,71,799.03		2,72,71,799.03	
2,46,66,666.66				‡Including Rs. 32,36,828.64 held abroad under special arrangement							
				3. Money at Call and Short Notice						1,73,33,333.33	
				4. Investments (Securities valued in accordance with Regulation 73; shares, debentures or bonds at or below cost):							
				(i) Securities of the Central and State Governments and other Trustee Securities, including Treasury Bills of the Central and State Governments				285,05,72,241.50			
				(ii) Shares authorised under the State Bank of India Act, 1955							
				Fully paid-up		Rs. 79,24,368.43		1,55,24,368.43			
				Partly paid-up		Rs. 76,00,000.30					
				(iii) Debentures or Bonds				3,35,69,911.50			
377,12,69,923.67		9,97,37,136.82		(iv) Other Investments—Pakistan and other Government Securities, etc.				9,74,08,654.56		299,70,75,175.99	
				‡Of which investments of the face value of India Rs. 9,00,00,000 and Pakistan Rs. 2,99,69,400 are pledged against borrowings from other Banks, Agents, etc., per contra							
				5. Advances:							
				§(I) Loans, Cash Credits, Overdrafts, etc.—							
				(i) In India		Rs. 213,10,98,337.20					
				(ii) Outside India		Rs. 3,43,22,572.29		216,54,20,909.49			
				§Include term advances amounting to Rs. 3,42,93,786.67 of which refinance has been obtained from the Refinance Corporation for Industry (Private) Ltd. to the extent of Rs. 17,00,000 as per contra							
166,88,05,709.46		14,62,86,972.26		¶(II) Bills Discounted and Purchased—							
				(i) Payable in India		Rs. 11,18,31,687.37		15,70,16,024.61		232,24,36,934.10	
				(ii) Payable outside India		Rs. 4,51,84,337.24					
				¶Of which bills of the value of Pakistan Rs. 1,50,00,000 are held by the State Bank of Pakistan as security against borrowings as per contra							
				Particulars of Advances: See separate Statement appended							
				6. Bills Receivable being Bills for Collection as per contra:							
				(i) Payable in India		1,66,33,235.63					
3,33,24,501.55		3,07,36,405.25		(ii) Payable outside India		28,01,139.50		1,94,34,375.13			
		25,88,096.30									
1,46,42,202.08				7. Constituents' Liabilities for Acceptances, Endorsements and Other Obligations per contra				1,55,77,893.37			
				8. *Premises less Depreciation:							
				Total Cost up to the 31st December, 1959		1,35,32,359.88					
				Additions (Rs. 56,74,663.06) less Deductions (Rs. 291.00) during the year		56,74,372.06					
						1,92,06,731.94					
				Depreciation written off up to the 31st December, 1960 less depreciation previously provided on property which has passed out of the Bank's possession				16,35,397.00		1,75,71,334.94	
1,21,98,491.88		13,33,868.00		9. *Furniture and Fixtures less Depreciation:							
				Total Cost up to the 31st December, 1959		1,50,81,285.00					
				Additions (Rs. 31,54,035.44) less Deductions (Rs. 30,987.68) during the year		31,23,047.76					
						1,82,04,332.76					
				Depreciation written off up to the 31st December, 1960 less depreciation previously provided on property which has passed out of the Bank's possession				52,22,718.78		1,29,81,613.98	
1,12,08,809.22		38,72,475.78		10. Other Assets, including Gold and Silver:							
				Bullion							
				Adjusting Account of interest, commission, etc.		3,10,92,142.37					
				Stationery, Stamps, Suspense, Tax Recoverable, etc.		2,21,10,327.86					
6,13,38,737.18		2,48,27,377.22		Shares in Subsidiaries		7,05,68,000.80		12,36,70,471.03			
		80,02,000.00									
				11. Non-banking Assets Acquired in Satisfaction of Claims							
				12. Profit and Loss							
624,58,40,120.89		Total						620,53,41,839.49			

*NOTE—Includes Rs. 1,30,705.53 (against which a sum of Rs. 46,231.00 is still to be received) being written down value of certain Pakistan assets sold, pending completion of formalities.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1960

Year ended 31-12-1959	EXPENDITURE	Year ended 31-12-1960	Year ended 31-12-1959	INCOME	Year ended 31-12-1960
Rs.	nP.	Rs.	nP.	Rs.	nP.
7,87,89,963.94	1. Interest paid on Deposits, Borrowings, etc.	8,05,03,580.04	*14,52,93,668.06	1. Interest and Discount	14,86,91,173.33
6,99,66,433.92	2. Salaries and Allowances and Provident Fund (including Salaries and Allowances of Chairman Rs. 44,405.76 and Managing Directors Rs. 78,162.00 for the year)	7,31,68,616.32	3,60,58,940.07 3,78,024.20	2. Commission, Exchange and Brokerage	4,28,68,496.81 4,80,322.94
1,02,690.00	3. Directors' and Local Board Members' Fees and Allowances	97,320.00	..	3. Rents	..
37,47,364.34	4. Rent, Taxes, Insurance, Lighting, etc.	42,98,224.16	..	4. Net Profit on Sale of Investments Gold Silver, Land, Premises and other Assets	..
1,72,455.82	5. Law Charges	1,91,995.53	..	5. Net Profit on Revaluation of Investments Gold and Silver, Land, Premises and other Assets	..
28,85,396.66	6. Postage, Telegrams and Stamps	31,77,878.49	..	6. Income from Non-banking Assets, and Profit from Sale of or Dealing with such Assets	..
75,030.00	7. Auditors' Fees	75,030.00	35,31,909.00	7. Other Receipts — Recoveries from the Integration and Development Fund for the year 1959	32,94,654.00
20,47,474.31	8. Depreciation on and Repairs to the Bank's Property	22,02,596.70	..	8. Loss	..
36,62,953.08	9. Stationery, Printing, Advertisement, etc.	39,62,739.07	..	*Consequent upon the new procedure of deduction of tax at source introduced by the Finance Act, 1959, credit had been taken in the accounts for the year 1959 for anticipated tax refunds: previous year's figures are, therefore, not strictly comparable.	..
51,02,364.03	10. Loss from Sale of or Dealing with Non-banking Assets	..	..	..	..
1,87,10,445.23	11. Other Expenditure	58,97,643.48	..	..	..
18,52,62,541.33	12. Balance of Profit	2,17,59,053.29	..	..	..
..	Total	19,53,34,647.08	18,52,62,541.33	Total	19,53,34,647.08

PARTICULARS OF ADVANCES

As at 31st December, 1959	Rs.	As at 31st December, 1959	Rs.	nP.
150,59,99,960.34	(i) Debts considered good in respect of which the Bank is fully secured	204,74,39,712.30	..	..
2,31,96,147.45	(ii) Debts considered good for which the Bank holds no other security than the debtors' personal security	2,69,27,335.70	..	..
13,96,09,601.67	(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	24,80,69,886.10	..	..
..	(iv) Debts considered doubtful or bad, not provided for	..	..	..
166,88,05,709.46	..	232,24,36,934.10	..	..
9,28,755.88	(v) Debts due by Directors or Local Board Members or Officers of the Bank or any of them either severally or jointly with any other persons	11,65,956.94	..	..
43,78,72,500.68	(vi) Debts due by companies or firms in which the Directors or Local Board Members of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members	63,16,82,276.36	..	..
11,91,419.55	(vii) Maximum total amount of advances, including temporary advances made at any time during the year to Directors or Local Board Members or Officers of the Bank or any of them either severally or jointly with any other persons	13,15,204.01	..	..
60,47,64,641.27	(viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the Directors or Local Board Members of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members	63,61,88,703.70	..	..
8,07,53,498.20	(ix) Due from banking companies	9,08,99,356.30	..	..

Report of the Auditors

TO THE PRESIDENT OF INDIA,

We, the undersigned Auditors of the State Bank, of India, appointed under Section 41(I) of the State Bank of India Act, 1955, do hereby report to the Central Government upon the Balance Sheet and Accounts of the Bank as at the 31st December, 1960.

We have examined the above Balance Sheet and the Profit and Loss Account and the Accounts relating thereto of the Central Office and the Local Head Offices at Bombay and Calcutta and the Returns submitted and certified by the Secretaries and Treasurers of the Local Head Offices at Madras and New Delhi, by the Manager, Pakistan Branches and by Branch Agents, which Returns have been incorporated in the above Balance Sheet and Accounts, and report (i) that, in our opinion, the Balance Sheet is a full and fair one, containing all the necessary particulars and properly drawn up so as to exhibit a true and correct view 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; (ii) that where we have called for any explanation or information such explanation and information have been given to us and have been satisfactory; (iii) that the transactions of the Bank which have come to our notice have been within the powers of the Bank; (iv) that the Returns received from the Local Head Offices at Madras and New Delhi and from the Branches of the Bank have been found adequate for the purpose of our audit; (v) that the Profit and Loss Account shows a true balance of profit for the period covered by such account; (vi) that, in our opinion, the Balance Sheet and Profit and Loss Account are drawn up in conformity with the law; and (vii) that, in our opinion, Books of Accounts have been kept by the Bank required by law.

The Audit of the Books and Accounts of the Central Office has been carried out jointly by Messrs. S. B. Billimoria & Co. and Messrs. Ray & Ray. The audit of the Books and Accounts of the Local Head Offices has been carried out at Bombay by Messrs. S.B. Billimoria & Co. and at Calcutta by Messrs. Ray & Ray.

9th February, 1961.

S.B. BILLIMORIA & CO.) Auditors
RAY & RAY)

P. C. BHATTACHARYYA, Chairman D. G. KARVE, Vice-Chairman

S. P. PURI, Managing Director

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M. H. HASHAM PREMJI
RAMNATH A. PODAR

B. VENKATAPPIAH
SACHINDRA CHAUDHURI
TRIGUNA SEN

K. RAMUNNI MENON)
BHARAT RAM) Directors
K. P. MATHRANI)

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Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Fuel Power			Industrial Raw materials	Manufactures			All Comme- dities
		Food articles & Tobacco	Liquor & Lubricants	Light and Lubricants		Inter- mediate Products	Finished Products	Total	
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55	..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.6	117.1
November 1959	..	121.4	104.6	117.4	122.5	116.1	111.0	111.7	118.3
December "	..	118.2	103.7	117.0	127.2	118.0	112.6	113.4	117.9
January 1960	..	117.5	100.9	116.8	130.9	121.6	115.1	116.0	118.8
November 1960	..	120.2	116.8	120.1	148.0	131.6	124.7	125.7	126.0
December "	..	117.2	112.1	120.3	149.6	132.3	125.0	126.0	124.8
January 1961	..	116.4	111.2	120.2	154.6	113.9	126.6	127.6	125.6
21-1-1961	..	116.6	111.2	120.2	155.8	135.0	126.5	127.7	125.9
28-1-1961	..	116.5	111.6	120.2	156.4	133.5	127.8	128.6	126.2
4-2-1961	..	116.7	116.6	120.1	157.3	133.7	127.8	128.6	126.4
11-2-1961	..	116.5	111.6	120.1	160.3	133.8	129.0	129.6	127.1
18-2-1961	..	115.9	112.2	120.2	159.4	134.3	128.4	129.3	126.6

*Revised.

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

				Bombay	Delhi	Ben- gal	U.P	Central Provinces		Madras	E.P.	Bihar				
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	—	106	—	—	—	—
1954				342	359	244	138	327	408	373	139	341	148	140	138	138
1955				322	338	218	130	321	371	364	133	321	134	135	132	132
1956				336	352	244	142	347	424	397	151	358	152	146	145	145
1957				352	368	259	150	364	448	422	162	374	157	157	152	152
1958				376	394	274	150	384	468	447	165	401	157	169	161	161
1959				393	412	309	158	384	469	498	163	429	166	173*	168*	168*
1960				401*	420*	—	158*	397*	476*	512*	—	462*	—	—	—	—
1960 May				402	421	295*	153	396	461	510	165*	452	166	163*	170	170
June				403	422	297*	154	399	460	510	165*	462	167	164*	171	171
July				404	423	299*	160	406	484*	515	165*	467	169	164*	174	174
August				402	421	302*	160	410	484*	515	163	470	169	168*	174	174
September				399	418	—	161	403	489	520	163	472	167	168*	173*	173*
October				402	421	—	162	396	488	517	163	477	171	164*	173*	173*
November				404	423	—	159	392	489	509	163	484*	171	168*	173*	173*
December				400	419	—	160	385	478*	507	—	488*	—	167*	171*	171*
1961 January				400	419	—	161	—	—	—	—	470*	—	—	—	—
February				—	—	—	—	—	—	—	—	474*	—	—	—	—

†Base 1944=100. *Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT) WEEK ENDED

	3-3-1961			24-2-1961			17-2-1961			10-2-1961		
	High	Low	Ave- age	High	Low	Ave- age	High	Low	Ave- age	High	Low	Ave- age
Gold (per 10 grams)	122.00	121.40	121.67	122.35	120.75	121.45	122.60	121.10	121.86	123.20	120.00	121.12
Silver (per kilogram)	206.70	206.10	206.42	207.25	205.55	206.13	208.45	206.95	207.66	209.30	207.00	207.90

RESERVE BANK OF INDIA ISSUE DEPARTMENT

(Rs. Lakhs)

LIABILITIES											ASSETS			
Period		Notes in Circula- tion	Notes Held in Bank- ing Dept.	Total Notes Issued (a)	Gold Coin & Bullion (b)	Foreign Securi- ties (c)	Total of (b+c)	(b+c) as Percent- age of (a)	Rupee Coin	Rupee Securities	Total Assets			
1955-56*	..	1,339,39	17,08	1,356,47	40,02	656,52	696,53	51.35	106,87	553,06	1,356,47			
1956-57*	..	1,475,77	18,75	1,494,52	40,02 (117,76)	454,61	585,63 (663,37)	39.95 (44.37)	115,93	755,22	1,494,52			
1957-58*	..	1,529,36	23,18	1,552,53	117,76	329,65	447,41	28.79	1,30,06	975,06	1,552,53			
1958-59*	..	1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21			
1959-60*	..	1,730,90	19,86	1,750,77	117,76	167,62	285,38	16.30	131,50	1,333,83	1,750,77			
Average of Fridays														
Dec. 1959	..	1,725,18	11,46	1,736,64	117,76	163,01	280,77	16.17	132,74	1,323,13	1,736,64			
Jan. 1960	..	1,766,07	14,42	1,780,49	117,76	163,01	280,77	15.77	130,31	1,369,41	1,780,49			
Feb. 1960	..	1,803,57	18,74	1,822,31	117,76	163,01	280,77	15.41	126,73	1,414,81	1,822,31			
Dec. 1960	..	1,855,89	16,59	1,872,49	117,76	127,01	244,77	13.07	127,66	1,500,06	1,872,49			
Jan. 1961	..	1,911,58	16,83	1,928,41	117,76	128,01	245,77	12.75	124,35	1,558,29	1,928,41			
Feb. "	..	1,936,01	18,78	1,954,79	117,76	128,01	245,77	12.58	121,75	1,587,28	1,954,79			
Week-Ending														
3-2-1961	..	1,929,25	11,29	1,940,54	117,76	128,01	245,77	12.67	122,49	1,572,28	1,940,54			
10-2-1961	..	1,948,81	10,17	1,958,99	117,76	128,01	245,77	12.55	120,94	1,592,28	1,958,99			
17-2-1961	..	1,940,66	18,70	1,959,36	117,76	128,01	245,77	12.54	121,31	1,592,28	1,959,36			
24-2-1961	..	1,925,33	34,97	1,960,30	117,76	128,01	245,77	12.54	122,26	1,592,28	1,960,30			

BANKING DEPARTMENT

(Rs. Lakhs)

Period	Deposits					Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad†	Loans & Advances to Governments	Other Loans and Advances	Investments
	Central Gov- ernment	Other Gov- ernments	Banks	Others	Total								
1953-54*	105,44	23,40	46,52	57,45	232,80	23,91	266,72	23,22	9,46	123,31	1,79	19,84	81,58
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
1955-56*	60,11	19,85	53,77	18,31	152,04	35,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36
1956-57*	57,52	14,10	52,46	19,73	143,81	91,21	245,02	18,91	5,69	64,77	4,89	85,34	51,82
1957-58*	54,61	11,28	81,00	111,38	258,27	84,36	407,63	23,30	4,81	40,47	32,90	77,91	213,92
1958-59*	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,81	25,57	28,23	65,83	284,49
1959-60*	55,50	23,24	79,61	123,48	281,83	83,18	450,01	19,94	15,54	28,97	25,53	88,92	258,90
Avr. of Fridays													
Dec. 1959	55,33	18,65	73,41	117,59	264,98	83,86	433,84	11,52	15,82	44,82	23,80	90,67	235,92
Jan. 1960	54,26	23,94	81,52	120,76	280,49	86,67	452,16	14,48	39,44	46,55	21,53	106,74	210,48
Feb. "	54,68	25,82	75,76	107,57	263,83	92,51	441,34	18,82	19,84	41,08	23,97	123,39	200,73
Dec. 1960	60,25	15,71	95,20	91,78	262,95	104,08	452,03	16,69	19,52	26,35	37,78	136,04	198,94
Jan. 1961	53,48	19,71	79,57	93,82	246,58	110,37	441,93	16,91	57,41	19,54	41,17	145,25	144,11
Feb. "	61,59	20,90	72,74	91,55	246,78	112,68	446,95	18,87	51,64	26,19	37,71	152,41	142,06
Week-Ending													
3-2-1961	52,70	22,05	72,13	92,49	239,37	105,58	439,95	11,38	50,02	19,25	36,14	154,25	150,93
10-2-1961	59,86	21,85	70,44	92,28	244,43	112,72	442,15	10,26	62,28	24,47	39,22	157,03	130,84
17-2-1961	72,77	21,30	71,39	91,88	257,35	113,83	456,17	18,78	58,42	29,55	37,71	150,70	142,86
24-2-1961	61,04	18,39	76,98	89,54	245,95	118,59	449,54	35,06	35,85	31,49	37,77	147,64	143,60

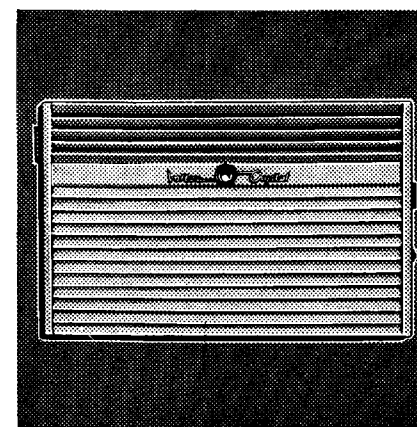
* Average of Fridays. ** Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 23, 1957 and of Rs. 80 crores from July 5, 1957. † Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and or Rs. 2 crores from July 5,

INDEX NUMBERS OF WHOLESALE PRICES — IMPORTANT COMMODITIES

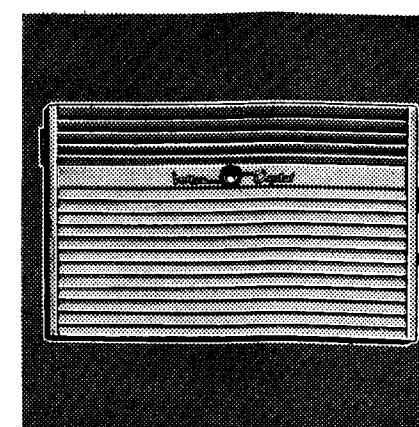
(1952-53 = 100)

Average of months/ Average of weeks	Rice	Wheat	Jowar	Bajra	Gram	Ground- nut Oil	Mustard Oil	Sugar	Gur	Tea
1953-54	100	98	100	103	89	120	137	99	141	174
1954-55	82	75	77	78	54	77	127	104	122	255
1955-56	78	72	67	84	49	74	104	94	88	170
1956-57	97	88	123	122	71	104	176	95	100	165
1957-58	105	88	114	126	68	105	164	110	107	164
1958-59	105	105	105	126	96	107	148	121	131	169
1959-60	105	96	119	126	75	118	150	124	161	186
December 1959	101	96	120	121	70	113	149	127	164	210
January 1960	102	97	119	125	72	118	150	127	154	207
February	105	98	121	128	80	125	158	127	156	196
March	106	94	117	123	74	126	156	127	149	180
April	108	91	121	122	76	130	155	127	147	184
May	113	87	123	126	78	127	155	127	145	194
June	114	87	127	128	80	129	157	127	144	187
July	115	92	130	132	89	137	162	127	148	207
August	115	90	127	129	86	135	163	127	148	212
September	114	91	129	132	90	138	163	127	146	215
October	111	90	125	137	91	144	165	127	142	216
November	106	90	126	135	93	138	173	127	141	218
December	102	90	120	131	93	135	177	127	126	N.A.
January 1961	99	91	113	132	94	141	184	127	120	N.A.
21-1-1961	99	91	113	132	94	142	184	127	120	208
28-1-1961	100	91	113	132	94	143	185	127	121	N.A.
4-2-1961	100	91	111	130	93	142	185	127	120	221
11-2-1961	100	91	109	130	90	142	182	127	120	216

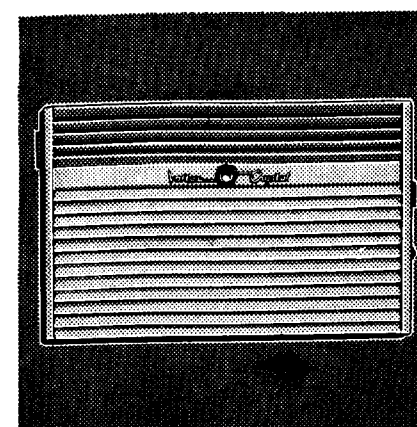
Average of months/ Average of weeks	Spices & Tobacco Condi- ments	Coal Raw	Cotton Raw	Jute Raw	Ground- nut	Cotton Manu- factures	Jute Manu- factures	Silk & Rayon Manu- factures	Machi- nery
1953-54	118	100	100	104	98	127	104	91	99
1954-55	114	90	100	102	112	82	107	102	99
1955-56	110	77	101	97	117	79	105	96	102
1956-57	97	80	116	111	126	111	116	95	104
1957-58	96	92	128	104	133	108	116	95	107
1958-59	127	93	133	99	118	117	112	87	109
1959-60	152	98	135	106	125	131	117	91	111
December 1959	172	104	136	111	140	122	118	94	111
January 1960	168	100	135	115	144	131	123	96	111
February	140	94	135	114	134	139	125	96	111
March	132	94	135	113	141	141	125	98	112
April	130	102	140	113	154	144	125	103	112
May	129	108	140	113	198	139	125	117	115
June	128	111	140	112	187	146	126	113	118
July	130	111	140	112	155	150	129	107	116
August	130	107	140	112	166	140	131	115	116
September	130	104	141	112	181	141	132	116	116
October	129	116	141	114	225	142	130	136	117
November	130	121	141	111	232	140	129	142	117
December	126	114	141	110	226	143	129	143	117
January 1961	125	113	141	111	248	151	128	155	117
21-1-1961	124	113	141	111	252	153	126	155	117
28-1-1961	124	114	141	111	262	152	126	165	117
4-2-1961	124	114	141	110	269	154	126	164	117
11-2-1961	124	114	141	110	290	152	126	172	117



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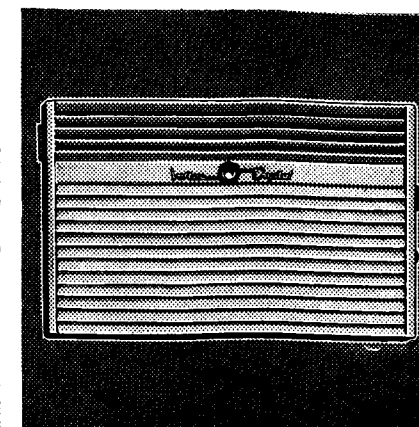


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THE EASTERN ECONOMIST

VOL. XXXVI, NO. 11.

NEW DELHI: MARCH 17, 1961.

ONE RUPEE

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243

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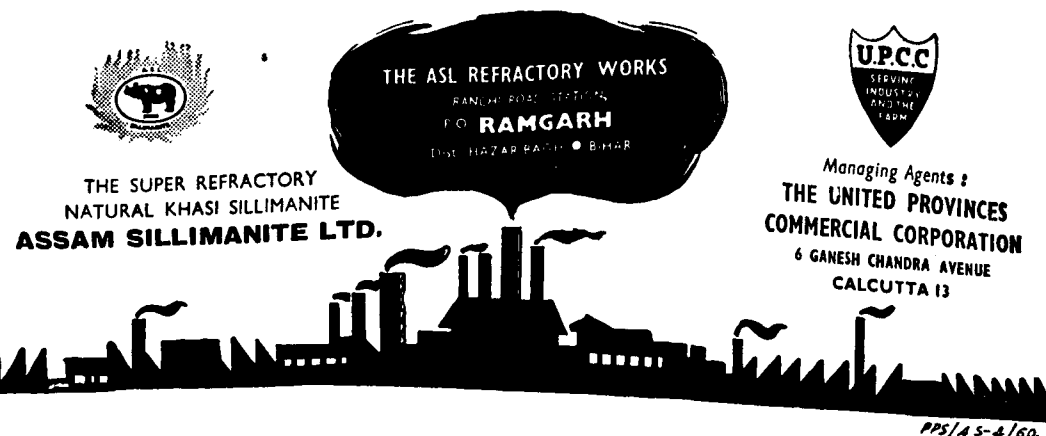
the WATER we drink cannot be purified by lime and chlorine, both produced with the aid of Refractories. FOOD is obtained with the aid of potash, phosphates and nitrogenous fertilizers, none of which can be produced in adequate quantities without Refractories. CLOTHING cannot be produced in sufficient quantities if Refractories are not available for the power plant. Power plants using Refractories provide your home with heat for COOKING, LIGHT for comfort, and power for essential domestic appliances. It would be impossible to construct FURNACES to extract metal from ORES or to operate Rail Road LOCOMOTIVES. There will not be high octane AVIATION spirit nor LUBRICANTS as suitable furnaces cannot be constructed. STEEL plates cannot be produced for building SHIPS. It will be impossible to make LORRIES, TANKS, GUNS, SHELLS, Invasion BARGES, BATTLESHIPS even. ALUMINIUM and MAGNESIUM used in the manufacture of AEROPLANES cannot be produced. CHEMICALS used in explosives cannot be manufactured. The large POWERPLANTS supplying power, heat and light cannot operate.

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The Eastern Economist

MARCH 17, 1961.

Interest Rates, Bank Money and Prices

THE meeting of India's leading bankers with the Finance Minister last Sunday has been successful in producing an integrated approach on at least one central facet of the monetary system, namely, the rate of interest on bank deposits. With effect from March 15, interest rates have been raised roughly half per cent at all levels of deposits. This in itself cannot be a solution of the major problem of providing funds for India's Third Five-Year Plan; but it is a necessary first step in correction of a situation which has been growing gradually more complex. The problem of bank stringency, created by nothing so much as the growing volume of funds induced by planned projects, does not lie in what is frequently described as monetary control. The banks simply have not the money to create unlimited bank credit. Therefore, very properly, the first step has been an attempt to induce the public to place more of their circulating rupee resources with the banks.

To argue that a small rise in the rate of interest will give the banking system the additional resources that it needs to finance both the public and the private sectors—the former by investments, the latter by advances—is too easily to assume all our difficulties away. But it does involve one substantial difference of approach on the part of the Reserve Bank of India. The creation of bank money is now recognized as a necessary alternative to deficit financing. And so long as our production plans remain what they are, it is physically impossible to restrict money supply. Therefore, the attempts initiated from March 11 onwards by the Reserve Bank to control credit, quantitatively or qualitatively, have been misguided. The price problem remains, perhaps all the greater on this account because money supply cannot be reduced. The answer which is to attempt to induce the public to hold more in deposits and impound its spending power is the right remedy and should have been fostered on a much larger scale from the beginning. If it should happen that a rise in interest rates of half per cent is insufficient, there should be no hesitation in raising the rate by one, or even, two per cent, if it could have the desired results. It is sincerely to be hoped that half measures will not be confused with total remedies.

The problem of prices, which has always been in the background in the Reserve Bank of India's thinking, must now be set in the proper perspective. When the Government of India in its taxation proposals induces a direct price rise of one

per cent, and the cost of living will induce at least another one per cent, it is absurd to expect the banks to finance the same volume of production with a constant money supply. In other words, bank money must rise with the rise in prices for which bank money is not the initiating cause. The case of the rise in prices is the Plan, which, in turn, justifies the additional taxation as well as the consequential rise in prices. It is wholly wrong to create an inflexible instrument of a price rise and to act thereafter as though it did not exist. In other words, if the Government of India is unable to impound the necessary rupee resources for the Plan at the higher prices which its successive actions will induce, it must take the responsibility for some degree of compulsion in savings which alone will guarantee that consumer spending will not deny both the public and the private sectors the resources needed for investment.

This vital issue, namely, that stable prices for the period of the Plan are just not feasible, has not been recognized either in the Planning Commission documents or in those of the Reserve Bank of India. The Finance Minister himself admitted that in a developing economy prices must rise. The consequences of this philosophy are now to be built into practical measures. These measures are, firstly, that in addition to deposit insurance, rates of interest and material incentives must make the banking habit grow in areas where it has hitherto lagged behind. Secondly, should voluntary measures not succeed in producing the requisite results, the remedy must be some measures of compulsion. In particular, the Government of India should insist on payment by cheque at all levels of its own vast spending apparatus. Thirdly, Government rates of interest must now be realistic and in line with the fact that it must pay for money the rate at which it is forthcoming. Pressure on the banks to take up securities at an unreal rate of interest, while they are paying substantially higher rates on their deposits, will not succeed. This presages a total movement upwards of interest rates and, unhappily, a depressing effect on Government securities and on the stock exchanges. This is necessarily involved in a realistic policy on the prices and in the long run will probably arrest an even steeper price rise than would otherwise occur. Once and for all, bank money must be allowed to be created for the purpose of financing true production, and interest rates must be flexible enough to draw into both public and private financing agencies the resources needed for development.

Private Foreign Investment : An Open Door

THE inauguration of Union Carbide's splendid new synthetic chemicals plant at Trombay, Bombay, last Saturday, provided a happy opportunity for a clarification of the philosophy which now attends on international collaboration in the industrial field. Mr. Manubhai Shah, Minister for Industry, who inaugurated the plant made a remarkably helpful speech which sought to set in perspective the thinking of the Government of India in his Ministry on the character of foreign participation. He made it clear that the policy, notwithstanding hesitations here and there, was one of an open door; India was proceeding to adopt technologies and develop skills for the long haul. Private foreign investment was welcome in the Indian Union in this adventure, though naturally it would be more welcome in certain areas which helped the balance of payments and raw material industries rather than in fields where less urgency was being experienced. There had, in recent years, been a movement away from limits of participation and, while association with Indians was naturally to be expected and in the long run would be helpful to the enterprise itself, the Government had been flexible and this has been appreciated by foreign companies. In particular, Union Carbide had stated publicly in New York that it was well satisfied with the conditions prevailing in the Indian Union and the plant now opened in Trombay was a positive indication of its intention to enhance greatly its range of products in India. Already the expansion of the plant has been decided upon and it would appear that further developments in fields outside those envisaged in the first proposals are being contemplated.

The predominant impression of those who attended the inauguration at Trombay was one of a remarkable meeting of minds, in which mutual trust has dissipated the differences which arise from approaching a project from the 'free enterprise' and the 'socialist pattern' ends. The major purpose, which was production with the best know-how and the willingness to subordinate ideology to the need of quick production, has provided a solvent of all ideological differences. There may be little difference on the specific role of the public sector and the private sector in getting a major scheme of this size through all phases of sanction and implementation. But where mutual trust exists, the particular form of participation is always capable of solution. Also, it is relatively

easy once agreement has been reached to obtain a relaxing of any particular clause which tends to cause disharmony. This has already happened in one or two cases and the Minister at least made it clear that so far as the Government of India was concerned there was a flexibility in outlook on every matter. Meanwhile, the Budget for 1961, with its reduction of tax on royalties and its reduction of tax on minority shareholdings, has paved the way for even more active participation by foreign private investors.

The question naturally arose whether or not the Minister for Industry was reflecting the views of the Government of India in regard to matters not pertaining to his Ministry. The somewhat unpleasant experience of the oil companies in recent years might indicate that the trust of which Mr. Manubhai Shah spoke is noticeably absent, in another Ministry. This week a quite unnecessary statement by Mr. K. D. Malaviya in regard to the refining of Ankleshwar crude oil has led to a statement by the Chairman of the Bombay Refineries, who has pointed that they had at no time refused to refine Cambay or Ankleshwar oil; only they required adequate information and the settlement of all the necessary details which must arise when the oil of one consistency is mixed with oils for which the refinery has been specially designed. The Ministry of Fuel and Power has much, it seems, to learn from the Ministry of Commerce and Industry. It should be impressed on all Ministers of the Government of India the recognition of the fact that, if production is delayed (as it was in the public sector refineries as a result of the acrimonious negotiations in the starting of Oil India) the country's loss is generally far greater than anything the Ministry gains by a narrow spirit of immediate gain. What is lost by more liberal approach to the foreign investment is almost always gained by the earlier coming into being of foreign exchange earners or savers, and thus the policy of the Ministry of Commerce and Industry has naturally been far more successful than that of the Ministry of Fuel in augmenting India's foreign exchange resources. It is sincerely to be hoped that the spirit of Mr. Manubhai Shah's inauguration speech at Trombay will be reflected in negotiations which the Government of India and State Governments are now conducting in order to implement India's Third Five-Year Plan.

ECAFE: Promise and Performance

ALTHOUGH ECAFE was the second among the four regional economic commissions to be set up by the United Nations—and the first among the three for economically backward regions—it can hardly lay claim to success in maintaining the title to priority in rank which ought to belong to it by virtue of time. It is now in its teens, but over thirteen years of experience have not been turned to fruitful exploitation in narrowing the vast gap between its functional value and the value of the Economic Commission for Europe. Observers of progress in operation may be pardoned if they entertain genuine misgivings whether the Economic Commission for Latin America—its junior in the fraternity of four—has not already begun to steal a march over it.

Vigorous and objective consultation among member countries for closer economic co-operation is the minimum base from which ECAFE, like its counterparts in Europe, Latin America and Africa, is expected to operate. The aim of this co-operation is to secure a growing degree of co-ordination in policy matters of common regional interests. The limits on the potential capacity of the commissions to function as effective instruments to achieve this purpose, which arise from the sovereign rights of member-governments and from the diversity of their national outlook, are recognized handicaps; but they apply to each of the regional commissions. Their magnitude ought not to be exaggerated. Integration, without surrender of national sovereignty, is a dominant emerging trend

in intra-regional economic relationships and the regional economic commissions can make their distinct contribution as agencies for forging a growing degree of cohesion among the countries within their jurisdiction. The regrettable fact is that it is hard to deny the existence, even after thirteen long years, of an element of unreality about the activities of ECAFE. Could it be that it is due to a lack of will and determination to perform its functions with a full sense of faith in its purpose?

This is not to imply that there is absence of any worthy achievements on the credit side of the balance sheet. The Mekong River Project is making satisfactory progress in the fulfilment of the first spectacular phase of building four multipurpose dams on its main streams and four similar projects on its main tributaries. ECAFE has been successful in enlisting the participation of eleven countries and ten UN agencies, besides the four riparian countries which stand to benefit from it directly. India has now declared her decision to contribute her modest share in terms of finance and technical know-how. The Asian Highway network, based essentially on the existing national roads, which aims at providing a well-knit regional system of communications extending over 30,000 miles of all-weather roads, linking the capital cities and main trade centres, is another project which bears special mention. But the anticipation to set up this network in a span of five years "under favourable conditions" is patently wishful and it overlooks the manifold practical difficulties.

There is something more of significance. ECAFE broke, albeit after a full decade, its stagnating tradition of functioning practically as a mere clearing house of information and making it available to member countries after it lost much of its value in point of time. It has opened a modest new chapter in its functions to serve as a clearing house of ideas. It will be four years now that it has laid down for itself the discipline of selecting a specified aspect of the economies of member countries to discuss and examine its long-term aspects and their implications for national policies. This healthy departure has yet to esta-

blish its practical utility as an aid to the solution of the problems of individual countries.

U Nyun, the Commission's Executive Secretary, propounded the thesis, in his speech on the inaugural day of ECAFE's current session in New Delhi, about its role to provide the "philosophic infra-structure" for the development of the region. He has given an elaborate account of special committee meetings, seminars and a "large body of literature" on the subjects taken up for discussion or technical investigation. It could have been richly supplemented by a similar account of results achieved in concrete terms. ECAFE's rounds of intra-regional trade promotion talks is a case in point. Its latest annual survey records the fact that the industrial countries increased their imports from each other by 24 per cent in the first half of 1960 over the same period of 1959, but their imports from primary exporting countries did not rise at all. This is a warning of an incipient trend, fraught with serious consequences to the region which is already under a compulsion to incur a heavy import surplus from the industrial countries. The utility of these exchanges need not be underrated. But the error lies in the almost complete preoccupation with the "philosophic infra-structure". The Executive Secretary has made a mere passing reference to the UN General Assembly's resolution laying great stress on the "operational work" which the regional commissions ought to perform. There, perhaps, is the rub.

An important item on the agenda of ECAFE's present session is the reference made by Mr. Hammarskjöld on a resolution adopted unanimously by the General Assembly for progressive decentralization of the UN's economic and social activities. Unanimous adoption of this resolution means concurrence of the member countries of ECAFE. In this context a significant and pertinent fact which ought to be repeated is the amendment of ECAFE's terms of reference (or charter) charging it with social functions interrelated with economic development. The agreement on decentralisation is in the form of commitment in principle. In view of ECAFE's manifest lapses in its present functions, it would be too hasty to add to its responsibilities which decentralisation implies.

The Coal Comedy

THE coal crisis continues to deepen; it has only changed its complexion. A few months ago when coal shortages were felt in various parts of the country, they were attributed to low output. Now that production has started picking up, thanks to some energetic action taken by the Fuel Ministry, there has emerged a terrible bottleneck in the movement of coal, with the result that in areas situated at a distance from the coal belt one is finding it extremely difficult to carry on with the tight coal supplies. Industrial growth has been arrested to not an inconsiderable extent due to non-availability of adequate quantities of this vital energy producing material.

The comical manner in which the Union Ministries of Fuel and Railways are accusing each other for the tragedy on the coal front is a classical example of lack of co-ordination between the various Ministries at the Centre. The Railway Board takes pride in the fact that it has achieved the target of coal movement fixed for it under the Second Five-Year Plan. Railways, it is said, are moving coal, outside the steel sector, at the rate

of 42 million tons per annum, as against the prescribed target of 41 million tons. This, it is asserted, has been achieved despite an appreciable loss of movement capacity last year due to Central Government employees' strike and unprecedented floods in some States. The Fuel Ministry, on the other hand, is vehement on the point that the movement of coal is not commensurate with the output which is now nearing the Second Plan target rate of production. During the past one month, nearly 3.5 million tons of coal stocks are reported to have got accumulated at the pitheads. The worst affected collieries are said to be in the public sector. Sardar Swaran Singh, Union Minister for Steel, Mines and Fuel, has stated that if coal is not moved from the collieries expeditiously, output will have to be staggered to avoid outbreak of fires at the pitheads.

Obviously, there has been tremendous lack of planning for production of coal as well as its movement. It appears that no correlation between

(Continued on Page 772)

A DELHI DIARY

TROMBAY REVISITED

I SHALL do nothing to hide the naked truth, which is that this Delhi Diary is written from Bombay; with even more pride, let me say that it is written on the Sabbath. I shall, therefore, omit events in Delhi which, I see, include an Adjournment Motion on Mr. K. D. Malaviya's latest well in Assam, of which more will undoubtedly be heard, as well as Mr. Jagjivan Ram's discomfiture over the unhappy manner in which his Railways dropped a journalist member of the Rajya Sabha out of a moving train. In Trombay one lives in a state of animated suspense, with nuclear energy on the one hand and refinery gases breathing fire on the other. For the moment, however, I am too deeply steeped in the stratosphere of advanced chemical research and Greek tragedy, to notice anything else. The chemical research centres round Union Carbide's magnificent new plant for what are called synthetic organic chemicals. The Greek tragedy is the splendid performance of Medea by the Bombay Theatre Unit—I believe the first large-scale attempt to bring Euripides into India. I feel very virtuous thus dwelling in the higher reaches of both science and the humanities which, they keep on telling me, round off a perfect education. Being denied a perfect education by the accidents of youth, and the inevitably enervating diversions of life in journalism, I am glad to say that almost everything that has happened since I arrived in Bombay on Friday was new. Certainly the chemical reactions which go on behind the mysterious tubes and pipes and great pressure vessels in Trombay were a continuous mystery to me. Of alcohol I had heard in another connection, and indeed, I might claim to have had a little experience of its more potent properties but of acetic acid, n-butanol, butyl acetate and ethyl acetate, all of which are now being produced at Trombay, I knew, until Saturday, not a thing!

INNOCENT ALCOHOL

Who would have thought that from very innocent alcohol, obtained from even-more-innocent sugarcane, there could be built up some of the most remarkable raw materials and intermediaries required in industries ranging from textiles, through drugs and dyestuffs, plastics and insecticides to artificial pearls and celluloid bangles? I have collected a goodly set of samples, and I am prepared to display to any fan, a pencil which contains at its top some special resin which, authoritative sources tell me, have been produced by this happy process. I have not yet checked details; I accept all I am told in faith, because more things are wrought by faith than this world dreams of. Anyhow, as I have been saying, from alcohol, after much compressing and piping, there is produced a substance called acetaldehyde. As is usual in all extraordinary chemical processes, and that most extraordinary thing called atomic fission or fusion, hydrogen has something to do with the reaction. In this case hydrogen has to go meekly through a catalytic convertor, but, as is not unusual, it keeps on eluding its chaser; it is eventually to be caught by what are called condensers. Then, of course, there must be a 'recycling'; out of recycling, best shown by a series of polygons, somehow or other, butyl acetate and ethyl acetate appear as by magic and, of course, are conveniently located at the right places so that they can be easily extracted and contribute to India's Welfare State. The whole plant which brings about this happy result has cost Rs. 4.5 crores and, if my arithmetic is right, will produce 15 million lbs. of polythelene and chemicals worth Rs. 2.5 crores. More important, though it does not follow from the chemical reaction, the country will save annually in foreign exchange about Rs. 2 crores!

The result of this beneficent transformation is to lay the flattering unction to the Government of Maharashtra's distressed soul that its Chitali distillery, situated 200 miles from Bombay, is no longer corrupting the country, but is contributing powerfully to economic progress, notwithstanding the fact that it is synthesizing and, therefore, presumably incorporating artificial, as distinguished from more Gandhian, techniques of transformation. Actually the Government of Maharashtra—tell it not in Gath!—is selling three million gallons of alcohol and making a substantial profit on the transaction. Thus does good come out of evil; alcohol which, until our industrial age really dawned, was actually thrown foolishly down the wrong channels, has, become a great raw material, a saver of foreign exchange and a giant contributor to Maharashtra's budget. No doubt it has other virtues, too, which I have not yet discovered.

PARTNERSHIP PLUS

The inauguration by Mr. Manubhai Shah, Union Minister for Industry, was attractive and satisfying on its own account. This is because there was revealed in the speeches of Mr. J. R. Galloway, Managing Director of the Union Carbide in India and Mr. Kenneth Rush, Vice-President of Union Carbide of the USA, on the one hand, and Mr. Manubhai Shah, on the other, a spirit of happy partnership, which was the more welcome in view of some of the dubious statements which are sometimes made in regard to what is mysteriously described "as the economic climate" for private foreign investment. Mr. Galloway spoke warmly of the experience of Union Carbide (India), formerly the National Carbon Company in India, and Mr. Manubhai Shah mentioned the extraordinary help that a President of the Union Carbide had given the Finance Minister and himself when they were facing some considerable embarrassment at a meeting of critical businessmen in New York. Apparently, a statement was then made that of all the countries where the Union Carbide had operations—I believe there were 37—India was on the top of their list for happy experiences. I wonder whether oil companies, wrestling with Mr. K. D. Malaviya, will echo this sentiment in equal measure!

EURIPIDES IN BOMBAY

I have had the experience (twice) of sitting in the famous theatre near the Acropolis in Athens as an Athenian would do in the time of the great giants of Athenian literature. Only on both occasions there were no plays being enacted. Nevertheless, one had a sensation of living in a great age. In Bombay on Sunday the position was somewhat reversed. The Theatre, an improvised open-air one, if I might say so with some respect, was on an unduly high level from the ground, had no marble sets and no grand history in the background. But, on the other hand, there was a real play bringing Euripides back to life with something like the grandeur of its original setting. And thus it is that one had a sense of completion putting together the empty theatre on the Acropolis with the full presentation of Euripides' masterpiece Medea. Like all Greek tragedies, it works itself out bloodily; Medea, after murdering her own brother, actually strews the pieces of his body over the water so that her father's fleet, while collecting the fragments, lost time in pursuing Jason. Usha Amin as Medea gave a superb performance and the whole setting with the production by E. Alkazi, made one proud of the capacity of Bombay's Theatre Unit to rise to great heights. I pay them tribute here, and greatly daring, promise to assist them in an effort to establish a repertory company with a regular performance of three "new" plays per season!

ARGUS.

THE WEEK'S NOTES

Agriculture

LARGE-SCALE MECHANIZED FARMING

THE FIRST report of the Damle Committee on large-sized farms has just been submitted to the Government of India. The Committee was appointed in February 1959 to examine in detail the economics of large state-owned farms in the light of the experience gained at the Central Mechanized Farm, Suratgarh, with a view to setting up more such farms elsewhere in the country. The Committee has come to the conclusion that a farm like Suratgarh Farm can earn an annual return of 6 per cent over the initial capital invested after fully recovering the expenditure including interest on capital and depreciation on capital assets, provided the necessary facilities, particularly perennial irrigation, are available. Thus, the Committee feels that the entire investment over a large sized mechanized farm could be recovered in a period of 16 to 20 years, making allowance for one bad year in every slab of four years. It is obvious that the element of uncertainty arising out of vagaries of nature has been taken into account. But, one is not sure if the element of risk arising out of price and cost fluctuations has been adequately appreciated while making these flat estimates. It is apparent that the Committee's conclusions are subject to correction on account of risks of changes in prices of agricultural commodities and in their cost of production.

In the light of detailed calculations made on the basis of proposals received from the State Governments, the Committee has recommended setting up of a farm at Jetsar, near Suratgarh in Rajasthan. The Committee, however, regrets to mention that the response from the States to the enquiries regarding availability of land was poor. The Committee felt that the States had not fully appreciated the advantages of having large sized mechanized farms and due attention and thought had not been devoted to this important possibility. Due to the paucity of many blocks that have the necessary facilities for large-scale mechanised farming, it was not possible for the Committee to suggest many sites.

In this connection, the proposed Land Ceilings Bill of the Government of Maharashtra may be recalled. If the object of the Government is to attempt to secure higher production at lower costs, then the move to apply land ceilings on agriculture land cultivated by industrial and commercial undertakings on modern farming techniques is nothing but a grievous retrograde step. This particular exception made in favour of the Maharashtra Ministry is a serious error of judgment. There was no justification for a departure from the principle of policy not to apply ceilings to such lands.

A word of caution is, however, necessary. The Committee has based its recommendations on certain tentative crop pattern for the first two years on the new farm; but the crop pattern may have to be modified after results of detailed soil analysis are known. Such modifications may materially alter the conclusions on which the recommendations are based and this aspect of farm planning and the consequent effect on profits should be fully appreciated while finalising decisions; for many grandiose schemes of the Government have come to grief for lack of adequate safeguards at the initial stages of planning and execution.

Press

TRAGIC END OF K. RAMA RAO

THE CIRCUMSTANCES under which Mr. K. Rama Rao met with his death are poignant indeed. He is reported

to have fallen from a running train while travelling from Patna to Lucknow. The train could not be stopped though some fellow-passengers repeatedly pulled the alarm chain; the alarm cord in that section of the train had been blanked off. Mr. Rama Rao was picked up an hour and a half later by the Janta Express and by the time medical aid could be provided life in him was extinct.

Whatever justification there may be for blanking off alarm chains on some sections of the railways in the interest of checking unnecessary stoppage of trains, it is highly deplorable that the safety of passengers should be jeopardised in the process. The statement of the Railway Minister, Mr. Jagjivan Ram, in the Rajya Sabha after this tragedy took place—orders to blank off alarm chains on the Dinapur section of the Eastern Railway, where the tragedy occurred, would stand, he said—amply speaks of his utter callousness towards safety of railway passengers which should be his first responsibility as Railways Minister. If the alarm cords are to be disconnected without any alternative arrangements being made for ensuring the safety of passengers, especially at times when armed robberies on trains are not infrequent, the railway using public runs a great risk.

Mr. Rama Rao was a veteran journalist who had a chequered career in the Indian newspaper world. He was perhaps the only journalist who had the distinction of having served on the editorial staff of over a score of newspapers in one capacity or the other. He will be long remembered for his association with the "National Herald" where as Editor he crossed swords with the then British authorities. He gave ample indication of the fiery writing that was to come from his pen at the very dawn of his journalistic career. Handling a news story dealing with a labour strike during his apprenticeship period with "The Leader", he headlined it "Bayonets Lose Terror".

Mr. Rama Rao rose to great heights in the intense phase of the freedom struggle. The information he collected from inside the jail where detenus of the 1940 Individual Satyagraha were huddled together and the editorial—"Jail or Jungle?"—he wrote based on this information earned him the wrath of the authorities. The way he outmanoeuvred the Government of the day during the Quit India Movement of 1942 on the question of closure of the "National Herald" is an epic story in Indian journalism; not even his staff knew when the paper was to suspend publication. And the fiery editorial "Vandemataram"—a call to the nation to rise against the British Raj—which he smuggled into the journal on August 15, 1942, under the very nose of the censorship authorities, landed him in jail for six months. What utter disregard he had for his personal welfare while serving the national cause is apparent from his retort to the Editor of "The Pioneer" who telephoned to him the following day to inquire about his likely means of livelihood after the closure of the "National Herald"; "It is a soldier's life. God is great. You need not worry," quipped Mr. Rama Rao. The popularity he enjoyed as the Editor of the "National Herald" can be gauged from the fact that when in 1941 he was asked to furnish security of Rs. 6,000, public came forth to raise a fund of Rs. 48,000.

Mr. Rama Rao belonged to an age when one served journalism with missionary zeal. And he lived through his journalistic career with that ideal in view. In the post-Independence period; he found himself out of tune with the changed circumstances; though he edited a

number of newspapers after 1947, he could hardly rise to the heights he attained during the War years. Mr. Rama Rao's knowledge of the technical details of newspaper production was perhaps unsurpassed. His standards were exacting. He himself set the example of hard work, that is the lot of a conscientious journalist, by working 16 hours a day and even from the sick-bed. The service he did to Indian journalism by training scores of young journalists speaks of how dear to the heart he held his profession.

Public Accounts Committee Report

STRICTURE ON ISCO AND ON ROURKELA PRODUCTION

THE PUBLIC ACCOUNTS COMMITTEE has suggested a thorough investigation into the working of the Iron and Steel Control Organisation in its 34th report, presented to the Lok Sabha this week. This suggestion has been caused due to the placement of contracts with a black-listed firm "in clear disregard of Government's orders" by the Iron and Steel Control Organisation. Here is another case of mismanagement of public funds and of public trust which has been shaken by a public undertaking.

The Ministry of Works, Housing and Supply black-listed a firm with all its branches and associate firms in August-September 1954 under intimation to all the Ministries of the Central Government. The persons connected with the black-listed firm floated another

limited company and the Iron and Steel Control Organisation placed about 52 contracts, valued at about Rs. 23 crores during the period June 1955 to October 1956 for import of steel. The Ministry of Steel, Mines and Fuel issued separate orders in October 1956 banning all business dealings with this firm, both in the old name as well as in the new garb. What is surprising, even after the issue of this second order, 10 more contracts were placed on the same firm during the period November 1956 to January 1957, valued at Rs. 4.12 crores. The Accounts Committee has very rightly insisted upon a thorough investigation into the very working of the Iron and Steel Control Organisation.

The Public Accounts Committee has also drawn attention to lack of co-ordination between production of iron and steel on the one hand, and transport of coal for the steel plants on the other. The Committee has very rightly emphasized the need for a high degree of co-ordinated effort on the part of the Ministries of Steel, Mines and Fuel and of Railways, so as to avoid any possible bottlenecks. As a matter of fact, only 30,000 tons of pig iron was produced per month during April to August 1960 against the rated capacity of the two blast furnaces at Rourkela of 60,000 tons of pig iron per month. Lately, the Railways have been strongly criticised, both in the Press and Parliament for not coming up to the expectation of planned development of the country, and here is another example of lapse of the Railway Ministry where it should pull itself up. It is high time the Railway Ministry wakes up to its responsibilities which it owes to the nation.

THE COAL COMEDY

(Contd. from Page 769)

production and movement of coal was established by the Planning Commission while drawing up the Second Plan targets. It was probably due to the fact that targets were fixed not on requirement considerations but on financial ones. The tight financial allocation made for the Railway Ministry, it is understood, compelled it to readjust its coal movement plan in 1958 when the Ministry of Fuel started talking in terms of 56 million tons target of coal production instead of 60 million tons target provided in the Plan. Even when at a later stage it was decided to stick to the 60 million tons coal production target, no corresponding stepping up of the railways' developmental programme was insisted upon.

The second factor that has led to the current coal crisis appears to be the anxiety of the National Coal Development Council, though well-intentioned, to achieve the target fixed for it by concentrating on development of mines from where movement of coal had to be effected through one of the biggest bottlenecks of the Indian railway system — Moghulsarai. There was little justification for the NCDC to have gone on concentrating on production in the Karanpura coalfields despite repeated warnings from the Railway Board, and the advice tendered to it by the Planning Commission to alter its fieldwise programme of production in favour of Central India coalfields which could serve some of the West and South Indian industrial centres.

The coal movement crisis has got two components: one arising out of the bottlenecks created by the railway track capacity and the other shortage of wagons. In the immediate future not much can be done to increase the track capacity; laying of new railway lines is a time consuming process. So to alleviate the distress caused by shortages

of coal it is essential that wagon production programme should be stepped up immediately. The measures such as creation of coal dumps in various States, haulage of coal by road transport over short distances and coal shipment by sea to South Indian centres can only be useful in the short run because they envisage increased cost to the industry and the general consumer which may not be resented for a short while. From the long-term point of view, it is essential that the development of railways should be thought of in terms of meeting the growing demands for coal movement. No lesson appears to have been learnt by the Planning Commission from the Second Plan operation. The allocation for railways' development in the Third Plan is as tight as it was in the Second Plan. It is not too late as yet to correlate railways' capacity to carry traffic with the production envisaged under the next Plan. For the foreign exchange component of the railways' development programme enough funds can be secured from the World Bank and other international lending institutions. It is hoped that rupee resources will be made available to the railways to increase their movement capacity to an extent which should not only be enough to carry the anticipated load of traffic but would also provide for some surplus capacity to be made use of under unforeseen contingencies.

The railways in the short-run will do well to improve their operations which, according to some authorities, have shown some deterioration during the recent past. Turn-round of railway wagons is alleged to have slowed down; it can be speeded up to not an inconsiderable extent. Creation of coal dumps at some of the railway bottleneck heads can also be useful though it will entail some additional labour costs to reload coal in railway wagons. This should go some way in alleviating the distress of the public sector coal mines in Karanpura area.

STEEL PRODUCTION SOARS BY 173% AT MUKAND

In 1940, Mukand employed 694 men; in June 1960—2,187. Over the past seven years, production figures have soared—18,234 tons in 1952/53; 49,787 tons in 1959/60. This increase is a reflection of a good management of finances:—

	1957/58	1958/59	1959/60	
	(Rs. in lacs)			
Capital	51	51	71	Mukand manufacture high-grade steel products—bars, rods and castings. Presently an expansion programme is under way. It will cope with the growing influx of big orders—like the one placed by the Railways with Mukand on 16th July 1960 for 4,035 sets of Centre Buffer Couplers valued at 84 lacs.
Depreciation provided up to date	32	36	41	
Profits retained in business to date	25	35	45	
Profit for the year	19	30	32	
Dividend for the year	5	5	8	

Mukand provides India's new and growing industries with the quality steel components they must have.

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The World Abroad

AFTER NEHRU—WHO ?

By

ODYSSEUS

AFTER NEHRU, WHO ? This is the question which every visitor from India is asked in the UK. The names most mentioned are those of certain admirable but perhaps somewhat elderly politicians. I do not know if the Congress party and the Praja Socialists have any organisation like the British Young Conservatives Organisation. Even if they have I would still have liked some of the patriarchs of the Congress to have attended the National Conference of the Young Conservative Organisation recently held in London. Membership of the Y.C.O. is open to boys and girls between the ages of 16 and 35. With over 200,000 members, the Y.C.O. is the largest voluntary political youth organisation in the free world. It has branches in every division of every constituency. These branches organise social meetings for dances, tennis, etc., study groups in which every kind of political, economic, and social problem is tackled, and, of course, debates, in which boys and girls acquire confidence in public speaking.

The average British Conservative M.P. is 48, the average Socialist 55 years of age. Of the M.P.'s below 39 years of age, there are 75 Conservatives and only 18 Socialists. The largest single Conservative age group is 45/49, which numbers 75. With the Socialists, the largest is the 50/54 age group, numbering 52.

The comparative youthfulness of Conservative M.P.'s has two causes. First, the Labour party is, as its failure in three elections running suggests, fighting old battles with obsolete ideas and therefore finds more supporters among older than young people. Secondly, in the Y.C.O., the Conservatives have an excellent nursery, both of candidates and of party workers. 300 Y.C.O.'s are candidates in the forthcoming municipal elections, and such confidence have the elders of the party in them that Young Conservatives will be entrusted with the responsible task of being in complete charge of many branch campaigns.

The 1,100 young people, about evenly divided between men and women, who attended the National Conference, all had a sound command of debating procedure, and it was obvious that most of the speakers had made real studies of their subjects. My recollection of debates among Indian students is that most have self-confidence but that few have made any serious study of the problems about which they are so fluent.

FIVE CABINET MINISTERS

The presence of five cabinet ministers (for Colonies, Commonwealth Relations, Home Affairs, Defence, and the Prime Minister himself) at the Y.C.O. conference suggests the importance that the Conservative Party attaches to cultivating its younger supporters. Moreover, the speeches of Mr Heath on the UK's relations with Europe and Mr Macmillan's references to Africa, were head-lined by the press the next day as major declarations of policy.

The Young Conservatives did not indulge in flattery of the Conservative "establishment." One resolution, for example, said: "The young Conservatives deplore the unctuous terms of so many of the resolutions submitted to the party's annual conference," which evoked from Mr Ian Macleod (Minister for Colonies) the smiling comment: "Automatic and indiscriminate praise is

one of the dreariest features of our conferences. We must put this right. The matter is in your hands. Apathy is our besetting sin. The government welcome the spur of your comments and even the lash of your criticisms."

Again, while upholding the UK's possession of nuclear weapons, the Young Conservatives voted unanimously to omit a sentence in the resolution endorsing the government's defence policy, which speaker after speaker condemned as muddled and uncertain. Mr Watkinson, Defence Minister, took his medicine gracefully, saying "I'm not sure that I endorse my own policy myself!"

Another motion, "That this conference, while recognising the government's efforts to reduce taxation, believes that the present rate of taxation deters increased productivity," was widely criticised on the ground that money for social services must be found, and was defeated by a large majority. In company with many other economists, I consider that the burden of UK taxation seriously impedes economic growth. I agree, for example, with the several recommendations made in Political and Economic Planning's new report "Growth in the British Economy" (Allen & Unwin 1960). But when you reflect that Conservatives are always popularly supposed to be clamouring, contradictorily, for lower taxes and more welfare, the Y.C.O. resolution shows that these young people refuse to acquiesce in superficial generalities and have a grasp of current political realities.

BRITAIN IN EUROPE

A resolution of outstanding interest, which evoked a high level of informed discussion, said "This conference urges the government to ensure the UK's full and active support for the formation of an economically and politically integrated Europe." Proposing this William Shearman, aged 23, of 806 Romford Road, LONDON, E.12, who is Chairman of the East Ham North Y.C.O. branch said: "Since the end of the war, Europe has waited in vain for the UK to take the lead for unity. At last, despairing of the UK, the Six formed the Common Market. In order to keep pace with Europe, the UK formed the Free Trade Association of the Seven. Europe is therefore divided into two blocs, which in the long run can only be harmful, economically and politically, to Europe and to Western civilisation... It is time that the UK took the initiative for European unity. The European Economic Community has proved itself. Trade between the Six has increased far beyond expectations... EEC exports to the rest of the world have risen 22 per cent, imports 24 per cent, internal trade by 30 per cent... We must bring about a customs union embracing the Six and the Seven..." After pointing out that the loss of Imperial Preference would be unimportant to UK trade, Mr Shearman went on: "Obviously economic unity will bring political integration... whether federal or confederal this could only be advantageous..." Space limits as to these snippets from Mr Shearman's speech, but enough perhaps remains to suggest that it contained some tough thinking for a young man of 23. This resolution was carried by 585 to 510. My guess is that a nation-wide Gallup poll on this resolution would reveal a narrow majority against it, because a large section of British opinion clings to the concept of national sovereignty, and also

fears that since the Commonwealth is an association of sovereign nations, the loss of UK sovereignty would disrupt Commonwealth relations. That this resolution was carried by a small majority of young Conservatives suggests that they are a progressively minded group. This resolution was, incidentally, carried before the UK government's offer to join in a customs union with the Six was known.

When the Prime Minister addressed the conference at the end of the day, he was obviously delighted that the young Conservatives had been kicking over the traces. "There has been much healthy criticism," he smiled, "and a healthy disrespect for your elders." The conference closed with a speech of thanks to the Prime Minister by Miss Patricia O'Gara, Vice-chairman of the Y.C.O., whose intelligence, youthful vivacity, good looks and charm, rejoiced my elderly heart. She referred to a passage in Mr Macmillan's speech in which he had recalled that as a young man after World War I, he, in common with many friends of his generation, were anxious to play their part in the work of reconstruction, and to make their contribution to the public life of their country. But, commented Miss O'Gara, Mr Macmillan's elders did not give much heed to the views of youth. On the other hand, the presence of Mr Macmillan and four leading members of his cabinet showed, Miss O'Gara said, that the Prime Minister was creating a sound new precedent. "Today, you are ready to listen to youth," she said. I happened to be sitting a few feet away from Mr Macmillan and I could

see that he was touched by Miss O'Gara's words. The tears welled in his eyes.

I must mention the conference chairman, Mr Andrew Bowden, who looked to me about 28. He controlled the debates of the thousand lively young people with the ease and skill of a man twice his years. On several occasions he had to give rulings on points of order and to deal with two or three noisy demonstrations. He did so with a good humour and a courteous firmness which together revealed that he possessed the two essential qualifications for a successful chairman: a conciliatory sensitiveness to the shades of feeling in the house that disarmed opposition, and a complete mastery of the rules of debate which inspired confidence in his impartiality and ensured quick acceptance of his rulings.

Is there a moral for India in all this? None at all if the political leaders in the states are already organising groups among the young to train them for political service to their country. But if they are, there must have been a big and fairly recent change. It is not so long ago since contacts between political leaders and youth were limited to organising students to march about shouting slogans. Whatever that is, it is not training for a serious political career. If any Indian politician is interested in securing details of the Young Conservative Organisation's constitution and methods, he can write to the Chairman, 32 Smith Square, London. S.W. 1., where, incidentally overseas visitors are always welcome.

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*The European Scene***WHEN COLONIAL CAPITAL COMES HOME**

From Our Special West European Correspondent

PARIS, March 13.

COLONIAL capital is never just money, but the investments of enterprises of a particular sort. This banal statement needs to be borne in mind in order to understand many of the economic aspects of imperialism, decolonisation and their aftermath. Money seldom crosses the seas without taking with it abilities, interests and "know-how" of quite specific kinds, and in the case of typically colonial capital these relate to trading and its finance, plantations and certain administrative functions (e.g. zamindari companies or the Suez Canal Company when it was simply collecting transit charges). This explains why even the most profitable colonial investments cannot be assumed to be in the interest of the imperialist country as a whole, since they inevitably imply a diversion of home savings away from progressive productive industry to commercial and agricultural operations. Witness the technological advance taken by non-imperialist countries like the USA and Germany over the colonial powers, Britain, France, Belgium and Holland in the first half of this century. Imperialist interests in those latter nations protested that they were working in the cause of all their compatriots, and pointed to the share-out of colonial profits that certainly took place. Nevertheless, they were working at the expense of progressive forces in their own country: a half-century of colonial profits in the Congo has left Belgium technologically backward.

Similarly, it explains why newly independent colonies at once begin wooing the ex-imperialist for more and more capital, and only turn to non-imperialist lenders like the USA and West Germany because the technological backwardness of the former imperialist (due to its colonial investments) means that it cannot provide the sort of capital that the developing nation needs more of. If possible (and in some cases it has been possible) the ex-colony would like to get more capital from the ex-imperialist than ever it received in colonial days—only, it now wants capital of a different sort, bringing with it abilities and know-how unknown to colonial investors. Umbrageous nationalists, who imagine that all British capital is just plain money, regard this as "neo-colonialism" and talk of "new East India Companies"; perhaps they are encouraged in this by the practice of stating foreign capital needs, in the national plans, in money terms, which is meaningless because capital can be of so many different sorts that it can scarcely be added up. Capital invested in India by ICI, Metal Box, Pfizer or Krupps-Demag means something totally different from capital invested by tea companies or exchange banks, because those firms send abroad different abilities and represent totally different political forces in their country of origin.

This can be proven when we see what colonial capital does when it goes back home after decolonisation. As has been said, the net export of capital, measured in money, from the ex-imperialist to the ex-colony may actually increase after independence, but the bulk of it is now being put up by progressive productive industry which was handicapped, both at home and abroad, during the imperialist age. On the other hand, colonial capital that was invested in trading, plantations, and para-administrative work (e.g. the US capital that Fidel Castro has just nationalised in Cuba: sugar plantations, import trading and public utility monopolies) goes home for good and all. Now if it were just money, this repatriated capital would disappear into

the anonymous pool of the country's financial resources. In reality, it very often reappears on the metropolitan scene, just as it first appeared on the colonial scene, as the purveyor of specific abilities, seeking not just any profitable investment but the sort of work it has been accustomed to.

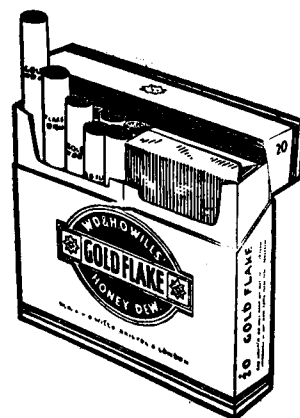
The interesting thing is that when colonial capital comes back home it can often claim, just as industrial capital does when it goes to a developing country, to bring know-how of a sort both unfamiliar and valuable in the metropolitan country's economy. This is because, during its expatriation in the colony, it has learned skills not common in Europe; in particular it acquires a taste for bigness—e.g., mass trading in commodities, or extensive agriculture—for which it found scope in the vast colony while the home country remained under the influence of small shopkeepers and peasants. Thus the impact of homecoming colonial capital can be considerable. Whereas the impact of foreign capital on a colony has been extensively studied, no one, that I know, has systematically examined the reverse process that I am talking about here. It may be seen, already, in the first act of decolonisation in modern times: the eviction of the Spaniards from their last imperial possessions, in Cuba and the Philippines, in the Spanish-American War of 1898. A large amount of Spanish capital was obliged to abandon the colonial positions it held in those countries; the Americans, by and large, took over the same positions in Cuba and held them until Fidel Castro, and they still hold them in the Philippines. On its return to Spain, and more precisely to Catalonia and the Basque country, this capital touched off a minor economic revolution in that decadent country, restored Spanish fortunes for a time at the beginning of this century, and caused the economic unbalance between the centre and the northern provinces that has not yet been corrected.

Naturally, the process may be seen on a much larger scale in contemporary decolonisation and it will repay some student's effort one day to follow through the movements of repatriated colonial capital to Britain, France, Holland and Belgium. It is already clear that the re-activation of the vast resources of the Suez Canal Company since 1956, in the Suez Finance Company and others, will prove to be one of the most important stimuli to economic progress in West Europe in recent years. There is scarcely an industry in France that has not by now felt the financial support of the Suez Company in its most active members, and if the tunnel and/or bridge is ever built under/across the English Channel, it will be thanks to Suez capital—a choice of investment that is not accidental.

More immediately significant is a commercial revolution that is just beginning in this country and which will change everyday life here radically by 1965. It is the work of a loose consortium of colonial capital: the Indo-China banks, the giant trading corporations of tropical Africa and the ubiquitous Suez Company. When the prospects for commodities trading in Africa darkened last year, the West Africa Commercial Company (annual turnover Rs. 95 crores), the French West Africa Company (turnover Rs. 101 crores) decided, along with somewhat smaller traders like the Optorg Co. and Peyrissac, to bring funds back to work in France. Looking for something to do, they not surprisingly thought of commerce, a field that is still dominated here by 360,000 small shops and a few food chain-stores dating from the last century. Joining hands with Indo-China and Suez

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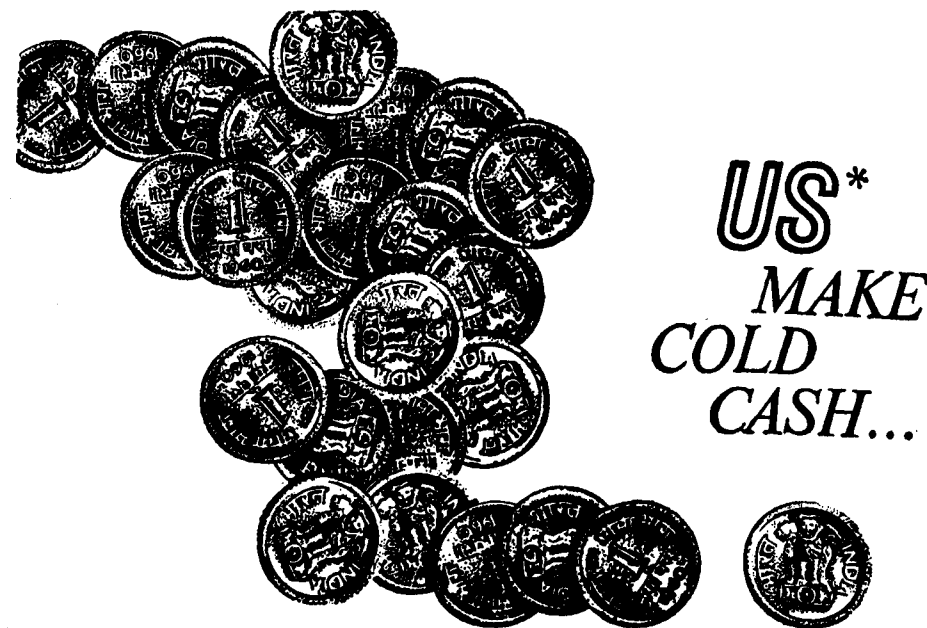
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capital and with Belgian funds whose availability probably had something to do with the Congo, they set out to revolutionise French retailing. In the last few months they have formed no fewer than 23 supermarket companies with a total initial capital running into tens of crores and which plan to open by 1965 as many as 3,000 supermarkets. Accustomed to the wide horizons of the colonies, these super-merchants find France much too small for their ambitions, and they are organising their activities on an international scale. They are forming supermarket supply companies to buy and distribute throughout all West Europe, holding companies to run international chains of self-service, discount department stores, and investment trusts specialising in buying premises for supermarkets anywhere in Europe, renting them out for a percentage of turnover.

This invasion of colonial commercial capital will no doubt be described as Americanisation, but then homecoming colonial capital is usually so described in Europe. For example, when North African agricultural capital began coming home several years ago it was said to be treating the south of France as though it were the US mid-West: It bought up huge blocks of land in depopulated areas, deserted by the peasantry, ran them together, wiped out hedges and walls and introduced the extensive-farming methods it had long practised in North Africa. Most of the people responsible for this operation had never seen the USA; they were simply repeating in reverse the methods of colonists in North Africa a century ago, and of plantation mana-

gers around the world since colonisation began. (To complete the analogy, they even set French peasants to work as day-labourers and treated them rudely.) In general, what Europeans call Americanisation often has nothing in particular to do with the USA but is just the application in conservative Europe of large-scale trading and farming methods that have been learned in the wide open spaces and the freedom from traditional restraint that characterise both the colonies and the New World.

The reappearance of the colonial traders on the European scene will have far-reaching effects. They will split open the closed circuit of European retailing, which was marked by vertical concentration between manufacturers and distributors, and put the business of retail commerce into the hands of professional merchants dedicated to selling anybody's goods as quickly and as cheaply as possible—while providing as little personal service to the customer as the Negro gets when he swaps his cocoa beans for coloured cloth in a jungle trading post. They will incidentally ensure that the foreign goods made available by the Common Market and the end of dollar import-bans get right through to the European consumer. There was no guarantee that this would happen with the old retail system, where small and inefficient shops sold what their suppliers gave them—at prices fixed by the manufacturer. The repatriation of colonial trading capital will make a reality of freer European trade for the ordinary consumer.



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Economic Report from the U.S.**C.E.A. REPORT**

By GUY SIMS FITCH

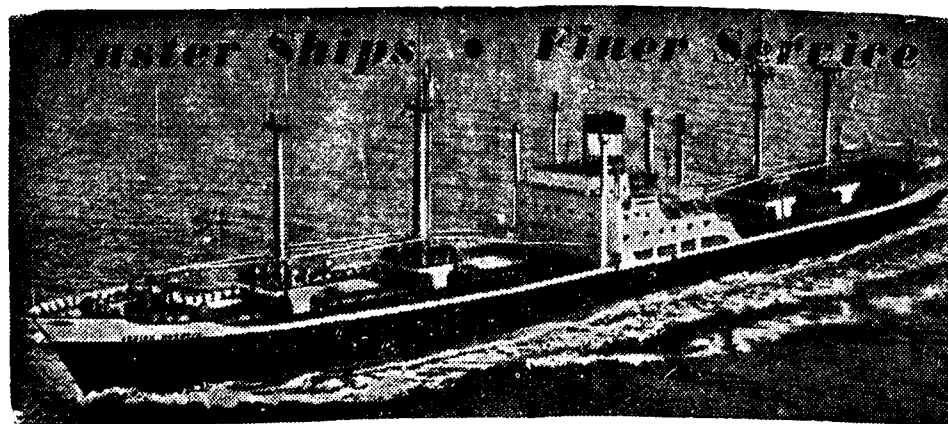
WASHINGTON, March 8.

NO other country is so constantly, so fully and so carefully analyzed as is that of the U.S. From government officials, from scholars, from businessmen, and from various quarters both friendly and hostile, comes a seemingly endless flow of comment on U.S. economic conditions, trends and prospects. All this may be accepted as an inevitable consequence of traits which seem almost ingrained in the American character. One is the penchant for self-examination, and the self-improvement that flows from it. Another is the common and usually uncritical acceptance of the "open society" concept, and its application to economics. It sometimes appears that American economists and government officials can neither boast about a favourable trend nor hide an unfavourable one, so evident are these developments from the voluminous and uncensored U.S. statistical records and public discussion.

Much of this discussion, of course, can and should be relegated to this proper place: personal opinion. And from that vantage point it should be evaluated for accuracy and reliability. But amid the welter of comment and proposals there also emerges a coherent government viewpoint that merits the designation of "official." Such a viewpoint is now available in the form of a 56 page report presented to the joint economic committee of Congress by President Kennedy's Council of Economic Advisers (CEA). Coupled with the testimony before the committee by CEA Chairman Walter Heller, the report amounts to the most comprehensive review of US economic conditions and requirements yet offered by the Kennedy administration. Planned by his two fellow Council members — James Tobin and Kermit Gordon — Dr. Heller laid bare to the Committee the administration's hopes and fears for the American economy. In substance, CEA expects a "noticeable" pick-up in economic activity within the next few months, but cautions that such an upturn "would be only the beginning, not the end of the solution to our economic problems." The key problems, as described by Dr. Heller, concerns "taking up the slack" between "that we are producing" and "what we can produce."

To document this point, the CEA report details what it terms the difference between actual and potential output last year. It puts this difference at \$30,000 million to \$35,000 million, or 5 to 7 per cent of the record 1960 gross national product (total output of goods and services) of \$503,200 million. What is more, according to Dr. Heller, this gap between the potential and the actual "has shown a distressing upward trend" for the past half-dozen years or so. At present, given — as he put it — the weak recovery from the 1958 recession followed by the business dip of the past 10 months, the gap can be measured at about \$50,000 million. According to this reasoning, it is Dr. Heller's contention that even if the gross national product by the last quarter of 1961 achieves a level 3.5 per cent higher than the last quarter of 1960 — a substantial year-to-year gain of about \$18,000 million in constant prices — the situation still would not be wholly satisfactory in terms of production, incomes and employment.

In this context, the Kennedy administration seems to draw small comfort from the fact that the current recession has been even shallower than the other brief and modest postwar dips, and bids fair to give way soon to a rise that will carry the economy to new peaks. Involved in this dissatisfaction with current trends is a vision of an increasingly prosperous U.S. with more production, more jobs, more incomes, more personal well-being and more goods and services of all kinds. And it is clear from the tenor of the CEA report and the related Heller testimony, that the President and his young family of vigorous intellectuals are confident that the U.S. has the resources and the dedication to fulfill its glowing economic promise. What this amounts to, then, is a clarion call for an acceleration of the nation's long-term economic growth, for a frank recognition that what may have been good enough yesterday should not be accepted as good enough today. With the economy below its potential, say President Kennedy's advisers, "the expansionary effects of government programmes will be welcome even if they occur well after the recession has been reversed."



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WORLDGRAMIndia

Fig Latex as Clotting Agent in Cheese Production: Scientists of the Central Food Technological Research Institute at Mysore have successfully isolated a milk clotting agent from the latex of semi-ripe fruits of the fig variety. The clotting agent can be used in the production of cheddar and processed cheese. Large scale trials have been carried out with the processed fig latex at the Kaira Co-operative Milk Producers' Union, Anand, and at the Regional Station of the National Dairy Research Institute, Bangalore. It has been found that fig latex is a good substitute for the commonly used animal rennet. In India, processed cheese and animal rennet are largely imported. The total cost of cheese manufacture with the vegetable rennet (fig latex) works out to about Rs. 7.70 per Kg. as against Rs. 12.22 per Kg. for imported cheese. Results of these investigations have been presented in a recent issue of 'Research & Industry,' a monthly periodical published by the Council of Scientific & Industrial Research, New Delhi. Another article in this issue gives the process details and cost estimates of producing a pigment, cadmium orange, used in ceramic, rubber, paper and paint industries. The process has been developed at the Regional Research Laboratory, Hyderabad, where the pigment has been produced on a laboratory scale. Cadmium is likely to become available as a by-product from the zinc smelter to be set up in Rajasthan.

Decasualisation Scheme for Colliery Workers:

A scheme for decasualisation for colliery workers has been drawn out by the Ministry of Labour with a view to avoiding wastage of manpower, increasing the efficiency of workers and eliminating malpractices and favouritism in the recruitment of colliery workers. The scheme also seeks to ensure speedy re-employment of experienced surplus labour in collieries before new hands are engaged and to reduce the period of waiting before a worker gets a job. It is proposed to administer the scheme through employment exchanges that may be set up for this purpose or through sub-offices of employment exchanges, wherever necessary. Under the scheme, colliery workers already employed and those seeking employment are to be registered at these employment exchanges, and divided into through categories: those working in colliery for one year or more; those who had worked for less than a year and those seeking employment for the first time. After the scheme comes into force, no participating colliery shall obtain workers except through the appropriate employment exchange. The exchange will submit applicants against vacancies in the order of seniority, in the Live Register, occupation-wise. Workers who have been previously employed by a colliery owner in a particular coal-mine area shall be given preference in the matter of submission against vacancies occurring under the same employer and in the same coal mine. Under the scheme, it is proposed to submit workers against vacancies by rotation so as to ensure equal opportunities of employment for all the registrants.

United States

American Participation in Indian Industries Fair: Arrangements for the American participation in the

Indian industries fair 1961 have begun with the arrival in New Delhi of Mr. Howard C. Messmore, of the office of the International Trade Fairs, U.S. Department of Commerce. Mr. Messmore who arrived recently will be manager of the U.S. exhibition at the Industries Fair. The American exhibits, to be laid out over a 5½ acre plot in the former Amriki Mela Buildings, will have as its theme "industry in the service of man" and will cost over a million dollars. Though final blue prints are yet being worked out, the U.S. exhibit will include a tool and dye shop and a weather station to depict the importance of weather to industry. The fair, scheduled to open on November 15, and last until January 1, 1962, is being sponsored by the Federation of Indian Chambers of Commerce and Industry. The U.S. exhibit at the Fair will be manned by 30 to 40 Americans and nearly 200 Indian employees.

Great Scope for Development of Protein Foods from Plants: Dr. N. W. Pirie, a distinguished British biochemist said in New Delhi recently that there was great scope for the development of protein foods from Indian plants. Research was needed to find out the type of leaves most suitable for the purpose. Dr. Pirie was invited to India under the Colombo Plan to advise the Government on aspects of applied nutrition and supplementary food.

Yugoslavia

Exports to Exceed Plan Targets: The Director General of Yugoslav Trade Bank stated to Journalists at a Press Conference that there were prospects not only to fulfil but also to exceed this year Yugoslav Export Plan. Exports for this year are fixed at 11,000 million dinars more than last year. The Director-General said that Yugoslav exports of industrial commodities would be 11 per cent greater than last, while farm produce exports would remain at the same level as last year. Among industrial commodities, timber non-ferrous products, ships, machinery and complete capital equipment would be exported this year.

Extension of Trade Between India and Yugoslavia: A delegation of the Council for expansion of Indian export of Calcutta, which had talks on possibilities for extension of exports from India to Yugoslavia with representatives of Yugoslav authorities, chambers and enterprises revealed recently that it was found that the Yugoslav economy is interested in extension of the variety of goods imported from India. It was also stressed that favourable possibilities exist for joint appearance of Yugoslav and Indian industries on the markets of other countries. Yugoslav economic circles consider that increase in imports from India will also contribute to the increase in exports of Yugoslav goods to this Asian country.

Israel

Maritime Trade: In October 1960, Israel's fleet consisted of 53 ships, having a gross tonnage of 340,000 tons and a deadweight capacity of 461,000 tons. When

Israel started 13 years ago to build up its merchant marine, it owned only 5 small and old ships which carried a negligible section of Israel's maritime trade. Now Israel has reached a stage where her fleet carries more than 50 per cent of Israel's sea-borne trade. For years it was the goal of the leaders of Israel's maritime industry to reach this proportion. Though the overall picture shows that Israel, or Israel controlled ships, carry over 50 per cent of the country's maritime trade, this does not mean that in all the different branches of traffic Israel reached this proportion. There are some branches in which a bigger share has been attained as for instance in the transport of oil and in the carriage of passengers. In oil, Israel ships now carry nearly 100 per cent of Israel's needs, whereas in the passenger trade they carry over 75 per cent of the sea-borne passenger movement. In the carriage of grains, it is 50 per cent. Only in general cargo, import and export alike, is Israel's share still below 50 per cent, and approximates 30 per cent only. Regarding citrus fruit, it seems that Israel ships will always carry less than 50 per cent, perhaps between 20 and 30 per cent only. The reason for this is the short citrus export season. In order to pay reasonable freight rates for citrus exports, Israel has always to make extensive use of foreign bottoms for the transport of these commodities. With additional new ships ordered, some improvement in the general cargo import trade can be expected.

Austria

Transistor Production: Wiener Radiowerke AG, a member of the Philips group, will next year start production of transistors, the major part of which will be for exports. The company has at present a total labour force of 1,800. Approximately 80 per cent of its output is sold abroad for roughly Sch. 250 million per annum. The greatest share of exports is found in Philips tape recorders, which were developed at the group's laboratory in Vienna.

Unemployment in Austria: This year the increase in seasonal unemployment was a very moderate one. Though the number of jobless rose by 13,880 to 84,584 persons during the first two weeks of December, this figure was still 27,956 or 24.8 per cent below that of the same time last year. This improvement was partly due to the favourable weather during the period in question, which accounted for a very slow decline in building activities. Unemployment in the building trade was by 9,777 persons lower in mid-December, 1960 than on December 15, 1959.

Norway

Fisheries Agreement Documents Exchanged: The ratification documents containing the agreement between Britain and Norway on the fisheries limits off the Norwegian coast were exchanged at the Foreign Office in London recently. The main provision of the agreement is that British trawlers should be allowed to fish in the outer six-mile zone for a period of 10 years, when Norway extends her fisheries limits from 4 to 12 miles. The agreement comes into force automatically with the exchange of documents. The extension of the fisheries limits will be undertaken in two stages — from 4 to 6 miles on April 1 and from 6 to 12 miles on September 1. The ten-year period is reckoned from

October last year, when the provision was agreed upon and consequently expires in October 1970.

New British-Norwegian Nylon Production Firm: The Klinger Manufacturing Company Limited, London, has concluded an agreement with the Norwegian textile manufacturer Haakon Wenger, under which the British Companies will invest £250,000 in a new establishment for the manufacture of nylon thread in Norway. The name of the firm is Scandinavian Klinger A/s. The factory, which will be the only one of its kind in Scandinavia, will concentrate initially on the production of fully finished textile articles for domestic and export markets.

Japan

Industrial Production in 1960: The Ministry of International Trade and Industry announced on January 30 that Japan's industrial trend in 1960 was favourable following the previous year as noted below: mining and manufacturing production index set the highest record in the past 10 years, representing a 25 per cent rise compared with the previous year. Moreover, supply-demand relations were in balance throughout the year, together with stable inventory accumulation and wholesale price and other trends. Plant and equipment investment played a major part in propping mining and manufacturing production. The Ministry officials forecast that, a further increase in plant and equipment investment will not be expected, the nation's industrial trend will largely depend upon steady rising of consumption expenditures and government outlays hereafter.

Technical Assistance in the Field of Tele-communications: Japan is extending economic as well as technical assistance in various forms to countries of South-East Asia, the Middle and Far East and Central and South Africa. In the field of tele-communications, technical assistance is provided by two major organizations, namely, the Kokusai Denshin Denwa Company and the Japan Telegraph and Telephone Corporation. One of the basic problems in international co-operation is the establishment of tele-communications systems in the newly developing countries. It is interesting to know in this connection that the International Tele-communication Union, which has a long history and tradition, and is specialized agency of the United Nations decided recently to expand its activities to provide assistance in developing tele-communications facilities in the new nations of the world.

Germany

Hanover Fair: The fifteenth German Industries Fair will be held in Hanover from 30th April until 9th May, 1961. About 5,000 manufacturers on 506,000 sq. miles of exhibition space will show their finest products to visitors from over 100 countries. This great show, to which more than 100,000 people must be transported daily entails enormous traffic such as to be seen in only a few places in the world. Since 1950, when foreign exhibitors came to Hanover for the first time and participation grew from year to year, visitors from abroad, in addition to rising home attendance, have steadily increased. In 1960 approximately 25,000 visitors came to the fair by air alone.

NEWS IN BRIEF

INDIAN

As a result of negotiations which recently took place between a three-member Finish delegation and officials of the Central Board of Revenue, a draft agreement for the avoidance of double taxation of income between Finland and India has been initiated at technical level.

Labour employed in iron ore mines have the same statutory welfare amenities like drinking water, canteens, creches, first aid etc. as are enjoyed by other miners. They do not, however, have the special amenities provided to coal and mica mines under the Coal and Mica Mines Labour Welfare Funds Act.

It is reported during the period 1-7-1959 to 31-10-1960, 33,190 societies have been reorganized as service co-operatives. Service co-operatives are being given a management subsidy upto Rs. 900 per society spread over a period of 3 to 5 years.

Andhra Pradesh, which is the first State to send its census result, has a population of 35,977,999 and shows an increase of 15.63 per cent over the 1951 count.

It was disclosed recently by Mr. D. P. Karmarkar that water supply schemes have been introduced in 61 villages in Delhi since the beginning of the Second Plan. Against the total provision in the Second Plan of Rs. 19 lakhs, the amount spent so far was Rs. 9.38 lakhs.

It has recently been decided to set up an organization in the Power Wing of the Central Water and Power Commission for taking up the specialised work of engineering, design, procurement and installation of large thermal and hydro power stations in the country.

It is reported the average annual milk yield of cow had gone up from 366 lbs. in 1951 to 382 lbs. in 1956, buffalo from 963 lbs. to 1,117 lbs, and goat from 122 lbs to 127 lbs during that period.

Mr. Jaisukhlal Hathi, Union Deputy Minister of Irrigation and Power, stated in the Lok Sabha that the demand on the Damodar Valley Corporation power system had exceeded the generating capacity with the result that the Corporation had to resort to stretching of generation to more than the normal capacity of the existing units at the Bokaro Thermal Power Station.

The Damle Committee on large sized farms has favoured the setting up and running of big mechanized farms which, in its opinion, should be a profitable proposition.

An increase in tax on petrol from 7 nP to 8 nP per litre and on diesel oil from 5 nP to 7 nP per litre estimated to yield Rs. 14.5 lakhs has been proposed by the Assam Finance Minister to meet the estimated revenue deficit of a little over Rs. 14 lakhs for 1961-62.

India is assisting Nepal in establishing national archives including a library of old sanskrit manuscript. A National Archive Board, set up by the Nepal Government had invited three leading indological scholars from India as advisers to its academic committee.

FOREIGN

East Germany believes its future Western trade will develop more closely with E.F.T.A. countries than with those of the Common Market. Trade with Western countries in general had increased by 24 per cent in 1960, compared with 1959, the biggest increase being with E.F.T.A.

The Argentine Government has authorised the French group Pechiney, uging and Cegedur, to invest \$1.3 million for the purchase of equipment and machinery to expand the aluminium fabricating plant of Camca, the group's Argentine subsidiary.

South Africa's wool clip for the seven months to the end of January was 8,733,000 lbs lower than in the previous season and the value was £28.4 million against £34.2 million. The weight was 183 million lbs. against 192 million lbs.

A U.K. trade delegation is to visit seven South-East Asian countries next month, the Federation of British Industries announced recently.

The High Authority of the European Coal and Steel Community will ask the six member countries to publish or communicate to the High Authority before March 31st all freight rates charged for the transport of coal and steel by road, rail or ship.

Western Leaseholds has been given approval in principle, to plan the construction of a \$6 million gas processing plant in the wildcat Hills Gasfield, Alberta, approximately 35 miles north-west of Calgary.

U.K. consumption of all forms of copper rose 5 per cent in January to 59,155 tons, according to advance figures issued by the British Bureau of Non-Ferrous Metals Statistics.

Saudi-Arabia is to build a 900-mile road to link the Western and Eastern Coasts. The Government would also build a new road network linking six cities. The projects will cost about £4 million.

It is reported the Government of India has granted a licence to International Minerals and Chemicals, of New York, Standard Oil of California and the Indian I.E.D. Pary Group, of Madras, to build a \$51 million fertiliser plant near Vizagapatnam.

Negotiations are taking place for the setting up of a factory by Rover Company in the Federation of Rhodesia and Nyasaland. This development follows discussions with the Federal Government.

Shell has announced plans to establish a £A 6 million plant at its Gee-long refinery for the production of lubricating oils. The new plant is expected to be operating by 1964, with an initial capacity of 80,000 tons of lubricating oil components, which are used in the manufacture of automotive and industrial oils.

Special Article

PUBLIC SECTOR RETURNS ON CAPITAL EMPLOYED

THE latest explanatory memorandum on the budget of the Central Government for 1961-62 gives financial details in regard to the working of 72 public sector undertakings. It is the object of this article to examine the profitability of these enterprises in the light of the tests applied to the private sector companies by the Tariff Commission in some of its recent reports. One of the chief complaints of the private sector against the Tariff Commission has been that the formula of uniform 12 per cent return on capital employed does injustice to particular industries such as sugar and paper and it needs to be revised at an early date.

Another consideration of great significance is the high hopes placed by the Planning Commission on the performance of these enterprises for yielding a sum of Rs. 449 crores (according to estimates given in the National Development Council papers) for financing the Third Five-Year Plan. The enterprises controlled by the Central Government such as the iron and steel factories, fertilizer factories, oil refineries, etc. are estimated to yield about Rs. 300 crores. The enterprises under the control of the States are likely to yield a sum of Rs. 149 crores.

The working results of the Union Government enterprises for the years 1959-60 to 1961-62 are, however, far from encouraging. By the end of the fiscal year 1959-60, the Union Government had made a total investment of

Rs. 506 crores in these enterprises. The total profits earned were not more than a crore of rupees, indicating a very discouraging rate of return of 0.2 per cent. If the Tariff Commission Formula of capital employed were to be used, the rate of return would be much smaller because the capital employed in any enterprise is computed by the Tariff Commission by taking into account not only the net assets but also the circulating capital. This places the total capital employed for any enterprise at almost 50 to 75 per cent above the subscribed or paid-up capital, which is taken as investment in the results set out by the Union Government in its explanatory memorandum.

The financial results of the 72 major undertakings of the Union Government are of a non-uniform character. Only six of these enterprises had shown a profit in the year 1959-60, while it is anticipated that by 1961-62 the number of profit-earning enterprises would rise to eight. According to the estimates set out in the Explanatory Memorandum, the total profits for the year 1961-62 would be around Rs. 3.6 crores as against only a crore of rupees in 1959-60. Even this increase in profits does not indicate that the yield on capital employed in these enterprises is comparable with the performance of the private sector companies.

The table below summarises the performance of these public sector industrial enterprises which are

PROFIT-EARNING PUBLIC SECTOR INDUSTRIAL UNDERTAKINGS

(Rs. lakhs)

Name of the Concern	Investments as at the end of		Profits Earned in		Percentage of	
	1959-60 (Actuals)	1961-62 (Budget estimates)	1959-60 (Actuals)	1961-62 (Budget estimates)	(3) to (1)	(4) to (2)
	(1)	(2)	(3)	(4)	(5)	(6)
Autonomous Bodies and Government Companies						
A. Ministry of Commerce & Industry						
1. State Trading Corporation ..	2,00	2,00	Nil	18	Nil	9.00
2. National Small Industries Corporation ..	40	40	2	2	5.00	5.00
3. Fertilisers Corporation of India ..	32,74	39,64	85	68	2.60	1.72
4. Hindustan Machine Tools Ltd. ..	5,31	6,31	Nil	28	Nil	4.44
5. Hindustan Cables Ltd. ..	1,25	1,25	3	3	2.40	2.40
B. Ministry of Steel, Mines and Fuel						
1. National Coal Development Corporation Ltd. ..	15,42	36,15	Nil	2,35	Nil	6.50
2. Orissa Mining Corporation ..	5	14	1	1	20.00	7.14
C. Ministry of Transport & Communications						
Indian Telephone Industries Ltd ..	3,59	3,59	9	9	2.51	2.51
D. Department of Atomic Energy						
Travancore Minerals Ltd. ..	25	25	1	Nil	4.00	Nil
Total (of profit-earning undertakings only) ..	38,28	89,48	1,01	3,64	2.64	4.07
Grand Total* (Including other non-profit earning undertakings) ..	5,05,58	7,08,05	1,01	3,64	0.20	0.51

* Investments like those in Reserve Bank of India, Life Insurance Corporation, National Co-operative Development and Warehousing Board, Overseas Communications Service, Delhi Milk Scheme and Tripura State Bank etc. have not been included.

likely to show profits in the year 1961-62. In the budget year 1961-62, according to this statistical statement, the total capital invested at more than Rs. 700 crores is likely to yield not more than 3.6 crores of rupees. Nearly 64 of these undertakings with their total capital investment at more than Rs. 600 crores are not likely to yield any profit at all.

It is to be noted that the only two industrial undertakings which promise to yield sizeable profits are the National Coal Development Corporation and the State Trading Corporation. In the case of the State Trading Corporation, profits as a percentage of investment (which here stands for the subscribed capital alone) at 9 per cent in 1961-62 is expected to be the highest for all public sector undertakings. The National Coal Development Corporation promises to yield something like 6 per cent on the subscribed capital; in absolute figures, it would be nearly Rs. 2.35 crores on a total investment of Rs. 36 crores. In percentage terms, the yield from Orissa Mining Corporation would also be encouraging. Out of a total investment of Rs. 14 lakhs the profit in 1961-62 is expected to be about Rs. 100,000, thus indicating a more than 7 per cent return on investment.

The Finance Minister in his reply to the budget debate drew pointed attention to the criticism levelled

in the House in regard to the dismal performance of these undertakings. He cited these very figures in order to support his contention that the performance of the public sector undertakings was slowly looking up and that in the subsequent years they are likely to do much better. The Finance Minister, however, failed to make the distinction between subscribed capital and the capital employed which reduces the percentages cited by him to less than half.

The analysis of the public sector undertakings' working results clearly shows that the high hope placed by the Planning Commission on the yield of surpluses from these enterprises is not likely to fructify. The basic element involved is the non-business-like manner of running these enterprises. Unless some drastic changes are made in the day to day management of these enterprises, the targets laid down in the Third Plan in regard to the yield of resources are not going to materialise. The Estimates Committee of Parliament has also drawn attention to this aspect in some of its recent reports. There needs to be greater delegation of powers to the administrative staff of these undertakings. Unless this is done, the large amount of capital investment which is taking place in these undertakings is likely to result in wasteful utilisation of valuable resources needed urgently to take the economy further on the road of progress.

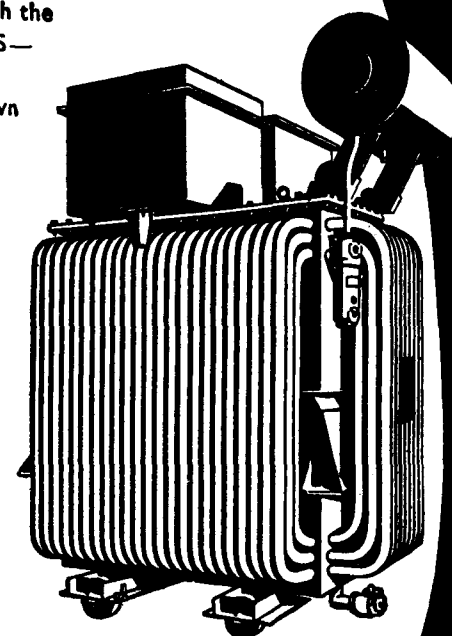
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THE BUSINESS WORLD

Better Than Gold

By WILLIAM REES-MOGG

THE revaluation of the D. Mark is one of those major financial events whose full impact must take a considerable time to be disclosed. The first reaction was merely an opening splash, with sterling, which stands to benefit substantially from the revaluation, marked down in price as the currency speculators moved into the currencies which might conceivably be expected to move into line with Germany.

The American reaction seemed to be surprisingly grudging. Dr. Adenauer only agreed to revalue in an election year because of very intense American pressure; admittedly the United States would have preferred a larger revaluation, perhaps even as much as 10 per cent., but any voluntary revaluation is such an unusual event that it seems churlish to criticise this one. On the other hand the fact that both the pound and the dollar opened below the new parity does suggest that this revaluation may have been too small to obliterate the difference in value that has existed for some years.

The exciting thing about the revaluation is, however, that it happened at all. Revaluations are very rare events in monetary history; adjustments have normally been forced upon weak currencies by way of devaluations. This move sets a precedent for correcting false currency alignments by moving the strong currencies rather than the weak ones.

There are a number of notable advantages in this. One is purely psychological. There is no doubt that a devaluation is in itself bad for national morale; it tends also to throw lasting discredit on the currency to which it happens. It is also by its nature inflationary, and there is a danger of a vicious spiral being established in which inflation causes devaluation and devaluation leads to further inflation.

In a period of general inflation, such as the present, it is much better that currencies should be raised in value, which puts at least some disinflationary effect on the home market. There is also the advantage of discouraging speculation in gold and gold hoarding. One of the most notable aspects of the German decision is that Germany has devalued gold.

This again has much wider implications. If it becomes normal for currency realignments to be made by raising rather than reducing exchange values, then gold ceases to be any safeguard; there could be a whole round of such revaluations, and in particular there could be a revaluation of the dollar.

The basis of gold hoarding is the assumption that inflation is likely to lead to currency devaluation; once it has been appreciated that natural consequence of world-wide inflation is for the strong currencies to enjoy the disinflationary benefits of revaluing upwards, then gold hoarding becomes nonsense. Far from being onto something for nothing, the hoarder is onto a nothing for something, lose-either-way proposition.

If this is understood, and it could well take a considerable time to be accepted, one would expect a considerable flow of hoarded gold onto the world market. Most of the Eastern gold hoards are held as security against currencies which could not conceivably themselves be revalued, unless the dollar were revalued first. They are likely, therefore, to be little affected. On the other hand the French private gold holdings would quite conceivably come onto the market if a revaluation of the Franc comes to be expected. And a revaluation of the Franc is now entirely conceivable.

This is important in itself; any reduction in gold speculation — and German speculators in gold have been taught a sharp lesson — or any reduction of the gold held privately increases the liquidity of the Central Banking system. It is also important as a psychological prelude to the possible reconstruction of the whole of the world exchange system.

Any major reorganisation would involve giving the International Monetary Fund the functions of an International central bank, the plan that Lord Keynes originally intended. For this to be achieved, it is necessary for gold to vanquish paper. People must accept throughout the world that any currency, gold, silver, paper or cowrie shells, does not depend on intrinsic value but on the value attributed to it by people in control of real assets. For this purpose gold is no more and no less real than paper; what it does have is the twin advantages of permanence and a habitual psychological association with real wealth.

If the liquidity of the world exchange system is to be taken out of the realm of accident (and Russian and South African new gold production) gold itself must be made an ancillary to an international monetary standard based on credit creation by the I.M.F. To achieve this it is necessary to show that a paper currency cannot be merely as good as old, but better. This revolutionary achievement may be the most important outcome of the German Government's decision to revalue.

in which inefficiency and waste have been allowed to creep into the working of the Khadi Commission. The Public Accounts Committee has evinced forthrightness and courage in expressing its views on this delicate issue.

Business Notes

Khadi Commission

IN THE DOCK

AVAILABLE PRESS summary of the Public Accounts Committee's report presented to the Lok Sabha on Monday this week throws revealing light on the manner

It has done a good deal of blunt speaking and on the basis of facts which have come to its knowledge it has placed the Khadi Commission, as it were, in the dock.

The Khadi Commission has been found defaulting gravely in the matter of elementary regularities in financial management. It placed a bulk order with a co-operative society for the manufacture of Ambar Charkhas—2,500 sets. Only a negligible fraction of the Ambar Charkhas was delivered. The Co-operative Society in question was wound up in January 1958 and one of the major grounds of winding up was misuse of controlled materials. This society is now under liquidation. As large a sum as Rs. 43,680 was outstanding against the society at the time of its winding up and, although the official liquidator may try his level best to recover the society's assets, the chances of the Khadi Commission realizing its outstandings are considered to be dim. Similarly, the Public Accounts Committee has put its finger on some more (and inexcusable) irregularities in extending financial assistance to weavers for spinning yarn for their own use, in running a Vidalaya and in the accounts of the two Karyalayas under the control and the supervision of the Commission.

In absolute size the financial loss which the Exchequer has to sustain may not appear to be of a tall order. But in relation to the purposes of expenditure it can hardly be treated as such. The pertinent point is that the tax-payer is made to bear a definite burden in the name of bolstering the handloom industry and, furthermore, the economy is placed under artificial handicaps, such as those of reservations of spheres of production for the handloom industry and imposition of levies on the mill industry. While this approach to invigorate the handloom industry, based on patronage, is wrong in the long run and detrimental to the modernization of small-scale industry on which its future eventually depends, the Khadi Commission has revealed by its deplorable lapses the reality of waste.

Tea

IMPLICATIONS OF THIRD PLAN TARGET

AT A time when attention is focused on the prospect of launching the Third Plan in the most propitious circumstances practicable, the major point which attracts notice, among others, in the presidential speech of Mr. N. S. Coldwell, at the annual session of the Indian Tea Association held on March 10, is the production target fixed for tea in the next plan and the implications behind it. All aids in resources, which are a pre-condition of the target, ought to be made accessible to the industry. In procuring them the industry may be responsible in part, but it would appear that much the larger share in this procurement rests with the Government. This point ought not to be overlooked.

Mr. Coldwell has clarified the implication of the target of 900 million lbs. which is provisionally fixed for tea at the end of the Third Five-Year Plan. This target means an additional output of 150 million lbs. above the current production of 750 million lbs. An increase of 20 per cent is thus assumed in the target. The time-limit of five years within which this increase is to be achieved is a most material consideration. The Association's Chairman has emphasized the fact that a tea bush takes not less than 5 years to come into full bearing. Its meaning is that the increase of 150 million lbs. of tea cannot be achieved by new plantings, that is to say, by extensive cultivation. The entire increase must be obtained from the bushes which are already in the estates.

This, therefore, is a function of intensive methods of production. For intensive increases in output timely and adequate supply of fertilizers, is a sine qua non. Mr. Coldwell has pointed out that scientific observations have proved how failure to apply fertilizer to the bushes even for a single year immediately recoils in the form of a loss of 30 per cent of the output and this damage keeps growing until corrective action is taken. This explains the basic dependence of higher tea output on fertilizers. Even to maintain the output achieved, no relaxation in the matter of fertilizers can be tolerated.

The Chairman's stress on advance action to ensure adequate supplies of fertilizers to produce a higher output of 20 per cent ought, therefore, to be taken as a forewarning. The supply position as regards fertilizers is below minimum requirements. In 1960 the tea industry received an allocation of 50,000 tons of sulphate of ammonia which was one-third below the requirements. Foreign exchange for imports could not be spared and Sindri's allocations could not be raised. Failures in the matter of fertilizer supply will react immediately and sharply on tea output. Mr. Coldwell has asked for due attention to be given to this important factor. When the new fertilizer plant to be set up in Assam attains optimum output, the position will change considerably to the advantage of the tea industry in North India. Meantime, import licensing policy as well as allocations from current indigenous output ought to treat the case of the tea industry on a basis of priority.

Rajasthan Budget

SYSTEMATIC PROGRESS

THE BUDGET SPEECH of Mr. Hari Bhau Upadhyaya, Rajasthan's Finance Minister, has a realistic approach to many of the problems facing this under-developed State. The deficit in revenue account of Rs. 250 lakhs and Rs. 77 lakhs on capital account in 1961-62 is proposed to be met by new taxation proposals, small savings. State loans, better realization of arrears of Government dues, further measures of austerity and economy and tightening of the machinery for preventing tax evasion etc. The new taxation proposals include increases in motor vehicle taxes, passenger and goods taxes and in rates of State excise duties and court fees. Entertainment tax is being made good use of, the possibilities for which have not yet been fully exhausted. The total revenue from taxation proposals is expected to be Rs. 135 lakhs. There is no doubt that the taxation proposals are likely to place some burden on the people of the State, but it is a burden for the development of the State, to which all must contribute. Although the economy measures are likely to net in only Rs. 28 lakhs, some of the suggestions made are really sensible and go a long way to prove that administrative efficiency is not synonymous with endless expansion of administrative departments. There is no mention of approaching the Centre for increased assistance in the speech which shows the keenness on the part of the State to rest on its own oars.

The State of Rajasthan has made good progress in the first two Plans. The target of additional food production has already been achieved and primary education has made rapid strides. Rajasthan can claim that progress is being made in that State. With the completion of the Rajasthan Canal, Kotah Barrage and other development projects, altogether new resources will be available for lifting this State from its low economic level.

Finance**MADRAS INDUSTRIAL INVESTMENT CORPORATION**

MR. R. VENKATASWAMY NAIDU, Chairman, the Madras Industrial Investment Corporation Ltd. indicated at the annual general meeting held recently that not long back the Corporation did not receive sufficient number of applications for funds. It is apparently the effect of growing industrialisation witnessed in the country that the Corporation seems to have a heavy demand for funds from industries in various fields. The Corporation has underwritten and subscribed to the preference and equity capital of new ventures. Highlighting the significance of the Corporation, the Chairman added that even an industrial venture promoted by a well-known business house may not get necessary capital from the public, unless there was the backing of the venture by underwriting or subscription by well-known financial houses like this Corporation, the Industrial Finance Corporation, the Industrial Credit & Investment Corporation of India, etc.

The Corporation has so far underwritten shares of new issues to the extent of Rs. 3.40 crores, subscribed to ordinary shares worth Rs. 2.36 crores and preference shares worth Rs. 77.5 lakhs. The Chairman has pointed out that in view of the limited funds at the disposal of the Corporation, the primary objective is to see that the public invest in the shares of new ventures. The Corporation has, therefore, decided to restrict its offers to pure underwriting. Following the new practice of the Industrial Finance Corporation of India in the matter of underwriting of issues, this Corporation would do well to enter into underwriting contracts in collaboration with professional underwriters to minimise its own risks.

The Corporation has provided financial relief to several important industries listed below. Their capital issues and the extent to which the Corporation has underwritten is also indicated:

Industry	Total Capacity	Amount
	Issued	Underwritten
Paper ..	350	100
Aluminium ..	660	150
Sugar ..	170	30
Cement ..	70	35
Cable ..	120	25
..	1,310	340

Union Carbide**THE NEW PLANT AT TROMBAY**

THE INAUGURATION of the Rs. 4.5-crore chemicals and polyethylene plant at Trombay by Mr. Manubhai Shah last week marks the entry of Union Carbide (India) Ltd. into the chemicals and plastic fields. An Indo-U.S. enterprise, the plant will produce Rs. 2.5 crores worth of chemicals and polyethylene for the plastic industry annually and will help save Rs. 2 crores in foreign exchange every year. Steps have already been undertaken by the Company to expand production of various chemicals and research and technical know-how in which the company has displayed great access will be utilized for new products and improved processes in this country. With a view to widening the polyethylene usage, a polyethylene service laboratory will be attached to the Trombay plant. Not only will the service laboratory provide advice on customers' problems but it will also help to train the technical personnel. Since the laboratory will be equipped with all the modern equipment and

accessories not so far employed in India, customers and trainees will have the advantage of observing and learning how to use new processes and to make new products.

An important feature of the Trombay plant which has a production capacity of 15 million pounds of polyethylene resins and organic chemicals is that the products manufactured are based almost exclusively on industrial alcohol as the primary raw material which will be supplied mainly from the Maharashtra Government's Chitali Distillery. This incidentally is the second plant that has been set up to manufacture plastic chemicals, the first one being at Calcutta. A third plant will be set up in Assam and the fourth one in South India.

Rural Investment**RESERVE BANK'S SURVEY**

THE RURAL sector of the Indian economy will again be surveyed, this time for information concerning not only rural debt but also rural investment, and the survey is to be undertaken by the Reserve Bank of India. Exactly a decade ago, it will be recalled, an All-India Rural Credit Survey was conducted for the first time. That survey, however, was exclusively devoted to a study of the pattern of borrowings and lendings for agricultural purposes in different States of India and the working of the various agencies and institutions supplying credit in rural areas, in order to help reorganise the rural credit structure.

According to the Reserve Bank, the proposed new survey will yield estimates, among others, with fair precision, of the level of debt, capital formation, etc., of the rural household sector throughout the country. Giving details about the survey, Mr. B. Venkatappaiah, Deputy Governor of the Reserve Bank, disclosed that the enquiry would cover about 1,800 villages selected from all over the country, after dividing the country into a number of strata, homogenous in regard to general agricultural conditions. The field investigation of the survey, it is expected, would be spread over a period of about 15 months from July 1961.

Prof. D. R. Gadgil, who also spoke, outlined the method of approach or the methodology of the proposed survey. Among others, he indicated that information on the assets and liabilities of the rural households, both at the beginning and at the end of a given year, as well as all transactions of a capital nature during that year would be collected. He also raised a few conceptual problems that might confront the investigators whilst estimating capital formation, investment etc. and exhorted the authorities concerned to view these problems dispassionately. Presumably the data are intended to help the authorities follow up the grant of credit so as to make sure that the credit extended is used by the agriculturist for the specific purpose for which it is given and not squandered away. Perhaps the Survey is also intended to find out the particular investment propensity of the agriculturist so as to devise and offer him suitable investment opportunities as a part of the Government's savings drive.

A CORRECTION**Blue Supplement on Plantation Industry**

Page No. 1, paragraph 4, line 2, the word "production" has crept in by oversight. The correct word is "consumption". The first sentence, therefore, would read as follows: "During the period of planning, between 1951 and 1960, the consumption of natural rubber in India increased from 24,206 tons to 50,694 tons". The error is regretted. — Ed.

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Financial Position as on 30th June, 1960.

LIABILITIES.

	Rs.
AUTHORISED CAPITAL ..	2,00,00,000
Subscribed and Paid-up Capital ..	1,32,11,000
Reserves and Surplus	4,34,976
Fixed Deposits and Cash Certificates	2,93,10,080
Bonds	1,36,14,400
Current Liabilities	2,59,643
Guarantees given to machinery Suppliers and Banks on behalf of Constituents, as per contra. ..	7,32,645
Provision for Taxes	6,51,921
Proposed dividends	5,90,330

TOTAL **5,88,04,995**

ASSETS.

	Rs.
INVESTMENT at cost	1,14,40,437
Constituents liability for guarantees given to machinery suppliers and Banks as per contra ..	7,32,645
Loans considered good	3,41,71,056
Advance payment of income-tax ..	5,46,854
Cash and Bank Balances	1,16,25,577
Miscellaneous	2,88,426

TOTAL **5,88,04,995**

The Madras Industrial Investment Corporation Limited incorporated in 1949 has been helping industries by giving long-term loans for acquisition of fixed assets. Latterly it has been underwriting and subscribing for the ordinary and preference shares of new Issues. The Corporation obtains its funds mainly by means of fixed deposits, which are guaranteed unconditionally as to principal and interest by the Government of Madras.

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FROM THE CAPITAL'S CORRIDORS

THIRD PLAN

THE National Development Council will be meeting here next month to consider the final draft of the Third Five-Year Plan currently being prepared by the Planning Commission in the light of the NDC discussions of January last. In this context, a report on the Third Plan developmental programmes prepared by Sir Theodore Gregory for the Associated Chambers of Commerce, at whose invitation he visited India last autumn, will be read with great interest.

Dr. Gregory has expressed the opinion that India should be given as free a hand as possible in the disposal of foreign aid granted to her by international lending institutions and other friendly countries. "It is natural enough", says Dr. Gregory, "that foreign countries should seek to know what it is intended to do with the aid extended by them, and should attempt to obtain orders for manufacturers in their own countries in return for aid given. But such restrictions may add to imbalance within the Indian economy, nevertheless, and imbalance, on this as well as on other grounds, should be prevented to the greatest extent possible."

On the size of the Plan though the report is not categorical, it implies that taking into consideration the past experience, it should be quite possible that somewhat less ambitious Plan would give no less favourable results without the risk of further inflation and of further pressure on the tax-payer, with all the difficulties that high taxation inevitably brings with it. If foreign aid does not come to the extent postulated, it will be impossible to fulfil the targets laid down. There is every likelihood, says Dr. Gregory, that there will be a lag between intent and performance even if the necessary volume of foreign assistance is forthcoming.

Looking at the resources picture, Dr. Gregory opines, "It is difficult to state whether the additional contribution to be made by the tax system is over-optimistic or not. A rise of Rs. 650 crores* in the tax contribution i.e. on the average Rs. 130 crores per annum at a time when, if everything goes right, national income will expand by 5 per cent per annum, is not perhaps an excessive figure in itself." But it must be borne in mind, he adds, that Plan expenditure cannot be considered in isolation and there are other claims on tax revenue; non-Plan development expenditure, defence expenditure and the general overall expenditure on administration. If it were to be the case that the increase of Rs. 650 crores additional were to constitute the sole object of additional taxation, the position would be easier than if that figure were only to be part of the much larger sum required for overall increase in expenditure, the magnitudes of which obviously cannot be known in advance.

SURPLUSES FROM PUBLIC ENTERPRISES

About the utilisation of surpluses from public enterprises for financing the Third Plan, Dr. Gregory says, "It must at this stage be altogether a matter of conjecture whether surpluses from public enterprises and the yield from provident funds etc. will attain the figure hoped for." In the absence of detailed breakdown, he makes the following general observations:

(a) Insofar as these figures include sums allocated to reserves for depreciation, renewals etc. they are not net additions available for general expenditure. Sums accruing may, indeed, be temporarily invested in Government of India securities etc., but when the time

*This figure has already been revised upwards by the Planning Commission.

comes for the renewals and replacements to be made, such investments will have to be repaid, otherwise the corpus of invested capital will decline and future productivity will be affected.

(b) Whilst profit-making by public enterprises is to be welcomed, the pricing policies necessary to enable such profits to be earned may have adverse repercussions on the economy, so that net overall benefit may be smaller. This is particularly the case when profits are earned by enterprises producing goods and services consumed by other industries whose profits are also subject to tax.

DEFICIT FINANCING

About recourse to deficit financing, Dr. Gregory observes, "It is all for the good that the Planning authorities have drastically revised their concept of the extent to which resort should be had to deficit financing; indeed, the current exchange crisis (September 1960) through which the country is passing is an emphatic warning that should resort be again had on an increasing scale to deficit financing, the 'offsetting factor' in the shape of loss of foreign exchange is not available, as it previously was, so that the effect on the price level (and, therefore, on export possibilities, the cost of living and the state of confidence) will be ipso facto that much more serious." But the possibility of doing deficit financing on the old scale, he adds, turns upon the degree to which the other estimates of future receipts are capable of realisation. If they are not, then the alternatives are simple but depressing: either a renewed resort on a larger scale to inflationary procedures or an adaptation of the Third Plan to the harsh reality of non-availability of the necessary resources. And, once having announced this intention of not resorting to deficit financing on the old scale, the psychological, political and economic repercussions are likely (especially in the absence of countervailing influences in the shape of loss of exchange resources) to be the more serious, if the words of the Government are belied by deeds.

It would be possible, though at a very considerable risk, to compensate shortfalls in internal receipts from revenue, savings and so on, by a further recourse to deficit financing, but no such expedient is available as regards the foreign exchange needs. Some curtailment of the Plan, therefore, may have to be effected.

PHASING OF INDUSTRIAL PROJECTS

On the point of phasing of industrial projects included in the Third Plan in case the Plan has to be cut, Dr. Gregory says that the Plan aims at industrial expansion with a view to save foreign exchange in the long run. From the point of view of immediate foreign exchange requirements, a different order of priorities may have to be accorded to the various industrial projects. He gives the following statistics of foreign exchange requirements of setting up new industrial units:

Percentage of Foreign Exchange Element

Metallurgical Industries	50
Machinery and other Engineering Industries	53
Chemicals Industries	43
Minerals	52
Textiles	50
Food Industries	15

Obviously from the employment point of view, says Dr. Gregory, the situation is likely to be very different. But, since the emphasis is on long-term economies in the use of foreign exchange, the question at issue is really this: Which of these various (and competing)

alternatives will save most foreign exchange, and which, therefore, if there are going to be difficulties in obtaining sufficient foreign assistance, to carry out all the projects, should be given preference?

In the opinion of Dr. Gregory, it would, of course, be desirable to carry out the entire programme, but if the choice has to be made, then it would appear that as the foreign exchange saving effected by machinery and other finished products manufacturing industries generally is greater than by the iron and steel industry, preference should be given to engineering rather than metallurgical projects. It is also warranted by the fact that metallurgical projects assume that adequate supplies of coking coal will be available. This expectation in reality may not materialise.

BANKERS MEET

Measures to attract more bank deposits, to strengthen banking industry in general and to meet the increased demand for credit are understood to have been discussed at a three-hour conference held here on Sunday last in which about 20 representatives of the banking industry participated along with the Governor of the Reserve Bank and officials of the Union Ministry of Finance. It was decided at the conference that interest rates on all deposits should be stepped up with a view to attracting more deposits. The Indian Banks' Association, it is understood, has sent circular to its member banks to put up interest rates on various types of deposits, except savings bank accounts, with effect from March 15. The proposed increase in interest rates on savings bank account will take effect from April 1. The revised rates of interest, reports suggest, will be as follows: 3 per cent on deposits for three days to 30 days; $3\frac{1}{4}$ per cent on deposits for 31 days to 60 days; $3\frac{1}{2}$ per cent on deposits for 61 days to 90 days; $3\frac{3}{4}$ per cent on deposits for 91 days to 12 months; 4 per cent on deposits for 12 to 24 months; $4\frac{1}{4}$ per cent on deposits for 24 to 48 months; $4\frac{1}{2}$ per cent on deposits for 48 to 60 months and 5 per cent on deposits for 61 months and over. The ceiling on interest payable on savings bank account will be 3 per cent.

To mop up savings in rural areas, it was suggested that small banks should open more and more branches in the country-side; their operational expenses being much less than those of the bigger banks, they would be in a position to allow higher interest rates on deposits.

To meet the increased demand for credit, bankers suggested that the Reserve Bank should administer the bill market scheme more liberally. This is understood to have been agreed to by the Reserve Bank and the officials of the Union Finance Ministry.

The bankers are understood to have agreed in principle to the introduction of a deposit insurance scheme which will safeguard the interests of smaller depositors in the event of bank failures. They suggested that deposits up to Rs. 1,500 should be covered by this scheme as against Rs. 1,000 proposed by the Reserve Bank. The details of the scheme will be worked out by the Union Finance Ministry in consultation with the Reserve Bank. The State Bank of India, it is understood, will also participate in the scheme. A separate organisation is likely to be set up to administer the scheme. What will be the status of this organisation and how the Reserve Bank would come into the picture is understood to be under consideration of the Finance Ministry.

The conference, it is learnt, also considered the question of merger and integration of small banks with bigger units. The Governor of the Reserve Bank, it is understood, urged the need for going ahead with banks amalgamation programme to inspire confidence among

depositors. Some bankers are said to have expressed the view that amalgamation should be brought about without declaring a moratorium to avoid hardship to depositors. They are understood to have suggested that such banks could be made subsidiaries to the bigger banks and that the Banking Companies Act should be amended to allow a bank to be made the subsidiary of another.

The new scheme devised by the Reserve Bank for amalgamation of banks desires that the bank taking over a weaker unit should make an initial payment of 60 per cent of the realisable assets to the depositors, while the rest should be paid on a pro rata basis over a period of 12 years. Under the present provision in the Banking Companies Act, the initial amount to be paid to a depositor in the event of a bank's amalgamation with another is only Rs. 250, the balance being disbursed to the depositors on pro rata basis as assets are progressively realized.

LARGE-SIZED MECHANIZED FARMING

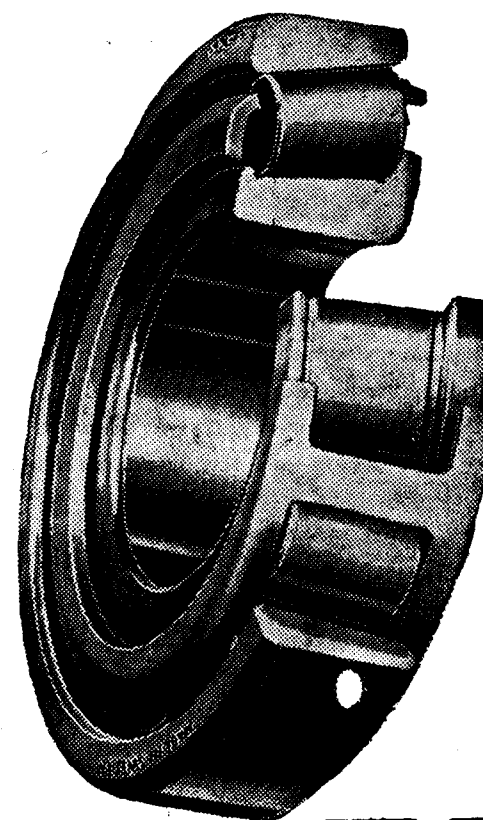
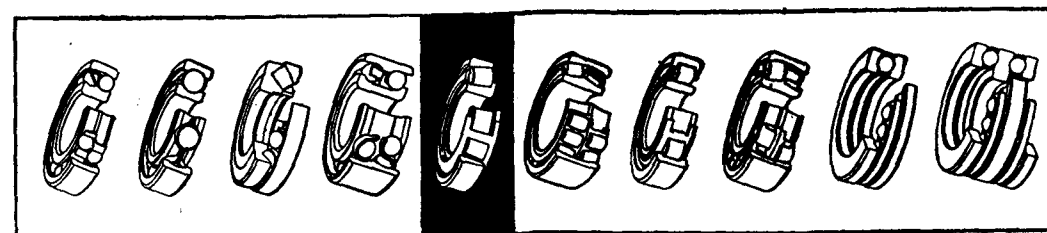
The Damle Committee on large-sized farms has favoured setting up of big mechanized farms which, in its opinion, should be a profitable proposition. The Committee feels that given necessary facilities, particularly perennial irrigation, it should be possible for a farm like the Suratgarh Farm to get a return of 6 per cent on capital employed after recovering in full the expenditure including the invisible charges like interest on capital and depreciation on fixed assets. The entire investment on a large-sized mechanized farm, in the opinion of the Committee, can be recovered in a period of 16 to 20 years, even if one year in every four turns out to be a year of below-normal production due to natural calamities and other unforeseen circumstances peculiar to agriculture.

The Committee examined 15 proposals from various State Governments—Rajasthan, Bombay, Andhra Pradesh, Punjab, Mysore, Orissa, Bihar and Madhya Pradesh—for setting up such farms, but has recommended establishment of only one more large-sized farm for the present. The other 14 proposals were found to be unacceptable because of two reasons. Firstly, some of the blocks suggested by the States for setting up mechanized farms involved heavy initial expenditure on reclamation work. Secondly, perennial water supplies were not available at some of the proposed sites.

The large-sized mechanized farm recommended by the Committee to be set up is to be located at Jetsar near Suratgarh in Rajasthan. On the basis of perennial and non-perennial supplies of water that may be made available immediately to this farm, the Committee thinks it should be possible to tackle an area of 10,000 acres in the first year of operation and about 12,500 acres in the second year. The Committee has suggested a tentative cropping programme for the first two years' operations at this farm; this programme may, however, be modified later on after the results of detailed soil analysis are known. A small percentage of area has been suggested to be sown with cash crops like cotton and sugarcane right from the second year to allow full utilisation of perennial water supplies during the months of March, April and May. The Committee thinks that cultivation on this farm can be started in June next year.

About the machinery required for this farm, the Committee has expressed the opinion that because of its proximity to the Suratgarh Farm, it would be advisable to have machinery at this farm similar to that used at the Suratgarh Farm; this, it says, "would mean an overall economy in spares and flexibility in exchange of equipment available at the existing farm and that proposed to be purchased for the new farm." Also the workshop being completed at Suratgarh would be able

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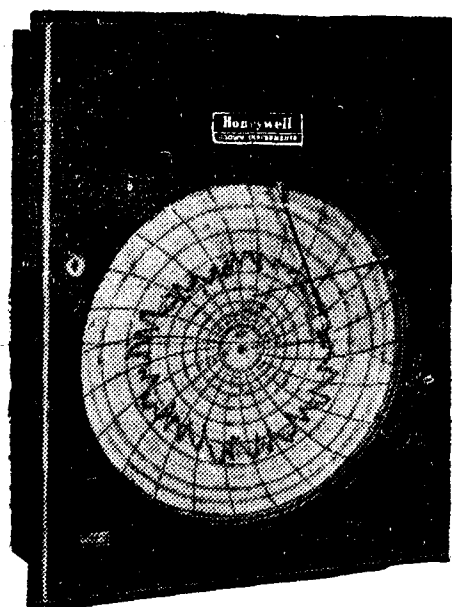
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to undertake major overhauls and repairs of this type of equipment. The cost of machinery and equipment required to be purchased for the Jetsar farm is estimated at Rs. 61 lakhs. The Committee believes that the proposed farm would show profit right from the first year of its working. Margin of profit would go up appreciably when perennial water supply becomes available.

The Committee has expressed concern at the response from the States in selection of areas to be brought under large-scale mechanised farming. The response, it says, has been poor; the States took unduly long time to send their replies. The situation did not improve even when the Committee decided to obtain data for small blocks of 10,000 acres. The Committee, however, has suggested that further exploration work should be undertaken in this regard. The Committee would continue to examine new proposals that are received from the States from time to time.

EXCESS PROFITS TAX

Replying to the debate on the General Budget in the Rajya Sabha on Monday, Mr. Morarji Desai, the Union Finance Minister, categorically ruled out the revival of excess profits tax. This impost, he said, could only be justified as a war-time measure; it could not be levied at all times. Mr. Desai opined that there were not large profits being made in India at present. It was possible, he said, that some units made greater profits. But to tax them would amount to penalising efficiency. Tax on excess profits, he stated, was also unnecessary at present when the wealth tax mopped up some of the incomes in the higher-income groups.

SOLVING COAL CRISIS

The second inquiry into the coal crisis by the Cabinet Secretary, Mr. Vishnu Sahay, is understood to be nearing completion. This time Mr. Vishnu Sahay is being assisted by secretaries of nearly half a dozen ministries. The Committee, it is understood, is inclined to the view that greater use of coastal shipping and changes in the existing prices for the different grades of coal and equalization of shipping and rail freights for the transport of coal would be helpful in solving coal crisis in the short run.

CAMBAY THERMAL STATION

The Government of India has approved the Cambay Thermal Station Project, which envisages the construction of a power house, with an installed capacity of 200,000 kW., at Dhurwaran near the Gulf of Cambay in Gujarat. Initially, this thermal station will have three turbo-alternator sets. Each unit will be connected to two boilers, while there will be a third standby boiler. These boilers will be designed to use coal, oil or gas.

Demand for power in the Gujarat-Saurashtra region has been rising steadily. It is estimated to increase to 456,000 kW. that by 1965-66. The present firm capacity of the power system in the area, however, is only about 240,000 kW. It is expected that the new thermal station will meet the shortage for power in the area.

Under the present scheme, the power generated at the Cambay thermal station will be transmitted over 132 kV. lines to Gondal (Saurashtra) and Barejadi (Gujarat) areas.

The project is estimated to cost Rs. 25 crores.

POWER DEVELOPMENT IN U.P.

Seven new schemes for power development in Uttar Pradesh are likely to be included in the Third

Plan. Of these, three relate to installation of Singrauli Thermal Power Station, Obra Hydel Station and extension of the Harduaganj Power Station. The total installed capacity of these projects will be 328,000 kW. The remaining four schemes are for extension of transmission and distribution lines, rural electrification, establishment of small hydel stations, and conducting of investigations for future power projects in the State.

In addition, there are eight power development schemes which will be continued from the Second Plan. These are the Rihand Dam Project, Kanpur Electric Supply Adm. Extension Project, Yamuna Hydel Project (Stage I and Stage II), Matatila Hydro-Electric Project, Harduaganj Extension (Stage I), Ganga Grid Transmission (Stage IV), Ram Ganga Hydel Project, and Diesel Station at Ghaziabad. The total installed capacity of these schemes is over 800,000 kW.

The aggregate installed capacity in Uttar Pradesh at the beginning of the Second Five-Year Plan was 324,000 kW. It is expected to increase to 394,000 kW. by the end of the current month.

AVOIDANCE OF DOUBLE TAXATION

As a result of negotiations which have taken place here during the past few days between a three-member Finnish delegation and officials of the Central Board of Revenue, Government of India, a draft agreement on avoidance of double taxation of income between India and Finland has been initialled at the technical level. The agreement will now be considered by the two Governments with a view to ratifying it.

HELPING MACHINERY MANUFACTURE IN INDIA

The Government of India has decided that manufacturing units to whom foreign exchange allotment has been made for expansion programmes may increase their production beyond the licensed capacity if they can do so without further importing machinery and raw materials and by procuring a greater proportion of their requirements indigenously. After these units have increased their output beyond the licensed capacity, the increase in their licensed capacity will be regularised if necessary. The step has been taken with a view to giving incentive to machinery manufacture in the country.

DLF LOAN TO PREMIER AUTOMOBILES

The U.S. Development Loan Fund has sanctioned a loan of \$7.2 million to the Premier Automobiles Limited, Bombay. The loan will be utilised to meet the cost of imports from the United States of the machinery required for producing sheet metal equipment of Fiat cars and Dodge trucks which are on the present manufacturing programme of the firm. The loan carries an interest of 5½ per cent per annum and is to be repaid in Indian rupees within 15 years of the first drawal of the loan.

The Government of India, it is understood, is not a party to this agreement; the agreement has been negotiated directly between Premier Automobiles and the Development Loan Fund.

Premier Automobiles, it is learnt, have also asked for Rs. 1.6 crores worth of foreign exchange for import of machinery and plant from Italy. This is in addition to Rs. 5 crores worth of foreign exchange the firm requires for doubling its production 15,000 cars per year.

PAPER MILL AT PANIPAT

Messrs. Bedi and Company, of Bangalore, have been granted a licence under the Industries Act to set up a

March 17, 1961.

paper and pulp manufacturing unit at Panipat (Punjab), with a capacity of 30,000 tons per annum. The raw material to be used by this factory will be bagasse.

Foreign collaboration for this project is being sought from a U.S. firm.

NEPA MILLS

The National Newsprint Factory (Madhya Pradesh) has been granted a licence for setting up a plant to manufacture caustic soda and chlorine. The total cost of the project is estimated to be around Rs. 50 lakhs. When in full production, the plant will turn out 4,068 tons of caustic soda and 3,600 tons of chlorine per annum.

INDIAN MINORITIES ABROAD

Mr Manubhai Shah, Minister for Industry in the Union Government, disclosed in Parliament last week that the ball and roller bearings plant proposed to be set up in the public sector under the Third Five-Year Plan had to be taken out of the recent Indo-U.S. credit agreement because the Soviet organizations with whom

collaboration was sought were busy in modernising their own industry. The U.S.S.R. representatives had suggested that they could offer help to set up a ball and roller bearings manufacturing unit in India only when they were free from their commitments at home.

SUGAR EXPORTS

The total quantity of sugar shipped up to February 26, out of the one lakh tons quota released so far, was 37,906 metric tons. The loss on these exports is estimated to be in the neighbourhood of Rs. 1.30 crores. This sugar has been sold to foreign countries at a price ranging from £28.5s. to £37 10s. C & F per metric ton, depending upon the fluctuations in the international market.

BRIEFS

The Government of India, it is learnt, has approved in principle the grant of a licence to Traco Enterprises Private Limited for obtaining capital equipment from Japan for setting up a cable factory at Thripunithura.

Messrs. Ideal Motors have been granted a licence to set up a factory at Mysore for manufacturing Java motor cycles in collaboration with a Czechoslovak firm.

BOOK REVIEW

INDIAN MINORITIES ABROAD

The Role of Indian Minorities in Burma and Malaya:
By Dr. Usha Mahajani: Vora & Company, Publishers Private Ltd., Bombay: Price Rs. 20.

DR. Usha Mahajani has done a service to Indian scholars and also for the Historical Records Division of the Ministry of External Affairs by her very able study of the Indian minorities in Burma and Malaya. The study is historical, going back over 50 years, but its vital contribution arises from the author's individual assessment of the pattern of the influence which Indians have exercised even when they were a small minority in both countries. Some of the facts presented are new and the pattern of employment of Indians in both countries is one which has been documented over the long period for the first time.

Indian immigrants in both Burma and Malaya have naturally raised, by their adherence to their own culture, predominantly South Indian, and in a sense insular, some suspicions in the minds of the majorities in both countries. In the post-Independence age in Burma and in the recent Independence of Malaya there have naturally been processes of adjustment, where economic ties have been rearranged to suit political groupings which had been functioning, so long as political power was exercised under British domination, in a state of suspense. The story is not the same in both areas, and as Dr.

Mahajani points out that Indian minority is dwindling in Burma both in numbers and influence while in Malaya it is flourishing. In both cases, however, the presence of Indians has been of positive assistance to the creation of both Burmese and Malayan nationalism. There have been, it is true, less happy results in terms of conflicts between the majorities and the minorities. These are dealt with by Dr. Mahajani with great objectivity. Her description of the changes in legal status of the Indian communities particularly after 1937 on pages 148 and 149 are of special interest. So, indeed, are her studies of Burma's nationalism during the War and Indians' problems in post-war Malaya. One of the most interesting portions of the book is this flow of nationalism back and forth, partly fostered by the nationalist current which has been the dominating note of Indian history in the last 50 years.

Prepared as a doctorate thesis for John Hopkins University and issued under the auspices of the Institute of Pacific Relations, the book has been designed not only to evaluate but also to document an area in which hitherto documentation has been very incomplete. With its great wealth of detail and its fine scholarship, the book has a claim to be the standard work in this field. Pandit H. N. Kunzru has paid the author a tribute in the Foreword for her "objective" approach. He points out that "she has not hesitated to criticise her own countrymen where she thought this necessary." The tribute is well deserved.

March 17, 1961.

THE EASTERN ECONOMIST

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for young
talent*



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Employees' children are taught free or pay a concessional fee depending on the parents' income. Here, we see Shri Etwari of Monghyr, an operative in the steel works, and his son, Kameshwar Prasad. Kameshwar passed matriculation in the first division in 1959,

qualifying for a university stipend and for a Tata Steel Jubilee scholarship of Rs. 75 per month which will see him through college without any strain on his father's modest resources.

Jubilee scholarships apart, Tata Steel provides assistance in several ways to enable deserving children to take up higher studies. Young talent is thus encouraged and nurtured at Jamshedpur, where industry is not merely a source of livelihood but a way of life.

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COMPANY AFFAIRS

UNITED COMMERCIAL BANK: HIGHER PROFITS

The profit of the United Commercial Bank Ltd.; during the year to December 31, 1960, were recorded at Rs. 67.43 lakhs as against Rs. 60.42 lakhs during the previous year. Income from interest and discount as well as commission, exchange and brokerage was higher at Rs. 3.79 crores and Rs. 1.42 crores as against Rs. 3.62 crores and Rs. 1.21 crores respectively earned in the previous year. The deposits of the Bank at the end of the year 1960 stood around Rs. 88.94 crores and at the same time advances in the form of loans and bills discounted and purchased were around Rs. 61.39 crores. The Bank has, therefore, shown its capacity to operate efficiently even during the year which was considered comparatively less favourable for the banking institutions. During the year branches of the Bank were opened at Bhopal, Durgapur, Kota, Maligaon (Gauhati), Mandvi (Bombay), Nagapattinam, Pipri and Ranchi. The Directors have reported that stringent conditions prevailed in the money market almost throughout the year.

The Directors have transferred Rs. 30 lakhs to Reserve Fund and provided Rs. 13 lakhs for bonus to staff from the profit during the year under review. They have recommended the payment of a dividend at the rate of Rs. 6 per share subject to deduction of tax which will absorb Rs. 24 lakhs.

ALKALI AND CHEMICAL CORPORATION

The sale proceeds of the Alkali and Chemical Corporation of India Ltd. during the year to September 30, 1960, were considerably higher at Rs. 540 lakhs than the previous year's figure of Rs. 344 lakhs. Overall operation of all the sections of the Corporation was satisfactory. The polythene plant achieved a higher rate of production, as the Directors have reported, with remarkable facility received from the technical consultants of the Company — Imperial Chemical Industries Ltd., London. The paints plant ran well and a high level of production was achieved despite inadequate supplies of imported raw materials. Extensions to the plant were taken in hand during the year and are nearing completion. The chlorine and caustic soda unit worked at full capacity. The profit margin was, however, restricted by the price ceiling fixed by the Government and the increasing cost of salt—the major raw material used in this process.

Proposals are being considered for extending the capacity of most units to meet the increasing demand and maintain the Company's competitive position. The growing demand for Polythene required early action, and plans are now well advanced to extend the capacity threefold. The Company's proposals have been accepted in principle by the Government of India and an application for a licence has been made. The cost of these extensions is estimated at about Rs. 3 crores.

The net profit (before tax) for the year was Rs. 129.32 lakhs as compared with Rs. 37.78 lakhs for the previous year. The Preference Shares (Regulation of Dividends) Bill 1960, was enacted after the close of the financial year and payment of Preference Dividend at the rate of 6.5 per cent per annum, subject to deduction of tax at source, has been made to these shareholders in accordance with the Act. The Board recommends a dividend of 12 per cent subject to deduction of tax at source on both classes of Ordinary Shares; this will absorb Rs. 37.20 lakhs.

TUNGABHADRA INDUSTRIES

Tungabhadra Industries Ltd. during the year to September, 1960, recorded a profit of Rs. 88,201 after

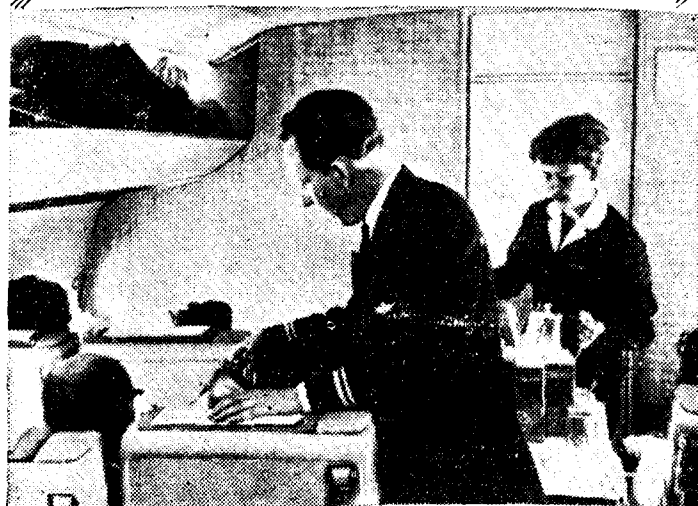
providing for depreciation, development rebate and wealth tax and taking into consideration the credit balance brought forward from the previous year. The amount is proposed to be carried forward.

The aggregate production of vanaspati, refined oil and hard oils during the year was about 15,000 tons as against about 15,300 tons in the previous year. While the production has been maintained at almost the same level as that of previous year, there has been an increase in the turnover due to higher prices of raw materials and finished goods. The margin of profit, however, was comparatively less as the selling prices of finished goods did not register an increase to the extent of higher cost of raw materials due to keen competition in the market. As the factory is not situated on port, for effecting bulk shipments and as the prices of hydrogenated groundnut oil and other edible oils in the international market remained unremunerative, the Company could not export its finished products in spite of export promotion scheme of the Government. There was, however, good internal demand for the products of the Company.

A PASSENGER FROM DELHI WRITES.....

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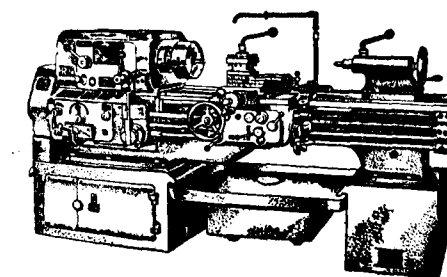
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COMMODITY NEWS AND NOTES

JUTE LICENSING AND CONTROL ORDER

The Government of India have promulgated the Jute Licensing and Control Order under the Essential Commodities Act. The Order provides for the licensing of dealers in raw jute and jute textiles, fixation of maximum and minimum prices, both for raw jute and jute textiles, regulation of stocks of raw jute held by manufacturers of jute textiles and requisition of raw jute and jute textiles. Under the Order, the Jute Commission is authorised to issue licences to dealers in raw jute and jute goods from year to year. In granting the licence, the stock of raw jute or jute textiles available in the locality, the business ordinarily carried on by the applicant and other relevant factors would be taken into consideration. The Order also empowers the licensing authority to suspend or cancel licences under certain circumstances. The Jute Commissioner is further authorised to fix the maximum and minimum prices at which raw jute and jute textiles may be purchased or sold. The maximum quantity of raw jute, which the manufacturers of jute textiles may buy or have in their possession will also be prescribed by the Jute Commissioner.

The Jute Commissioner has been authorised to requisition stocks to ensure the equitable distribution of raw jute and jute textiles. He will also have the power to entry and inspection to ensure compliance with the Control Order. Persons contravening the provisions of this Order or failing to carry out directions or requi-

sitions made under this Order shall be liable to punishment, as prescribed under section seven of the Essential Commodities Act.

COTTON FROM U.S.A.

The Union Finance Minister, Mr. Morarji Desai, presided recently over a ceremony when an agreement under U.S. Public Law 480 was signed under which India will get 300,000 bales of American cotton. This cotton will help fill the gap created by an unusually low Indian cotton crop last year and assist in the stabilisation of cotton prices. Furthermore, there is an understanding that imports under this agreement will be over and above the usual commercial imports during the U.S. fiscal year 1962 of not less than 420,000 Indian bales.

Under the agreement, India will import American upland cotton with a staple length of less than one and one-sixteenth inches. The value of the cotton is \$33.6 million. An additional sum of \$1.5 million will be made available for ocean transportation cost. Payment for imports will be in rupees. Of the total, a sum of \$14.18 million (Rs. 7 crores) will be given back to India as a grant for economic development projects. An equal amount will be made available as long-term loans at 4 per cent interest. The equivalent of \$1.8 million (Rs. 85 lakhs) will be reserved under the Cooley Amendment for loans to private enterprise in India associated with U.S. firms and \$3.7 million (\$1.75 crores) retained for U.S. uses in India.

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Food		Fuel Power		Industrial Raw materials	Manufactures			All Commo- dities
	articles & Tobacco	Liquor	Light and Lubricants	Light and Lubricants		Inter- mediate Products	Finished Products	Total	
1953-54	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6	
1954-55	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4	
1955-56	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5	
1956-57	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3	
1957-58	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4	
1958-59	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9	
1959-60	119.0	99.5	116.5	123.7	113.8	111.3	111.6	117.1	
December 1959	118.2	103.7	117.0	127.2	118.0	112.6	113.4	117.9	
January 1960	117.5	100.9	116.8	130.9	121.6	115.1	116.0	118.8	
February 1960	118.0	96.0	117.3	131.6	120.5	115.6	116.3	119.5	
December 1960	117.2	112.1	120.3	149.6	132.3	125.0	126.0	124.8	
January 1961	116.4	111.2	120.0	154.7	133.9	126.5	127.5	125.6	
February 1961	116.2	111.2	120.0	159.2	134.2	128.4	129.2	126.6	
28-1-1961	116.5	111.6	120.2	156.4	133.5	127.8	128.6	126.2	
4-2-1961	116.7	116.6	120.1	157.3	133.7	127.8	128.6	126.4	
11-2-1961	116.5	111.6	120.1	160.3	133.8	129.0	129.6	127.1	
18-2-1961	116.0	112.2	120.0	159.5	134.4	128.4	129.2	126.6	
25-2-1961	115.6	109.4	120.0	159.7	134.9	128.4	129.3	126.4	

*Revised.

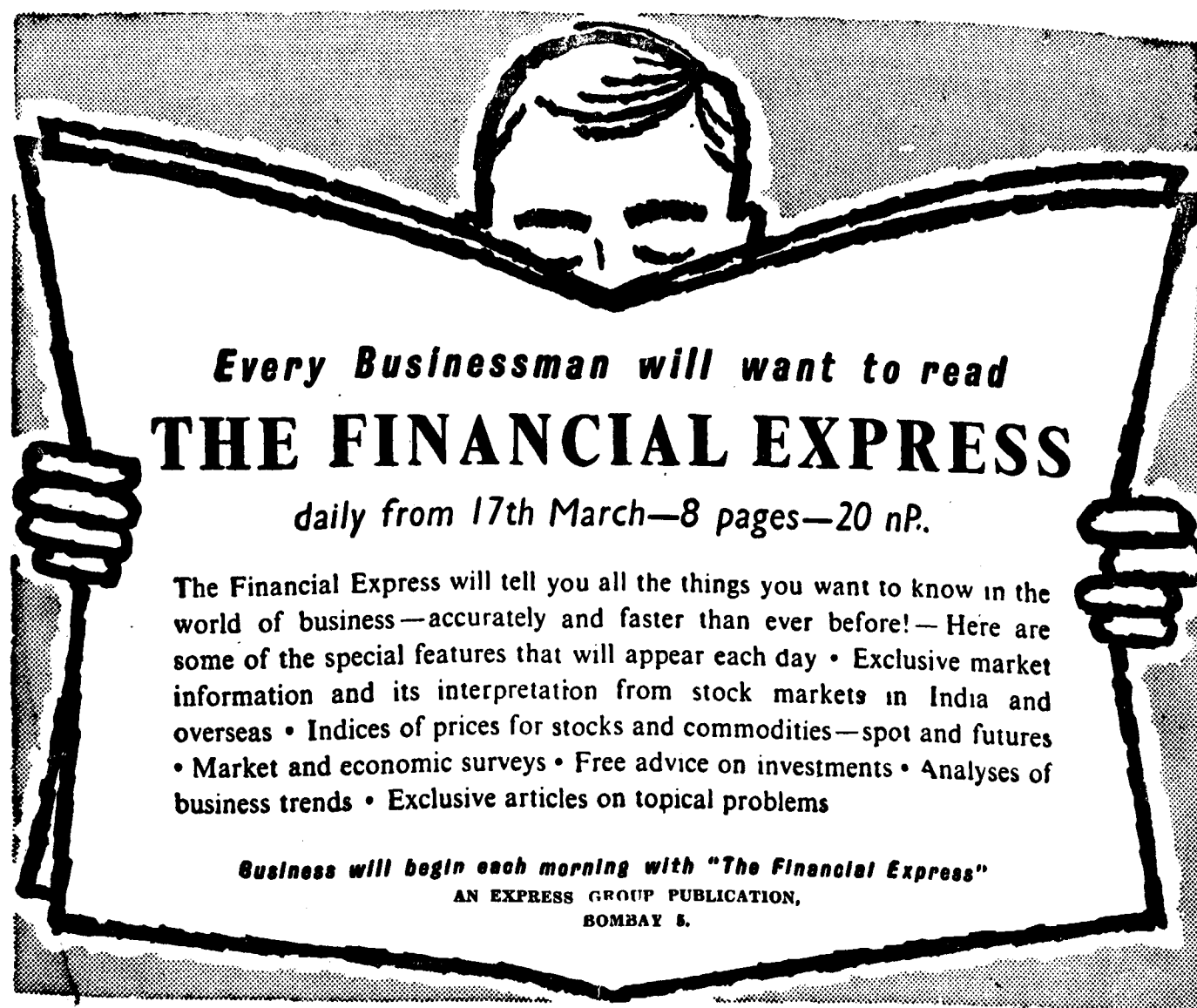
CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS
(August 1939 = 100)

Period	Bombay		Delhi	Ben- gal	U.P	Central Provinces		Madras June 1936=100	Ludhiana†	Jamshedpur†	All India†
	Bombay	Bombay June 1934=100				Nagpur	Jubbulpur†				
1939 (Aug.-Dec.)	103	—	—	—	—	105	104	—	106	—	—
1954	342	359	244	138	327	408	373	139	341	148	140
1955	322	338	218	130	321	371	364	133	321	134	135
1956	336	352	244	142	347	424	397	151	358	152	146
1957	352	368	259	150	364	448	422	162	374	157	157
1958	376	394	274	150	384	468	447	165	401	157	169
1959	393	412	309	158	384	469	498	163	429	166	173*
1960	401*	420*	—	158*	397*	476*	512*	—	462*	—	—
1960 May	402	421	295*	153	396	461	510	165*	452	166	163*
June	403	422	297*	154	399	460	510	165*	462	167	164*
July	404	423	299*	160	406	484*	515	165*	467	169	164*
August	402	421	302*	160	410	484*	515	163	470	169	168*
September	399	418	—	161	403	489	520	163	472	167	168*
October	402	421	—	162	396	488	517	163	477	171	164*
November	404	423	—	159	392	489	509	163	484*	171	168*
December	400	419	—	160	385	478*	507	—	488*	—	167*
1961 January	400	419	—	161	—	—	—	—	470*	—	—
February	—	—	—	—	—	—	—	—	474*	—	—

†Base 1944=100. *Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)
WEEK ENDED

	10-3-1961			3-3-1961			24-2-1961			17-2-1961		
	High	Low	Ave- rage	High	Low	Ave- rage	High	Low	Ave- rage	High	Low	Ave- rage
Gold (per 10 grams)	124.40	122.90	123.62	122.00	121.40	121.67	122.35	120.75	121.45	122.60	121.10	121.86
Silver (per kilogram)	208.20	206.05	207.03	206.70	206.10	206.42	207.25	205.55	206.13	208.45	206.95	207.66



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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)
1952-53 ..	546.23	309.26	855.49	33.33	51.82	9.95	461.84	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	60.68	339.74
1955-56 ..	608.84	407.95	1,016.59	34.64	52.52	8.69	514.37	118.08	63.02	370.71
1956-57 ..	653.34	453.92	1,107.26	36.94	50.23	7.96	626.08	155.56†	71.39	359.36
1957-58 ..	723.89	619.19	1,343.08	39.34	77.55	8.72	723.79	167.32†	66.77	385.54
1958-59 ..	735.93	860.33	1,596.26	40.30	83.99	7.74	766.56	133.27†	56.37	565.14
1959-60 ..	745.83	1086.79	1,832.62	44.84	75.81	6.58	842.75	144.49†	53.87	725.20
Average of Fridays										
September 1960 ..	779.24	1188.44	1,967.68	46.46	102.53	7.57	980.18	146.48†	57.26	734.02
October ..	791.28	1155.68	1,946.95	48.25	101.04	7.67	965.97	150.43†	57.34	703.55
November ..	799.80	1141.27	1,932.07	46.65	97.56	7.46	954.21	153.78†	57.22	688.21
December ..	794.20	1128.10	1,922.30	45.61	91.21	7.12	991.46	155.21†	59.65	662.44
January 1961 ..	793.54	1103.32	1,896.85	41.79	78.39	6.49	1042.22	169.59	63.89	621.24
February ..	803.25	1092.13	1,895.38	45.46	71.07	6.15	1071.18	183.27	66.19	593.27
Week Ending										
3-2-1961 ..	801.04	1035.03	1,896.07	45.77	74.65	6.32	1060.87	177.95	65.34	605.97
10-2-1961 ..	794.38	1098.49	1,892.87	44.83	69.77	6.05	1074.36	180.95	66.32	597.13
17-2-1961 ..	805.01	1088.65	1,893.66	46.03	67.53	6.00	1074.36	185.80	66.55	585.57
24-2-1961 ..	812.56	1086.36	1,898.92	45.20	72.91	6.22	1075.11	188.36	66.54	584.42
3-3-1961 ..	810.51	1083.80	1,894.31	44.91	69.92	6.06	1086.14	191.76	67.46	581.40

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Lakhs of rupees.)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabi- lities of banks	Other deposits with Reserve Bank†	
(1)	(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1953-54 ..	1,793.97	1,229.43	564.54	549.83	14.71	
1954-55 ..	1,920.63	1,311.77	608.86	599.16	9.71	+29.26
1955-56 ..	2,184.32	1,505.09	679.23	667.22	12.01	+126.65
1956-57 ..	2,312.89	1,556.50	756.39	744.74	11.65	+263.69
1957-58 ..	2,388.83	1,606.60	782.22	762.36	19.87	+128.57
1958-59 ..	2,498.75	1,724.53	774.23	754.98	19.25	+75.94
1959-60 ..	2,703.13	1,862.72	840.41	818.62	21.79	+109.92
July 1960 ..	2,670.79	1,827.19	843.60	813.42	30.18	+204.38
August ..	2,658.96	1,806.99	851.97	819.33	32.63	-31.52
September ..	2,630.61	1,819.61	811.01	791.73	19.28	-11.83
October ..	2,660.66*	1,823.82*	834.84*	812.13*	22.71	+28.35
November ..	2,576.49*	1,843.33*	733.15*	712.07*	21.09	-30.05*
December ..	2,643.59	1,898.58*	745.02*	719.51*	25.50	-84.17*
						+67.10*

* Provisional.

* Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

INDIAN UNION

NEW REGISTRATIONS (1956-60)

(Authorized Capital in lakhs of Rs.)

Year	Public Companies No.	Private Companies No.	Public Companies Authorized Capital	Private Companies Authorized Capital	Total Companies No.	Total Companies Authorized Capital
1956-57 ..	84	764	54.13	1,56.52	848	2,10.65
1957-58 ..	65	896	52.74	49.97	961	1,02.71
1958-59 ..	58	1,037	58.67	2,25.69	1,095	2,84.36
1959-60 ..	87	1,365	67.14	93.40	1,452	1,60.54

NEW REGISTRATIONS: STATE-WISE DISTRIBUTION (1957-60)

State	1957-58			1958-59			1959-60		
	Public	Private	Total	Public	Private	Total	Public	Private	Total
Northern Region									
Punjab ..	2	27	29	1	30	31	3	35	38
Rajasthan ..	2	7	9	2	14	16	2	16	18
Uttar Pradesh ..	—	36	36	2	32	34	3	42	45
Delhi ..	2	115	117	4	126	130	7	134	141
Himachal Pradesh ..	—	—	—	—	—	—	—	—	—
Total ..	6	185	191	9	202	211	15	227	242
Eastern Region									
Assam ..	1	20	21	—	17	17	2	12	14
Bihar ..	1	17	18	1	21	22	1	10	11
Orissa ..	—	22	22	2	19	21	—	35	35
West Bengal ..	20	339	359	22	342	364	26	373	399
Tripura ..	—	—	—	—	—	—	—	—	—
Manipur ..	—	—	—	—	—	—	—	—	—
Total ..	22	398	420	25	399	424	29	430	459
Western Region									
Bombay ..	11	180	191	12	228	240	19	274	293
Madhya Pradesh ..	1	6	7	—	14	14	1	24	25
Total ..	12	186	198	12	242	254	20	298	318
Southern Region									
Andhra Pradesh ..	3	15	18	1	18	19	4	24	28
Kerala ..	10	29	39	4	43	47	2	30	32
Madras ..	9	71	80	5	108	113	14	331	345
Mysore ..	3	12	15	2	25	27	3	25	28
Total ..	25	127	152	12	194	206	23	410	433
Grand Total :	65	896	961	58	1,037	1,095	87	1,365	1,452

DISTRIBUTION OF NEW COMPANIES ACCORDING TO INDUSTRIAL GROUPS: 1957-60

(Authorized Capital in Crores of Rs.)

Industrial Group	1957-58		1958-59		1959-60	
	No.	Authorized Capital	No.	Authorized Capital	No.	Authorized Capital
Agriculture & allied activities ..	39	1.01	33	0.84	40	2.87
Mining & Quarrying ..	17	1.94	22	71.59	21	6.10
Processing & Manufacturing (all kinds) ..	427	68.89	502	167.69	614	119.10
Construction & Utilities ..	37	1.30	26	1.21	30	2.13
Commerce (Trade & Finance) ..	281	17.15	302	37.39	367	16.80
Transport, Communications and Storage ..	70	10.21	104	2.97	283	5.36
Services of all kinds ..	90	2.21	106	2.67	97	8.18
TOTAL ..	961	102.71	1,095	284.36	1,452	160.54

Source: Department of Company Law Administration, Ministry of Commerce and Industry.

INDIAN UNION

SIZE PATTERNS* OF NEW COMPANIES : 1957-60

Size Group	1957-58			1958-59			1959-60		
	Public	Private	Total	Public	Private	Total	Public	Private	Total
Below Rs. 1 lakh	4	227	231	3	249	252	2	344	346
Between Rs. 1 lakh and Rs. 5 lakhs)	15	359	374	14	428	442	15	534	549
Between Rs. 5 lakhs and Rs. 10 lakhs)	15	214	229	12	262	274	18	316	334
Between Rs. 10 lakhs and Rs. 25 lakhs)	6	60	66	8	55	63	12	110	122
Between Rs. 25 lakhs and Rs. 50 lakhs)	5	19	24	5	19	24	15	21	36
Between Rs. 50 lakhs and Rs. 1 crore)	3	6	9	7	11	18	7	27	34
Rs. 1 crore and above	17	11	28	9	13	22	18	13	31
Total	65	896	961	58	1,037	1,095	87	1,365	1,452

* According to authorised capital.

COMPANIES AT WORK (1955-60)

(Paid-up Capital in Crores of Rs.)

Year	Public Companies		Private Companies		Total	
	No.	Paid-up Capital	No.	Paid-up Capital	No.	Paid-up Capital
1955-56	9,575	6,90.4	20,299	3,33.8	29,874	10,24.2
1956-57	8,810	7,14.6	20,547	3,63.0	29,357	10,77.6
1957-58	8,296	7,73.6	19,984	5,32.7*	28,280	13,06.3*
1958-59 (P)	7,760	7,84.1	19,719	7,25.7*	27,479	15,09.8**
1959-60 (P)	7,306	8,11.6	19,615	7,81.5	26,921	15,93.1

* Includes Rs. 155.7 crores paid-up Capital of the Hindustan Steel Ltd.

** Includes Rs. 3,00.0 crores paid-up capital of the Hindustan Steel Ltd.

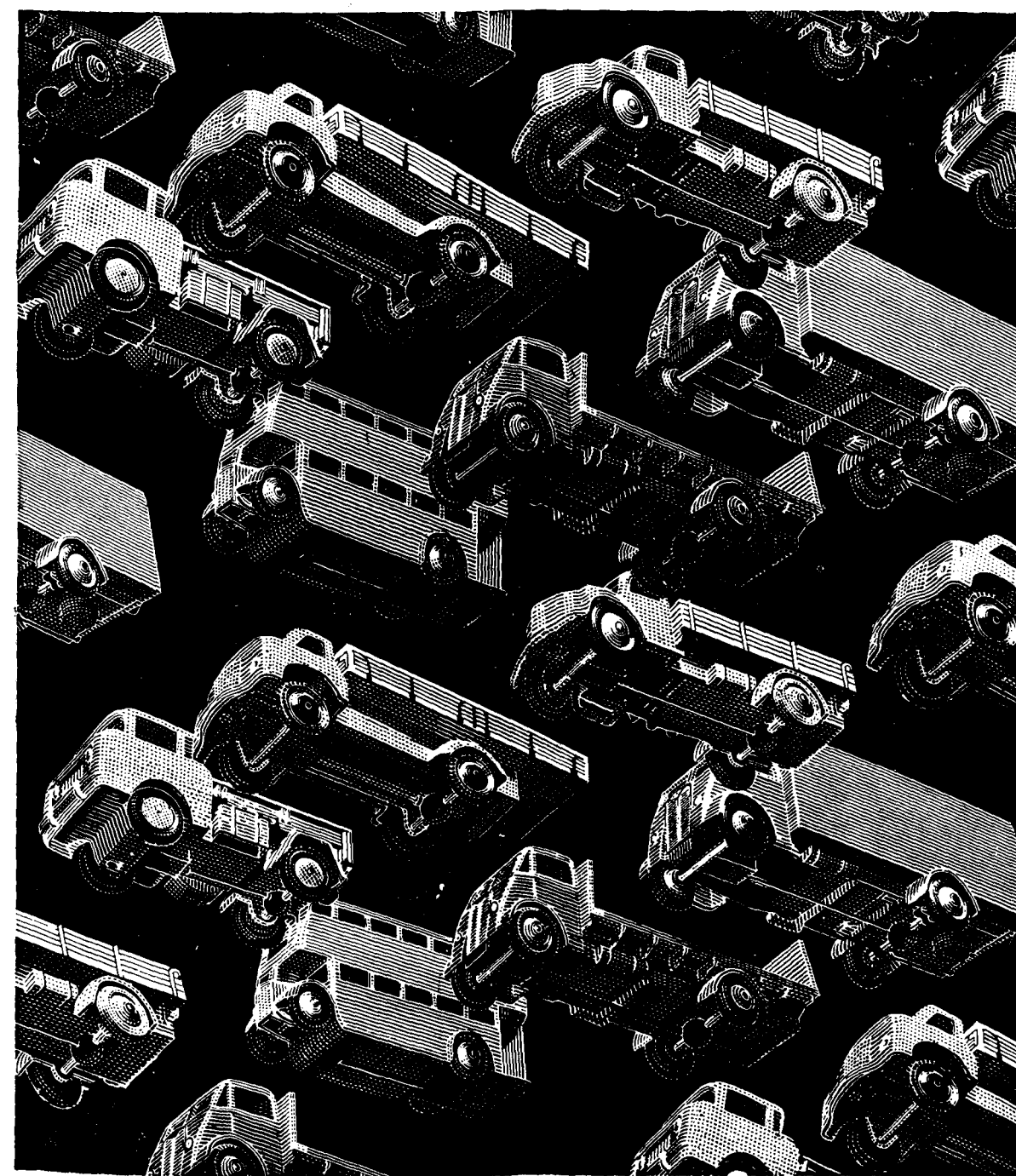
(P): Provisional

STATEWISE DISTRIBUTION OF COMPANIES AT WORK : 1957-60

State	1957-58	1958-59*	1959-60*	State	1957-58	1958-59*	1959-60*
Northern Region				Western Region			
Punjab	862	795	790	Bombay	5,546	5,600	5,629
Uttar Pradesh	1,411	1,283	1,163	Madhya Pradesh	439	376	315
Rajasthan	494	440	437	Total	5,985	5,976	5,944
Delhi	1,440	1,493	1,523	Southern Region			
Himachal Pradesh	9	9	9	Andhra Pradesh	524	461	456
Total	4,216	4,020	3,922	Kerala	1,212	1,141	1,050
Eastern Region				Madras	2,288	2,281	2,396
Assam	365	343	350	Mysore	728	665	629
Bihar	498	475	372	Total	4,752	4,548	4,531
Orissa	195	191	206	Grand Total	28,280	27,479	26,921
West Bengal	12,249	11,911	11,582				
Manipur	8	7	7				
Tripura	12	8	7				
Total	13,327	12,935	12,524				

* Provisional

Source: Department of Company Law Administration, Ministry of Commerce and Industry.

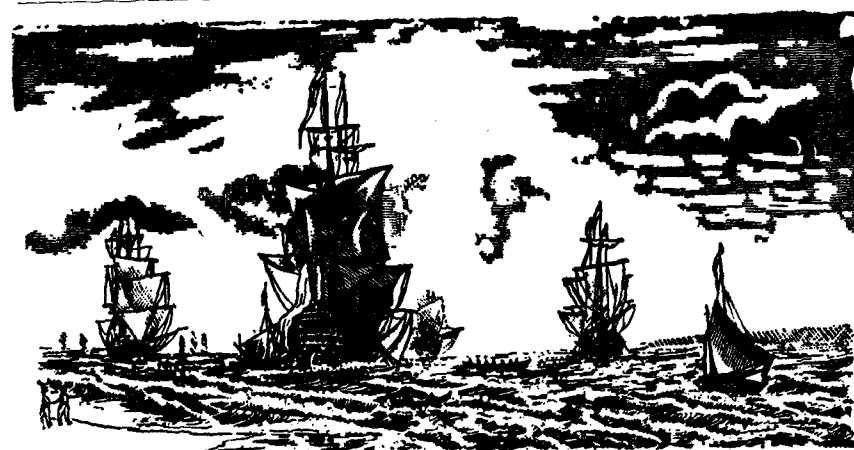


New avenues of progress

The rapid development of India's road transport has opened up new avenues of progress. Diesel trucks, lorries and buses now link every part of the country...carry goods and people to once-remote areas. With the growth of road transport has grown demand for High Speed Diesel Oil. Today over 1 million tons are consumed. By the end of the

Third Plan the country's needs will be 3 million tons—three times as much as they are today. There can be no question that the first priority should be the exploration and production of indigenous crude oil; the second priority must be to expand refining capacity in India. Oil is essential to economic growth, and Burmah-Shell believes that

for tomorrow's needs we must act today



a
hundred
years
in India

An East Indiaman in the last century brought young Robert Stanes to Madras in 1857. His name was to become famous over a century in South India long after he began business in 1861 in Coimbatore. Few could have imagined that the independence and resolution of youth were to bear such fine fruit in the years to come.

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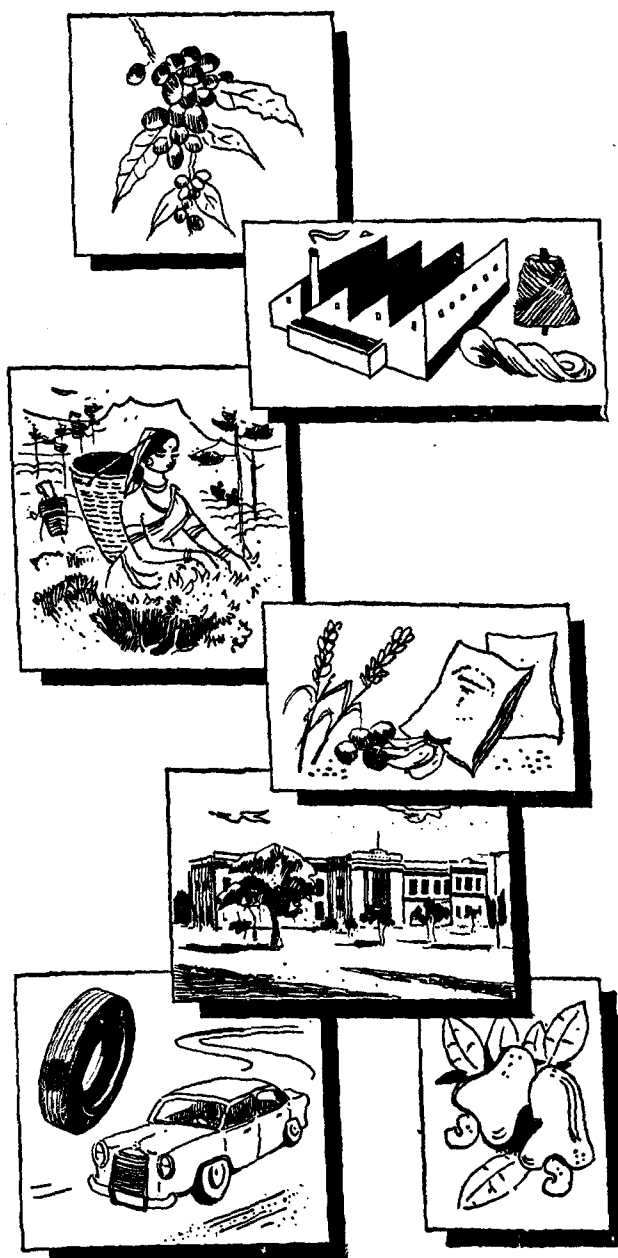
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T. Stanes & Company Limited, Coimbatore

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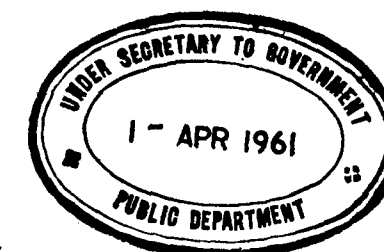
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The Eastern Economist

MARCH 24, 1961

Guest Editorial

The Commonwealth: From Strength to Strength

By

ANDREW BOYD

"THE character of the Commonwealth has apparently changed completely during the last year". Dr. Verwoerd used these words in the brief speech in which he told the other heads of government, assembled in Lancaster House, that he was no longer asking for continued Commonwealth membership for South Africa. It was a bitter little speech, the expression of his inability to understand what had been happening in the outside world from which he had been withdrawn for so many years. But in that one phrase the South African Prime Minister stumbled upon something close to a revelation — a revelation that had just burst not only upon him but on an astonishing number of other people.

Lancaster House being just round the corner from my office, it had been temptingly easy to wander past St. James's Palace from time to time and see if there was any outward evidence of the tension that had built up inside the conference room during the three long days of debate about South Africa. There was none. London was almost sweltering in a minor heatwave that brought people out into St. James's quiet precincts and the nearby parks to sun themselves in a quite un-March-like way. The police cordon that had been established round the conference building, prudently, no doubt, but quite unnecessarily, had nothing to do except apologetically explain to a few frustrated strollers that they could not, for the time being, use their favourite short cuts into the park. There was least hint of a rowdy demonstration. Even the silent, dignified black-sash "mourners" who had taken turns in maintaining a day and night vigil for the first three days of the conference had gone. And, less than an hour before Dr. Verwoerd's dramatic ann-

ouncement from inside Lancaster House, there had come news of seemingly utter anticlimax: the heads of government had broken off for tea (Commonwealth solidarity, with the possible exception of Canada, could be taken for granted on this if on no other point).

Upheaval of an almost revolutionary kind was, nevertheless, going on — not in a noisy street, but in the quiet conference room itself, where hardly a voice was raised above the normal level. Writing just after the event, when even the participants in the conference find it hard to put what happened in true perspective, I may be misled by their initial reactions: but I would venture to say that the breach with South Africa was really no more than a by-product of something fundamentally more important that first took full shape this past week in the sunny stillness of St. James's.

Did the Commonwealth undergo a subtle but crucial change "during the past year" (the year since Sharpeville), as Dr. Verwoerd thinks, or just during this past week, or over what period? I don't think one can define the precise period during which the underlying change took place. The Commonwealth has newly — thank goodness — shown itself to be an organic kind of association; and in organic growth it is difficult to measure at precisely what point in time a fresh phase begins or ends. What one can pin-point is the moment of recognition of the change. That moment was here, now, in the Lancaster House conference room.

The Commonwealth, I believe, surprised itself. One might almost say that until this moment it had not taken itself seriously. For so long the air had been full of intangibles, of reverent ex-

pressions of respect for an ill-defined mystique, of such claims as "the Commonwealth is not breaking up, it is growing up." Who could tell whether words like these meant what they said, whether, indeed, they meant anything? Was there never to be a plain straightforward answer to the blunt question: What is the Commonwealth for? Was there to be answer to the lurking suspicion that the whole thing was a typical product of the crafty British unconscious mind, which had instinctively groped its way to a means of influencing nations which Britain could no longer control?

With the South African issue as catalyst, the Lancaster House conference forced its way, painfully, to the long awaited answer to these questions. It did so in spite of dogged British attempts to wave the questions away. Politely, indeed respectfully, but with quiet resolve, the sovereign sisterhood of nations made it clear that the "Mother Country" must at last face the fact that it was now no more than an elder sister in a group of true equals. With equal firmness, it brushed aside the whole corpus of over-sentimentalised argument that was brought in to buttress the South African position: the argument that the Commonwealth, arising as it does merely from the accidents of history, is an amiable freak that can go on fumbling its way happily through a changing world without any real sense of purpose. Instead, a clear purpose was perceived — and essentially only one. This was not a matter of thinking up a role for the Commonwealth to play in world affairs in order to give it something to do that would help it to hold together. The surge of world events has on the contrary, thrust a role upon the Commonwealth. Across the yawning, widening gap between the nations of Asia and Africa and those of the West, it can serve as a bridge of understanding and candid friendship — a bridge that has no match.

Such a bridge can be firmly founded only on the basis of mutual respect and equal dealing

The Budget Debate

THE general debate on the Budget, both in the Rajya Sabha and in the Lok Sabha, failed to reveal any constructive approach to the problem of financing India's Third Five-Year Plan, or any path different from the constructive one which the Finance Minister had chosen. Not unexpectedly, the usual complaints about the excessive burdens which the Finance Minister had placed on the common man, received repeated, if not very eloquent, reiteration. In the end, however, the House, which had rightly recognized that the Finance Minister's choice was not dictated by any of his own preferences, but by the imperatives of the Plan, was fully placated and the small concessions made in respect of kerosene duty and the provision in regard to powerlooms was even accepted as a mark of generosity, which, in fact it hardly was. Sooner or later, we will need to recognize that the habit of securing minor, and almost irrelevant, concessions in a Budget is not the purpose of a Budget debate.

The major issues of the country which are the mobilisation of resources and the obtaining of the necessary foreign exchange, unfortunately, failed to receive attention. The problem of prices was, indeed, dealt with at length, but not with any new proposal in regard to the operation of

between peoples, without distinction of race or pigmentation or any other ill-mannered nonsense. South Africa's blunt negation of these principles was in diametrical conflict with the whole concept of Commonwealth that emerged from this new sense of real purpose. It was hardly surprising that a bruised and rather bewildered Dr. Verwoerd lashed out at other members with wild charges of "oppression" and undemocratic conduct; but his charges, quite apart from the odd way they fell from those particular lips, were utterly irrelevant to the point at issue. Equally irrelevant was his prophetic gloom about the coming "disintegration of the Commonwealth". That phrase, which recalled to my mind Mr. Khrushchev's remarkably similar claim about "the beginning of the disintegration of the United Nations" during his visit to New York last year, was like all such angry warnings, no more than an expression of frustrated futility. Disintegration is precisely what the departure of South Africa can spare the Commonwealth.

In your columns last December 16, I was permitted to dwell on "the plain fact that, unless South Africa changes, the Commonwealth will have to eject it if the purpose of the Commonwealth is to be fulfilled". Exactly three months later, on the morning after Dr. Verwoerd's announcement, it seemed a slightly traumatic experience to find a leading article in *The Times* acknowledging that "the more the circumstances of this solemn issue are considered, the more clear it becomes that had South Africa not withdrawn, the unit of the Commonwealth would have been gravely threatened". As the Americans put it, hindsight is twenty-twenty. Being somewhat allergic to the past conditional tense, perhaps I may be allowed to prefer the simultaneously published verdict of the Prime Minister of Nigeria: that, far from "disintegrating" after South Africa's withdrawal, the Commonwealth "will continue to grow from strength to strength".

monetary control. Much the most important element in the debate turned out to be an acrimonious dispute between Acharya J. B. Kripalani and the Finance Minister in regard to the role of criticism which Parliament can legitimately entertain on the conduct of military affairs. Both Pandit Kunzru and Acharya Kripalani held that it was the Defence Minister who was primarily responsible for injuring morale in the army by investing promotions with a strong personal equation. The Finance Minister's argument was that it was the Members of the House who, by parading differences and complaining about the morale of the army, were doing disservice to the country; this naturally recorded with supporters of the Defence Minister. But it is doubtful, if the country as a whole, will accept the Finance Minister's view that all the responsibility for army affairs should be vested entirely in the Executive.

The Finance Minister's rather abrupt treatment of Acharya Kripalani and his somewhat curt treatment of criticisms of other members of the Opposition, notably, that of Mr. M. R. Masani of the Swatantra Party, belongs to his directness which may or may not be in the best interests of his Party. On the whole, the feeling is that the direct approach is much more appreciated by the Members of his Party than by the Opposition.

Members of the Opposition are accustomed to be treated with rather more gentleness than normally comes from the Finance Minister. It may be that here his manner could be improved upon. In substance, however, the Finance Minister can claim that, so far as the content of the Budget is concerned, his critics made a poor showing. *The Eastern Economist* takes the view that this Budget is a necessary and a commendable step in the fulfilment of India's Third Five-Year Plan. The negative approach that Mr. Masani presented ably of a small Plan or a planless effort in deve-

lopment runs counter to popular (and much informed) opinion both inside and outside Parliament. It is doubtful if this approach embodies a wise political course.

All in all, one should look upon the relative inertness of the criticism as a tribute to the constructive character of the Finance Minister's Budget. The success of the Treasury Benches is due largely to the content of the Budget rather than to the manner in which it was defended from a fairly dispersed and unprepared attack.

Movement of Sugar: Decontrol Needed

THE sugar mill industry is facing a serious problem today; with output steadily mounting, it is finding it difficult to service, in a tight money market, the unsold stocks. The industry is anxiously looking forward to export of sugar to the United States where introduction of a Bill in the Congress by Mr. Harold D. Cooley, Chairman of the Agricultural Committee in the House of Representatives, has brightened the prospects of Indian sugar exports. The Bill seeks to amend the U.S. Sugar Act of 1948 and envisages redistribution of the Cuban quota amongst countries of the Western hemisphere and those purchasing U.S. agricultural commodities. Advices from Washington indicate that though final decision on granting a regular quota to India for export of sugar to the United States will be taken sometime in August, an interim quota may be granted to this country to export to the U.S.A. about 1½ lakh short tons of sugar.

This quota coupled with exports of sugar to the Middle East and South-East Asia under the one million metric tons release for sugar exports, announced by the Government of India sometime ago, will help to some extent in lightening the burden of unsold stocks on the industry. It is understood that up to March 16, the Indian Sugar Mills Association had entered into contracts with the South-East Asian and Middle East countries for export of sugar to the tune of about 72,000 metric tons. Contracts for another 7,000 metric tons are expected to be finalised soon. Actual shipments up to March 16, amounted to nearly 52,250 metric tons. Another 5,000 metric tons are expected to be moved shortly.

The export of these 2.5 lakh tons of sugar will, however, not totally solve the industry's problem. The industry has been banking upon an export quota of about 5 lakh tons to the United States. Even after these shipments, the industry, it is expected, will have to carry over stocks at the end of the current crushing season to the tune of about 8 lakh tons which it will undoubtedly find it difficult to service in a stringent money market.

Is it not time that some re-thinking is done about the movement of sugar within the country? Though releases of sugar for the domestic market in the past few months have been substantial — nearly two lakh tons per month — the quantity lifted has been gradually going down. In November last, only 84.88 per cent of the quantity released was lifted by the States or their nominees who, under the present system of sugar movement, are the only persons to whom mills can sell the commodity. In December and Janu-

ary, the quantity lifted came down to 78.58 per cent and 77.20 per cent of the total releases.

Much of the industry's distress can be alleviated if the Government does away with the control on movement of sugar within the country. Some stocks in that event will be passed on to the trade, thus relieving the industry of some of the liability of servicing these stocks. With the supply position comfortable, there is absolutely no danger of prices of the commodity going up. On the other hand, they may even come down slightly in areas where at present they are ruling at a slightly higher plateau than warranted by the supply position.

Supply of sugar to the confectionery and food processing industries at concessional rates under the Export Promotion Scheme will also be helpful to some extent. The Union Government, it is said, has been contemplating for some time to introduce a Sugar Export Promotion Bill in Parliament by virtue of which sugar will be supplied to these industries at international prices, the loss to sugar producers being made good from the Trade Development Fund, created by the State Trading Corporation for such purposes. It passes one's comprehension why the introduction of this Bill is being inordinately delayed though President Rajendra Prasad in his inaugural address to the Parliament indicated that this Bill would be introduced at an early date. The Indian confectionery products can find a good market in the neighbouring countries provided their prices are competitive. And one way to make them competitive is to reduce the cost of this essential raw material for the confectionery industry.

Efforts, however, have to be continued to secure an export quota of about 5 lakh tons from the United States because if India has to emerge as a big exporter of sugar, it can do so only with a quota of this magnitude from that country which imports sugar at prices about 60 per cent higher than those obtaining in the international market. Indian sugar, at present, is being exported even after full drawback of excise duty and other Governmental imposts, at a loss of about Rs. 14 per maund. Exports to the United States would cut this loss to about Rs. 6 per maund. Misgivings expressed in some circles in the United States that India may not be able to supply regularly 5 lakh tons of sugar a year to that country are unwarranted. The sugar mill industry in this country is expanding fast and it can be safely assumed that India's sugar output in future will be of the order which can yield a surplus of over 5 lakh tons over the domestic consumption.

A DELHI DIARY

THE SHIFTING SPOTLIGHT

THE spotlight has shifted frantically this week; firstly, to Parliament with the Budget debate and then, as interest ebbed because of its repetitive character, to Laos which entered a strong candidate for attention with the arrival of Prince Souvanna Phouma on Saturday. Mr. Averell Harriman, Special Representative of President Kennedy, sprung a surprise on Delhi by suddenly deciding to say a piece to ECAFE delegates and then to an expectant Press. In the end, it is difficult to say how much of the spotlight he actually captured. In my (bold) opinion, not very much. His replies, while initially gratifying, tended to recede on reflection. Does self-determination for Goa imply that the United States accepts the Indian views on the retirement of Portugal? Supposing a vote can be arranged so as to give the Portuguese Government a bare majority, are we any better off? I fear that much of the genuine goodwill which Mr. Harriman dispersed was not necessarily a pointer to an immediate change of history. However, one change of history in a week should be satisfying even to an incorrigible grumbler like myself. The departure of South Africa from the Commonwealth and the recognition that the coloured nations of the Commonwealth would rise superior to what might be called (disrespectfully) the traditional ruling group is historic enough. Sufficient for the week is the change thereof.

REFLECTIONS ON AMBASSADORS

I am quite happy to leave this great turning point of history and infructuous contemplation for some reflections on the role of ambassadors. In fact, all this week, for a very large number of people, the spotlight has rested firmly not on history but on two much loved personalities—Ellsworth and Harriet Bunker. It is not, indeed, irrelevant that Mr. Bunker was American Ambassador in India for over four years, and that some of the affection that they both aroused is due to the fact that they have a lively sense of participation in Indo-American relations and Indo-American assistance in the grand manner. During his stewardship the greatest commodity loan of all times—17 million metric tons of foodgrains—went through almost unobtrusively. The range of American assistance and of partnership have also eclipsed all previous records. It is not a small thing that this should have been accomplished quietly without any attempt to draw gratitude or attention to those who spearheaded the task. I know that comparisons are odious, but being an odious person, I must indulge in personal comparison. I cannot think that the United States has had, since independence, any more effective representative and, greatly daring, I predict that it will not have Mr. Bunker's equal again. In a sense this is because his view of diplomacy was as catholic as his outlook. As distinguished from most diplomats who have conceived of their purpose as striking the pockets of influence in particular areas, the Bunkers broadcast their seed with an almost complete indifference as to whether it bore immediate fruit. The picture of the American Ambassador also was curiously many-sided; to the businessmen he appeared as a leading business executive with deep knowledge of the sugar industry as well as of banking with which he would be intimately associated in Wall Street. To the diplomatic world he appeared much more as the practised diplomat who had survived the Peron administration in Argentina, great difficulties in Italy, and not the least of all, a fairly difficult initial period in the Indian Union. To the social worker and the Press he appeared as a fine observer of events capable of detaching himself with amazing ease from the material interests of his country as distinguished from the larger moral purposes of

democratic living in which India and the United States are necessarily involved. There was combined in the Ambassador a great multitude of talents none of which was so obtruded as to leave those who conversed with him with the feeling that they were dealing with specialists in particular fields. Thus, they created, with a multitude of persons, relations which were spontaneous and free, in which many hundreds of people, without what might be described as "influence" in particular circles, claimed a friendship with both Mr. and Mrs. Bunker, which will be literally permanent. Thus they disengaged themselves from their ambassadorial responsibilities and established a direct bond with the Indian people in which lasting personal friendships arose above both influence and immediate objectives of Indo-American relations. I doubt if any ambassador in New Delhi has accomplished the broad and lasting sweep of goodwill that the Bunkers together have achieved.

THE STAND-UP BROOM

I say together because one of the great achievements of the Bunkers was that they worked as a team apparently unplanned but concerted and operated with a common imagination. Harriet Bunker's notable achievement—amongst those who have not known her—is her introduction of what has been called the stand-up broom. This captured the Prime Minister's attention and one fine week, every Chief Minister of India got a circular letter on the importance to human dignity of standing up while sweeping. Incidentally, the picture of Harriet Bunker, as someone who is concerned above all about the stand-up broom, was hopelessly wrong. She was concerned not with brooms but everything which added to the dignity of human personality. The amazing capacity that she had even in ill health to pursue the larger objectives of what has been called social service had to be seen to be believed. Thus there leaves the Indian scene a notable partnership of which, I am hoping, we will see at least an equal in the years to come. It was not an accident that a very large number of people came to Safdarjung airport on Saturday morning to see them take-off for Bombay en route to the United States. On that occasion I noticed everyone was remembered by his or her Christian name.

PROF. KENNETH GALBRAITH

People keep on asking me how Prof. Galbraith, who was appointed as American Ambassador to India this week, will fair in the succession. I know of Prof. Galbraith's writings, particularly, the dramatic ones—'The Great Crash' and 'The Affluent Society'—and naturally anyone who writes so well and so provocatively will be received with interest and perhaps with some respect. But it would be an error to suppose that cleverness and scholarship are easy passports to the affections of the Indian people. It is still said, somewhat disrespectfully, of Rajaji that he was too clever for Indian popular consumption, and I expect that his fine mind is as much a liability as an asset to the Swatantra Party. Prof. Galbraith begins with a great flow of goodwill to the United States and with a pattern of broadcasting goodwill which might, in fact, be an even greater asset than his undoubted intellectual ability. But now that Washington has become a great ferment of intellectual activity with the intellectuals of what is disrespectfully called the Harvard set in the ascendant, it may be tempting to assume that the Indian intellectual is equally important in the Indian scheme. Mr. and Mrs. Bunker did not make that mistake. There endeth the first sermon!

ARGUS

THE WEEK'S NOTES

Averell Harriman

DASH TO NEW DELHI

THE SUDDEN news that Mr Averell Harriman, Special Representative of President Kennedy, would come to Delhi for the ECAFE Session naturally led to expectations that a major policy statement was about to be made. Indeed, the Press was informed that such a policy statement was to be made after a "banquet" on Friday, March 17, and on Saturday Mr Harriman held a well-advertised Press Conference. Views differ in regard to the wisdom of having raised expectations so high because it did not, at least at first sight, appear that the statement made carried any significant new development. However, there was in Mr Harriman's statements a ring of change, the full significance of which has not been lost on those who heard him speak. The written word has not been equally satisfying.

Not the least of the points made by Mr Harriman was the fact that the Kennedy administration has electrified Washington, and there is a passion for change and action which recalls the ferment of the early days of newly formed Roosevelt administration. This ferment is already overflowing into other fields. Obviously, the President cannot change everything overnight and the view that he is creating an atmosphere for change, rather than change itself, is justified. The President has to hasten slowly with the American public opinion, still uncommitted to a dramatic change in aid policy, particularly with the dollar by no means completely underwritten. All things considered, Mr Harriman spoke with assurance which has conveyed the impression, rightly or wrongly, that India's requirements on the Third Plan would not merely receive earnest consideration—for this alone his presence could hardly have been necessary—but that the amount desired would, in fact, arrive. Perhaps this is an overstatement from the assurance with which Mr Harriman spoke. If, in fact, this impression is justified, it would be better than another policy statement.

Laos and India

PRINCE SOUVANNA PHOUMA'S VISIT

COMPETING WITH Mr Averell Harriman for interest has been the visit of Prince Souvanna Phouma of Laos. He was awaiting return of the Prime Minister on Wednesday. It is believed that a major solution to the problem of Laos is in the offing with a large new International Commission, possibly with representatives of fourteen nations, devising a suitable formula. Meanwhile, the point that the United States is digging in its position in South-East Asia has been made clear by the warning that it will not sit by idly, should Laos come under Communist control. In other words, the situation is ripe for intervention of the Geneva type with a stabilisation of frontier, and presumably the neutralist administration, which will replace the pro-American administration of recent months. This solution might well suit both sides since Laos does not seem to be strategically so vital to either that it would be worth overstepping the limits of moderation. Here, at least, one can say that expectations in Delhi are running high, and with justification. It is unlikely that Prince Souvanna Phouma will return totally disappointed from New Delhi. Busy as the Prime Minister is, Laos will obtain attention.

Central Budgets

A DECADE'S BUDGET ESTIMATES IN RETROSPECT

AFTER A well-balanced and objective assessment of all the relevant Central budget papers, the Committee of the Indian Merchants' Chamber, Bombay, has made a few pertinent observations which merit serious consideration.

Perhaps the most notable point about the Government's budgeting in respect of revenues and expenditure that the I.M.C. Committee has made is the one that relates to the trends in revenue and expenditure. Even a cursory comparison of the figures budgeted for and those actually realised over the past ten years, i.e. 1950-51 to 1959-60, as the I.M.C. has proved, shows a persistent policy of over-estimating the expenditure and under-estimating the revenues, so common to all Finance Ministers. For instance, according to the budget estimates of each year between 1950-51 and 1959-60, there ought to have been a total deficit of about Rs. 49.87 crores, but, when compared with the actual realisation of revenues, the accounts show no such deficit but a surplus, on the contrary, of Rs. 477.44 crores. In the result, revenue has gone up by Rs. 527.31 crores, bringing an average surplus income of over Rs. 50 crores per year during the whole period. It is only right to insist then, as the I.M.C. has done, that not only this wide variation between estimates of revenue and expenditure be carefully examined, but the Union Finance Minister should make it a point to mention, in his budget speech, the final results in regard to the previous budget estimates of surpluses or deficits. To further substantiate the point it has made in this connection, the I.M.C. Committee has also pointed out that, whereas, in the budget year 1959-60, the deficit was shown as Rs. 58.32 crores, in the revised estimates for that year, the deficit was reduced to Rs. 15.39 crores, while the actual accounts, as given in the Explanatory Memorandum of the Budget 1961-62, show that even this deficit has been wiped out, and there is, instead, a surplus of Rs. 42.55 crores! If the final results in regard to the previous budget estimates of surpluses or deficits are made available in the course of the budget speech every year, as the Committee suggests, it would enable both the Government and the public to have a clear view of the resilience of the economy in terms of resources.

While welcoming some of the latest budget proposals in the field of direct taxation, the I.M.C. suggests a few positive measures for increasing private savings and capital formation in the country. For instance, it advocates the placing of a ceiling for taxation on individual incomes and the raising of the minimum taxable limit to Rs. 5,000 for individuals and to Rs. 15,000 for Hindu undivided families.

The I.M.C. has also gone into the question of indirect taxation and points out that the enhanced customs duty both on the basic raw materials or intermediates and components and on the end-products for various industries would affect the competitive capacity of our export products adversely. According to the Committee, there is scope for revision and suitable modification of the budget proposals for the year 1961-62, inasmuch as, apart from the fresh levies, a very much larger revenue may be expected to accrue from the

existing levies themselves in the future than in the past.

Dandakaranya

MOVEMENT OF DISPLACED PERSONS

LAST WEEK, Mr Mehar Chand Khanna, the Union Minister for Rehabilitation, made a statement in the Lok Sabha on the unsatisfactory position regarding movement of displaced persons to Dandakaranya for settlement. Everyone agrees with Mr Khanna that the progress made so far is very unsatisfactory and also that there is much wastage of Government revenue on a scheme which has proved almost abortive. Mr Khanna is now thinking of using compulsion instead of persuasion for the movement of camp families in West Bengal to Dandakaranya. Use of compulsion or putting pressure by issuing notices to displaced families to move to Dandakaranya has not proved successful in the past; for example, the State Government had issued notices to about 1700 families up to the end of January, but only 252 families moved to Dandakaranya during January and February this year. Use of compulsion or pressure may only aggravate the unsatisfactory position that has been pursuing the whole scheme since its inception; it may, in addition, encourage interested political parties to make capital of this issue, specially in view of the coming general election next year. As a matter of fact, it is political propaganda coupled with

individual and party interests which has played havoc with the life and happiness of the displaced persons from East Pakistan. On the other hand, the unimaginative conformity to stale rules and regulations of a Government department coupled with red tape and stereotype routine approach to a human problem has failed to elicit the necessary response for the rehabilitation of refugees of a particular part of the country in another totally different climate and environment. It is only trust, confidence, sympathy and tact on the part of uninterested individuals and organisations, that can win the natural reluctance of refugees to settle in an area which was hitherto nothing but jungles. The most suitable agency that can make a success of the rehabilitation of displaced persons from East Pakistan in Dandakaranya is the sincere and wholehearted work of a few voluntary social organisations which have worked for the refugees in the past and who enjoy the confidence of the displaced persons. It is strongly felt that unless the Government executes its policy through such voluntary social organisations, it can never meet with success. Such a course on the part of the ruling party would also prevent the opposition political parties from playing havoc with the life and happiness of displaced persons for their private ends. It implies that the Ministry of Rehabilitation would have to delegate power and authority to a large extent to a voluntary social organisation for making refugees agree to shift from the camps in West Bengal to Dandakaranya. It does not, of course, absolve the Ministry from the duty of providing all the promised basic amenities in Dandakaranya.

The World Abroad

ANTITRUST AT WORK IN BRITAIN

By

ODYSSEUS

A READER has suggested that in my two recent articles outlining anti-monopoly legislation in the USA and in the UK, I have been too sweeping in condemning the UK Restrictive Trade Practices Act of 1956.

Let us, therefore, take a look at the Act. It provides for a Registrar of Restrictive Trade Agreements, and a Restrictive Practices Court. The Registrar is concerned with agreement between persons carrying on business as producers, processors, or suppliers of goods, or associations composed of such persons, under which mutual restrictions are accepted in the matters of prices, terms and conditions of trading, quantities, or descriptions of goods, processes of manufacture, areas or places of trading and persons with whom business is done. The law enables the Registrar to secure all the information that he wants.

So far the UK Act is roughly in step with the prohibitions enforced by US antitrust, the broad aims of which (you will recall) are to disperse excessive concentration of private economic power and to uphold the principle of competition. US antitrust is not concerned with any economic benefits claimed to accrue from restrictive practices or any evils alleged to follow from ending them. These are matters of opinion, on which consumers, businessmen, economists, and other "expert" witnesses, will often differ.

The UK Act, however, allows a firm to defend a restrictive agreement by showing that it confers benefits in one or more of the following ways: (a) by protecting the public against injury in connection with the installation, use or consumption of goods; (b) by making available other 'specific substantial' benefits to the public; (c) by counteracting restrictive measures taken by 'any one person' who is not a party to the agreement; (d) by permitting the negotiation of 'fair terms' for the purchase or sale of goods with buyers or sellers who represent a preponderant part of the trade; (e) by preventing the occurrence of 'serious and persistent' unemployment in an area heavily dependent upon the particular trade; (f) in maintaining the volume or earnings of the export trade in the commodity where this is substantial in relation to the export trade of the United Kingdom as a whole or in relation to the whole business of the particular trade; (g) in maintaining some other restriction which the Court holds to be justified on its own merits.

A NEAT BALANCING ACT

Faced with defence arguments on any of these points, the UK court enters what is called the 'balancing phase' of the hearing in which defendants have to satisfy the court (the onus is, rightly, on the defendants) that the restriction is not unreasonable having regard to the balance between the benefits resulting, or likely (sic) to result and any detriment to the public or to persons not a party to the agreement. Messrs. Guenault and Jackson, in their useful "Control of Monopoly in the UK" (Longmans Green. 1960. 25sh.) point out that the Court does not have to be satisfied

that the benefits and detriments are evenly balanced, but merely that in the light of the net balance, which may be adverse, the restrictions are not unreasonable. Thus, the court must balance (a) the specific justification for the restriction against, (b) the actual or possible (sic!) injury to the public and then decide whether the restriction is not unreasonable.

The Act thus gives economists for the first time in history an important role in British court procedure. The best comment on this came from Professor A. Beacham who said that, in the main, the issues were not of a kind to which an economist can give clear-cut answers on an objective basis, and if economists habitually expressed definite opinions on questions to which economics has no answer in any practical context, great harm might be done to the standing of the profession. The economist, he said, should rather be useful in marshalling and occasionally interpreting the facts. A second objection is that the given facts of any economic situation are always evolving, so that the UK could easily be led to set up machinery for the continuous supervision of a firm or an industry to allow for new circumstances, and so bring all the inflexibilities of government control in by the back door. A third objection is that as the circumstances of each firm and industry differ, a decision in one case provides no precedent, and therefore no guidance, for other industries.

The Act also sets up a Monopolies Commission to deal with agreements solely concerned with export trade and what are called "single firm monopolies", which are defined as any firm responsible for one-third of the supply. This seems nonsense, because a monopoly situation is not a question of a percentage but of fact. In the USA, Judge Leahy found that although du Ponts supplied 75 per cent of the output of cellophane, the market which buys it is acutely sensitive to price-changes and to substitutes and that du Ponts in fact possessed no significant power in the packaging market as a whole.

Finally, note that the UK Act allows individual "vertical" resale price maintenance but forbids collective boycotts, exclusive dealing, the imposition of trade penalties, and the use of secret trade courts to enforce it. Resale price maintenance, which is also legal in the USA, differs from "horizontal" price-fixing, especially in that it normally applies only to branded goods, and there are usually competing branded lines which are price-maintained. One brand of tooth paste may be sold at the same price at all shops, but they will also be selling other brands at other prices. The arguments for and against resale price maintenance are outlined by A. D. Neale in his "Antitrust Laws of the USA" (Camb. Univ. Press. London. 1960). Its main support comes from small shopkeepers who regard it as an essential defence against absorption by chain stores.

As long as a Conservative government is in office in the UK, I don't foresee that the law will be used to

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U.K. ACT WORKS WELL

The Act has, in fact, worked well. Fears that the court would interpret the Act leniently have proved groundless. However faulty (in my view) the Act is, its mere existence is a convincing refutation of the widespread belief that all Tory governments are controlled by big business. The Federation of British Industries took the dimmest view of the bill. Their representations were heard courteously but proved unavailing.

The court seems also to have sensed the risks of getting involved too deeply in questions of economic theory, and has intimated that the evidence of economists and accountants should be confined to the specific peculiarities of the cases under investigation. Some 2,200 agreements have been registered, of which 600 have been abandoned by the parties concerned. Of the 2,200, many are of small importance and some duplicate each other. An unknown but substantial number have been dissolved rather than face the publicity of registration and possible court action.

One significant fact of interest to students of economics which has emerged is that, in general, the agreements which have been condemned by the court had not enabled large or easy profits to be made by the industries concerned. What most often happens are undesirable rigidities in the structure of the industries and their channels of distribution, and a weakening of incentives to reduce costs and to improve methods of production.

Although individual resale price maintenance is legal, it is not so easy for manufacturers to detect when retailers sell below the agreed price. Litigation is troublesome, expensive, and is often bad publicity for

the product. A manufacturer who insists on maintaining his resale price is taking the risk that his competitors will undersell him. Where therefore there are many producers of similar products, prices are not likely to be enforced. The result is that the facade of UK resale price maintenance is developing ever more numerous cracks. Most electrical goods (all the way from TV sets to electric toasters) can be brought at substantial discounts off list price. Cheap petrol is on sale. "Shop-soiled" cars are available at cut prices. The Co-operative Wholesale Stores have developed an "instant dividend" scheme. Price cutting grocers and food stores are innumerable.

One effect of all this has been to give fresh impetus to the supersession of the small shop, with its comparatively heavy overheads, by the self-service supermarkets, which assemble under one vast roof almost every conceivable commodity that a housewife wants. In 1950, there were only 500 self-service shops in the UK; in 1957 there were 3,500; today there are 6,000. A conventional shop with a turnover of Rs. 7,800 a week has wage costs of about 7.5 per cent of sales. A self-service store which mechanises the price process, lets the customer do his own choosing and carrying, and channels him out via a four-laned exit, cuts labour costs to under 5 per cent of sales.

All this competition is splendid. But the proof of the Conservative Monopoly pudding will come in the eating under a Labour government. The Labour party is not seriously interested in the mere control of monopoly. Its goal is a Socialist (or at least a Socialist pattern!) society, which means the extension of public ownership where feasible, and, where not, the inauguration of controls and regulations over industry. With but slight amendment to the Act, the UK Monopolies Commission could be a powerful weapon in their hands. That is why I prefer the cast-iron principles of US antitrust to the empiricism and individual case study of the UK law.

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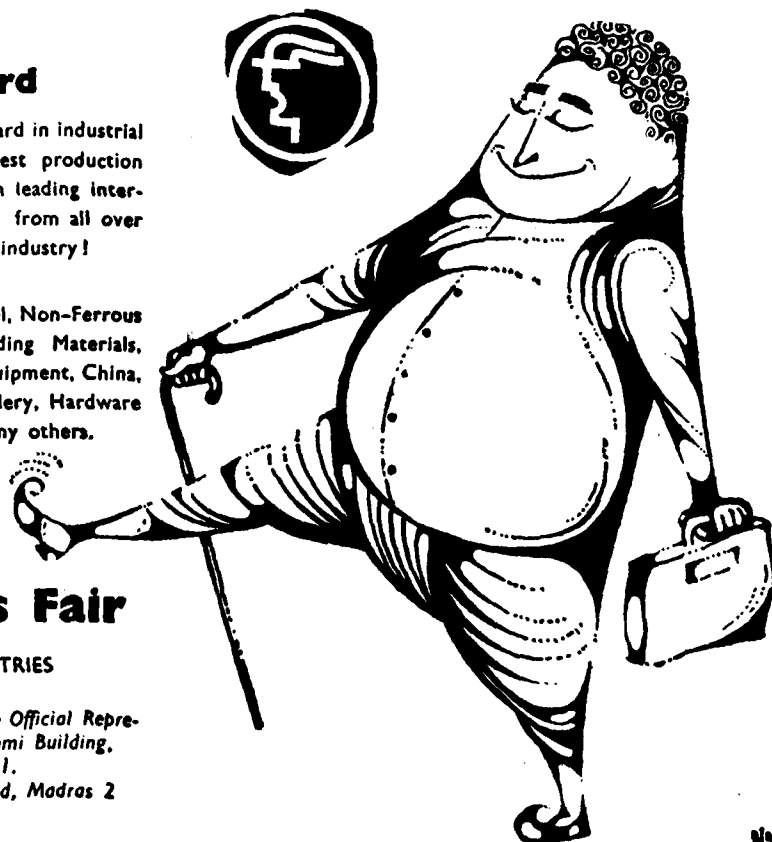
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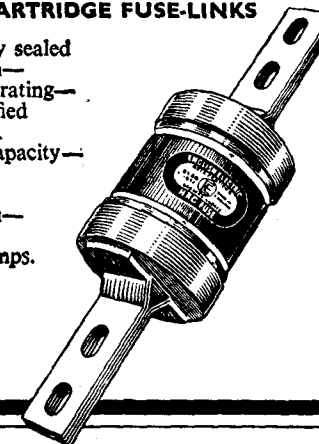


ENGLISH ELECTRIC

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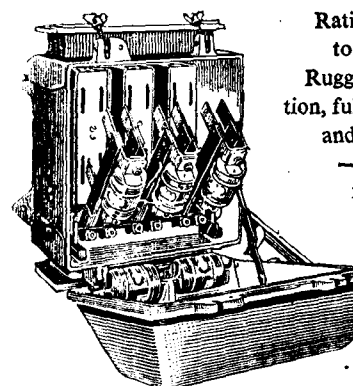
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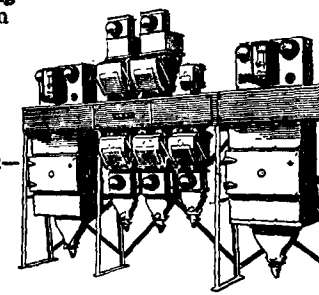
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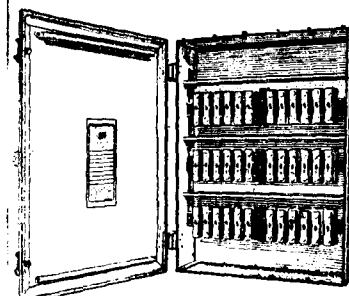
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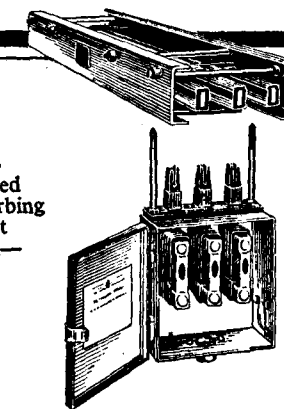


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The European Scene

WESTERN DEVELOPMENT ASSISTANCE

From Our Special West European Correspondent

PARIS, March 19.

FOR once, a study of Western aid to developing countries has been made for purposes other than propaganda and polemic. Numerous comparative statements of foreign aid transactions have been compiled in recent years, usually with the aim of showing that one industrialised country is doing more than another, or that Western countries are doing much more than the Communist bloc. The report published here this month by the Organisation for European Economic Co-operation has another purpose, and can thus afford to be honest about the difficulties of comparing and adding up the dozens of different sorts of assistance received by developing nations. The report is a joint effort of the members of the OEEC and their associates, and so there is no attempt to prove that one is more generous than another; Russian efforts are nowhere mentioned. The desire to avoid invidious comparisons has even led the authors to make no general synthesis of their findings, though there is a table of aid transactions by countries, produced below.

The object of the OEEC report is to prepare discussion of ways to increase and co-ordinate foreign assistance when the OEEC is succeeded by the OECD: Organisation for Economic Co-operation and Development, which will include all the European members of the OEEC plus Canada and the USA. Unlike the OEEC, which is now winding up its affairs, the new OECD has aid to developing countries as one of its prime objectives, but it has no funds of its own for that purpose. Before useful discussion could begin, it was necessary that all the member-countries should make known what they were doing in the field already and what sort of activities they regarded as "assistance to developing countries". So the 20 capitals involved received a questionnaire, which they have answered with a commendable promptness. Even though it was agreed that purely military grants and short-term commercial credits (of less than one year) should be omitted, the replies are still of a bewildering complexity, because there is no one definition of "assistance"—and nor is it desirable that there should be, for developing nations require aid of many different kinds, not all of which can be expressed in money terms.

As for comparisons of gross money totals, we learn nothing from the OEEC report that was not already known: that the USA does most in absolute terms, and that by a long chalk; that France contributes the next largest total, which means that in relation either to her population or to her national revenue, her effort is the most burdensome; and that, in relation to the same factors, West Germany does comparatively little.

Hence the following table of "participation in assistance to development abroad" for the four years 1956-59:

(In millions of US dollars)

USA	14,062
France	4,921
UK	3,149
West Germany	2,328
Holland	850
Japan	588
Italy	552
Canada	464
Belgium	394
Switzerland	393
Portugal	133
Sweden	111
Denmark	48
Luxemburg	8
Norway	6
Ireland	2
Austria	—49

To be really informative, this table of bare money totals would require a series of footnotes many pages long. The OEEC's aim in preparing it was less to issue a prize-list in competitive generosity than to open the debate on the nature of "assistance" which the successor OECD will have to conduct before it can begin co-ordinating dispersed activities. Mr. Thorkil Kristensen, of Denmark, whose secretaryship will span the end of the OEEC and the birth of the OECD said this last week: "What we envisage doing at the OECD in the matter of development aid is first of all to arrange consultation and exchange of information between the nations interested. Very substantial quantities of capital are flowing on a bilateral basis from Western countries to under-developed countries. Therefore it is most important that the former should discuss between themselves how this flow of capital and technical knowledge could be best increased and improved without endangering the payments-balance of capital-exporters. I am convinced that we must re-think this problem, and discuss it in order to put these multifarious activities to more rational use. It is absolutely indispensable that we make sure that the financial and human resources sacrificed by certain countries in favour of others are not wasted or used inefficiently. In other words, I am sure that we can discharge our responsibilities to the under-developed countries much more efficaciously than we have done so far".

The following table drawn, from the report, shows the magnitude of the sums involved in recent assistance efforts by the OEEC group as a whole (in thousands of millions of dollars):

BILATERAL CONTRIBUTIONS

	Public Sector		Private Sector				Total
	Gifts	Net Loans	Export Credit Guarantee	New Loans and Investments	Re-invested Profits	Contributions to International Organisations	
Average 1950-1955	1.2	0.6	0.2	0.7	0.6	0.2	3.5
1956	2.0	0.9	0.4	1.5	1.0	0.2	6.1
1957	2.2	1.1	0.5	2.1	1.0	0.5	7.4
1958	2.4	1.4	0.2	1.4	0.9	0.7	7.1
1959	2.6	1.6	0.3	1.1	0.8	0.5	6.8
Average 1956-1959	2.3	1.3	0.3	1.5	0.9	0.5	6.9

It emerges that the OEEC group gave an annual 6.9 milliard dollars to development aid in the period 1956-59, which was just about twice what they gave in 1950-55 (3.5 milliard dollars). Yet a peak was reached in 1957, since when aid has been diminishing. It is clear that aid has not been increasing as it should. My own guess is that this decrease is due to the oil industry: it will be seen in the table that new private loans and investments plus re-invested private profits reached a peak of 3.1 milliard dollars in 1957, i.e., within months of the nationalisation of the Suez Canal and the apparent threat to the West's oil supplies. This fell to 1.9 milliard dollars in 1959, when it was clear that there was an energy surplus, and in particular a glut of crude oil. European industry's shares of these totals is more than half and has been relatively stable (it comes almost wholly from British, French and West German firms); the rest is the investment of U.S. industry and this has fallen, no doubt, because of the more cautious investment policies of the oil companies. Since oil investments interest only a minority of developing countries, we may conclude that no tendency toward less financial assistance in general is shown by the table.

Another element in these figures that concerns only certain developing nations, and not India, is a substantial part of government grants (column 1). Of the total of 9.2 milliard dollars of public gifts made in the four years 1956-59, about 5.3 milliard came from the USA and much of that was "defence support aid," which is not strictly military aid but civil aid given with military considerations in mind. Also, part of these public grants are sums allocated by Britain, France, Belgium and Holland to balance the budgets of colonies and former colonies.

The sums shown as having been contributed to international organisations (the World Bank is the most

important, but there are 15 others) exceeded the sums drawn from those organisations by the developing countries. The Western nations themselves often draw on the aid of those institutions—not only Austria, which has received much more help than she has given, but the big Powers too. Moreover, the world bodies put large sums to reserve, while a part of the loans and grants they have made remain unused. So one cannot add up the second last column and conclude that all this has gone to assisting developing countries.

Now, it will be seen that, without trying to criticise the figures presented by the OEEC but just in order to explain them, it has already been shown that a very large part of developing assistance is related to power-bloc defence plans, or concerns the oil industry, or goes to struggling ex-colonies and colonies for their current budgets, or goes to world bodies without reaching borrowers from the developing regions. None of those countries is what India has in mind when she looks for increased development aid. It would be a good thing if, when the OECD is born and gets around to discussing the co-ordination of assistance programmes, some of the recipient countries like India were associated with the work. They could point out, more quickly than donor-nations are likely to do, that much of what is presented as development aid has a very restricted scope. More important, rational co-ordination of real development assistance cannot be decided by the donors alone; they will have to consult the recipients, either singly in the case of big countries like India, or in regional groups when the balkanised African territories are involved. I am not suggesting that the OEEC report is dishonest or hypocritical but it does illustrate how, when donor-nations get to discussing aid among themselves, they add up their sacrifices instead of calculating their real net contribution to development in regions where development is actually going on.

March 24, 1961

THE EASTERN ECONOMIST

823

WORLDGRAM

India

Regional Research Laboratory at Jorhat: A Regional Research Laboratory is being set up at Jorhat in Assam, by the Council of Scientific and Industrial Research. The Jorhat Laboratory will aim at investigating problems relating to the important raw materials available in Assam and in the surrounding areas of North-East Frontier Agency, Manipur, Tripura, and the Dooars. The Laboratory will also provide help to the existing industries of the region and foster new ones. To start with the laboratory will have two divisions, one for applied chemistry and the other for engineering. The technological and engineering section will have facilities for carrying out pilot plant trials. The Laboratory will have a museum, a library, a documentation centre and an extension department for disseminating the results of research and for maintaining liaison with the Government, industry and the general public. When fully developed, the work of the Laboratory will be distributed among several divisions: mines and fuel, medicinal plants, leather, food, plant products, roads and buildings, earthquake engineering and public health engineering. The Regional Research Laboratory will function in collaboration with the various national laboratories, research organisations and the Gauhati University.

U.K.

New Plant to Manufacture Melinex: A new plant for the manufacture of Melinex, a polyester film with hundreds of uses in industry and the home, has been opened by Imperial Chemical Industrial in Dumfries, Scotland. The outstanding quality of Melinex, which is manufactured in Britain only by ICI, is its versatility. It has great mechanical and dielectric strength as well as chemical and heat resistance. In the electrical industry, it can be used for condensers, capacitors, cables, and electric motor slot insulators. Other industrial uses include the lining of chemical and gas pipes. Melinex derived from the polymer from which terylene is made, was discovered in 1939 by two British scientists in the laboratories of the Calico Printers Association. Extensive research was carried out by ICI at a pilot plant to prepare the way for the manufacture of the film commercially, and now the Plastics Division claims that it will be able to supply the whole of the home market.

India Orders Machine Tools From U.K. Firm: Craven Bros. (Manchester) Ltd., the Stockport (England) firm of machine tool makers have been awarded orders from India valued at more than £6 lakh. Craven Bros. specialise in large heavy machine tools for general purposes. This latest order brings the intake of new work since the beginning of this year to well above £1 m. and further substantial contracts are at present being negotiated. Craven brothers have already fulfilled a number of orders in India.

Upward Trend in Exports: United Kingdom exports were valued at £297,100,000, imports at £353,300,000 and re-exports at £11,200,000, according to provincial figures issued by the Board of Trade in London. The February figures, it is pointed out in London strengthen the impression given by the

January and December results that an encouraging upward trend in British exports has established itself. The Board of trade now provides figures for both exports and imports which allow for the normal seasonal variation, and the February export total on this basis is shown as £307 million, which is not far short of the exceptional January figure. Looking back over recent months, which enables the upward trend to be more clearly seen, British exports (seasonally adjusted) in December, January and February were 5½ per cent more than in the three months September-November and were 4½ per cent above the average for 1960. On the same basis, imports were 1 per cent less in December-February than in September-November, while remaining two per cent more than the average for 1960. In addition to confirming the upward trend in exports, the February figures support an expression gained in recent months that the imports have now definitely past their peak.

U.K. Firm to Build Dam in Sierra Leone: A contract for an earth dam costing £2m. in the Guma valley of Sierra Leone has been placed with Taylor Woodrow Limited by the Crown Agents for Oversea Governments. The 900 ft.-long dam will augment the water supply of Freetown, capital of Sierra Leone. This West African territory attains independence next month. Of the money needed, £1m. will be provided by the Colonial Development Corporation. There is a possibility that at some time in the future the dam will supply water for a hydro-electric station.

Australia

Rural Industry: Rural industry in Australia continues to develop, and the aggregate volume of production last financial year was officially estimated at about 45 per cent above pre-war levels, and this year should be higher by 52 per cent, according to the National Bank of Australia Ltd. In a recent summary of Australian business conditions, the Bank states that the aggregate gross value of rural production, for the current financial year (to June 30) might be close to £1,300,000,000 are only about £15m. less than the actual value for 1959-60. In the current season, the Australian wool return would probably be some £65 m. to £70m. below the £400m. recorded last season, but every indication was that the volume of agricultural production would be at a particularly high level. Gross value might rise by as much as £75m. The bank points out that on a gross production value basis, the greater agricultural production should largely upset the decline in wool.

Production of Fertilizers: Production of fertilizers in Australia is now worth £25m. a year, with Australian farmers spending about £20m. a year on superphosphate alone. A recent survey of the industry by the Australian Department of Trade shows that production and use of superphosphate have nearly doubled in the last fifteen years. This usage has been reflected in considerable crop yield increases and in pasture improvement over the period. It is estimated that only about 1 acre in every six suitable for treatment with fertilizers has been fertilized so far. Capacity to pro-

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duce superphosphate is now estimated to be 2,650,000 tons a year.

France

Record River Traffic in 1960: In 1960 river traffic totalled a figure which had never before been attained. The record of 1957, the best year since the war, was beaten with tonnage increasing from 65,684,000 tons in 1957 to 68,125,867 tons in 1960. Compared with 1959, the comparison is as follows: Tonnage loaded: 68,125,867 tons in 1960 compared with 63,338,102 tons in 1959, which was an increase of 9.2%. Kilometric tonnage: the increase is still greater since it increased by 14.9%, or 10,706,400,053 kilometric tons in 1960 compared with 9,316,972,513 kilometric tons in 1959. Except for ore and building material, which remained stationary, every group showed both an increase in tons transported and an increase in kilometric tons compared with 1959, which reached respectively 11.5% and 10.6% for industrial products; 17.5% and 20.7% for hydrocarbons; 20.5% and 33.4% for metallurgical products; and 39.5% and 36% for raw materials used by the metallurgical industry.

U.S.S.R.

Rise in Foreign Trade: The Soviet Union Foreign Trade increased by 27 per cent in the first two years of 7-year plan (1959-1960) the newspaper Soviet Trade reported recently. It points out that Soviet foreign trade will further increase in the near future, as indicated by agreements concluded with many States at the end of last year and the beginning of the current year. The paper points out that though the final figures about Soviet foreign trade in 1960 are not yet available it is already clear that our economic relations with many capitalist countries have been developing in the right direction.

*

Programme of Railways and Highways: This year the Soviet builders will lay thousands of kilometres of railways and highways, commission new sections of the underground in Moscow and Leningrad, and build many other installations. It is reported that the total length of Soviet railways is to increase by over 1,200 kilometres in 1961, and that of hard surface highways by over 1,000 kilometres. Large-scale work is to be carried out this year to increase the through-put capacity and to electrify the railways already in operation. Electric traction is to be introduced on more than 1,000 km. of railroads in 1961. In the course of the 7-year plan period, ending 1965, a total of over 17,000 km. of railway lines are to be electrified.

Sweden

Industrial Production: According to the index of the Federation of Swedish industries, the output of the whole industry amounted in October 1960 to 288 units and in October 1959 to 280 units. The seasonal adjustments having been made in the index series, the figure for October is shown to be 272, and that for the preceding month 271. This means that the output was 3 per cent higher than in October 1959. The increase took place at a lower rate both in September and in October, than earlier this year, which is partly due to the fact that the production figure had increased considerably in the autumn of 1959. The output of the capital goods

industry showed in October an increase of 7 per cent whereas that of the consumption goods industry decreased by a couple of per cent. This decrease took place mainly in the food industry, the output of which had sunk by more than 10 per cent. The output of leather and shoe industry decreased in October too viz. by 13 per cent. Iron ore mining showed an increase of 12 per cent. The output of the iron and metal works rose 11 per cent, that of the wood-working industry 7 per cent and that of the wood pulp and paper industry is calculated to have risen nearly 10 per cent. The number of persons employed in the engineering industry increased by 4 per cent.

Holland

Cattle Population: According to data furnished by the Netherlands Central Bureau of Statistics, in December 1960, the Dutch cattle population totalled 3.2 million compared to 3.1 million in December 1959. The number of young cattle increased by 22,000 to 1.4 millions and that of milch cows by nearly 45,000 to 1.59 millions. The number of pigs and fattened pigs increased by 62,000 but was offset by a 60,000 drop in the number of breeding sows; this resulted in a drop by about 4,000 in the number of pigs, which was 2.93 millions by the end of 1960. The number of farm horses fell by 13,500 to 1,77,000, that of sheep by 31,000 to 163,000.

Germany

Foreign Trade: More than 20 per cent of the German foreign trade in 1960 went via Hamburg harbour. 2,400 million US dollars worth of goods or 19.4 per cent of West Germany's total exports were exported via Germany's biggest harbour last year, compared to 2,050 US million dollar in 1959.

OEEC

European Chemical Industry Makes Further Progress: The chemical industry in Western Europe is increasing its share of the product of the manufacturing industries which now exceeds 10 per cent. With a turnover in the chemical industry in 1959 of \$16,900 million, the increase over 1958 was 11.5 per cent, the highest since 1954. Investments during 1959 remained at about the same level as 1958 between \$1,200 million and \$1,300 million. The expansion of trade in chemicals which had slowed somewhat during 1958 compared with earlier years, gathered momentum in 1959. Thus total exports by OEEC countries increased 15 per cent to about \$3,750 million and imports 16 per cent to about \$2,500 million. Prices of chemicals in 1959 tended to fall.

*

Production and Consumption of Pulp, Paper and Paper Board: Remarkable increases in production and consumption of pulp, paper and paper board were recorded in the first six months of 1960 by the OEEC countries and Finland combined. This is the conclusion of the study of the European pulp and paper market trend recently carried out by the Pulp and Paper Committee. The committee found that expansion in this sector, which had already been substantial in 1959, continued even more rapidly in the first six months of 1960, and that new records had been established in Europe.

ASP/LIC-SP-11

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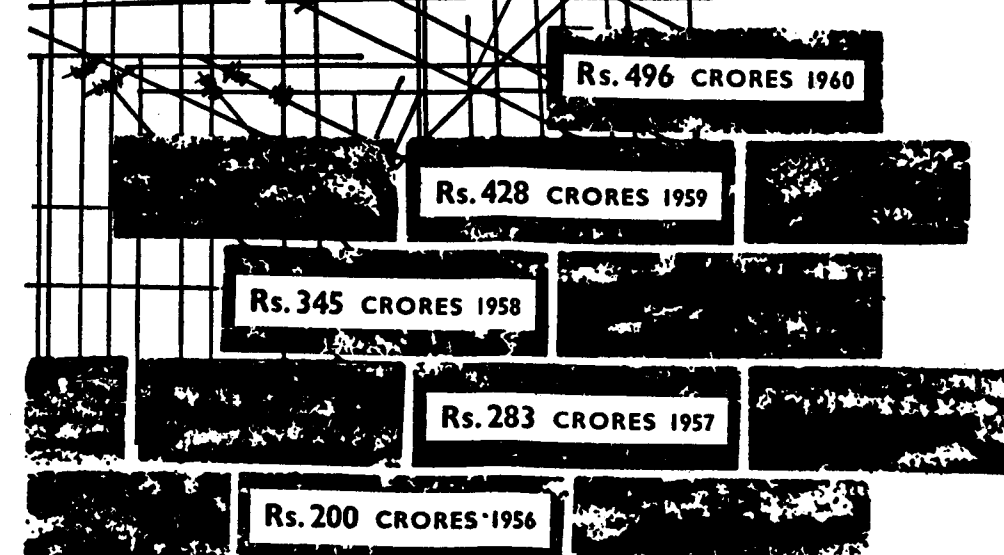
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NEWS IN BRIEF

INDIAN

A scheme for insuring bank deposits will be instituted in India. This was agreed at a meeting between leading bankers, the Finance Minister, and the Governor and officials of the Reserve Bank. The scheme is intended to strengthen confidence in the banking structure shaken somewhat by recent bank failures.

The Employees State Insurance Corporation, at its meeting in New Delhi recently appointed a sub-committee to consider various proposals to amend the Employees' State Insurance Act and submit its recommendations within 6 months.

Seven new schemes for power development in Uttar Pradesh are likely to be included in the Third Plan. Of these, three relate to installation of Singrauli Thermal Power Station and Ohera Hydel Station and extension of the Harduaganj Power Station in the State. The total installed capacity of these projects will be 328,000 Kw.

The total electricity produced by the public utility power stations in India in November, 1960, was 1,367.5 million Kwh. of which 1,140.5 million Kwh. were sold to ultimate consumers.

The Government of India have provided Rs. 5 crores in the Second Five-Year Plan for horticultural development, and a sum of Rs. 12 crores in the Third Plan.

The Union Labour Minister, Mr. G. L. Nanda, revealed recently that it was proposed to introduce legislation soon to give effect to the recommendations of wage boards. A draft bill had already been prepared and the Commerce and Industry Ministry was being consulted.

The question of speeding up the progress of the scheme for giving workers a voice in the management of public sector undertakings through Joint Management Councils was discussed at a high level inter-ministerial meeting on February 22, 1961. Details of the scheme, on the basis of the conclusions reached at the meeting, are being worked out.

In order to curb speculation in land, the measures already recommended to State Governments inter alia were taxation of vacant plots; and transfer of land acquired for public housing schemes, to beneficiaries, on lease-hold rather than free-hold basis, so that a portion at least of the unearned increment in terms of the lease reverted to the community.

The Punjab Government has issued an order regulating the sale of cottonseed in the State. The order says that no person shall sell or offer or store for sale cottonseed except under a license to be issued by the District Magistrate or any officer authorized by him in that behalf.

The West Bengal Government has asked the Union Government to appoint a wage board for the iron and steel industry on the pattern of similar boards set up for the sugar, textile and other industries.

The last date for submitting applications for regulation of unauthorized powerlooms has been extended upto May 15, 1961, in order to enable the owners of unauthorised powerlooms to submit their applications along with the necessary certificates or licenses from the excise authorities.

FOREIGN

After adjusting for normal seasonal corrections, the UK trade gap fell to £65 million last month from its level of £68 million in January. Both imports and exports were below the January figures but imports fell considerably more than exports.

The Soviet Union holds the leading place in Europe with regard to the scale of application of mechanized welding techniques and the output of welded constructions, Boris Paton, Director of the Electric Welding Research Institute in Kiev, told a Scientific Technical Conference on Welding in Central Asia recently.

US Government officials are considering a plan to ship older US manufacturing plants to foreign countries with the double purpose of modernising US industry and aiding less industrialized nations.

The Bundesbank return, published recently, shows that during revaluation week, West Germany added about £43 million to its stock of gold and foreign exchange.

The increase in world meat production, which amounted to 4 per cent in 1959 was probably maintained in 1960. Meat exports in 1960, however, appear to have shown little change, whereas in the previous year increased international trade accompanied the rise in output.

It has been announced by the Board of Trade that the 1961 census of production in UK to take place next year, will be on similar lines to that now being taken for 1960, and will include concerns engaged in mining and quarrying, manufacturing, construction and water supply.

Plans for £A1 million razor blade factory in Melbourne were announced by the Managing Director of Gillette (Australia) Pty. The new factory will make use of imported Sheffield strip steel.

The Foreign Agricultural Service of the US Department of Agriculture announced a revised estimate of world cotton production for 1960-61 placing this at 46.8 million bales.

British Guiana will benefit by £1,269,532 from four UK Government grants made under the Colonial Development and Welfare Act in January.

Negotiations on the agreements between Switzerland and Italy relating to social insurance—particularly for Italian migrant workers are to begin in Berne later this month.

According to the Japanese Motor Industry, overall production for fiscal year 1960-61, will be about 441,000 units (excluding three-wheeled vehicles and light four-wheeled vehicles. This represents an increase of about 50 per cent over production in the previous year.

It is reported cotton will be one of the principal crops cultivated by large-scale co-operative farms which will shortly be started in Ghana.

A 9 per cent rise in private capital investment is forecast for this year in a survey published by the Swedish Board of Trade. Last year's increase is estimated to have been nearly 11 per cent.

Special Article**THE PUBLIC SECTOR IN THE ECAFE COUNTRIES**

THE latest annual of the Economic Commission for Asia and the Far East has focussed attention on the steady growth of the public sector in the South-East Asian countries during the last decade. The pattern of change which has occurred due to the zeal of the Governments of these countries to accelerate the pace of economic development has resulted in enhancing the share of the public sector in most of these countries, though at varying rates. The Secretariat of the Commission has done a splendid job in analysing the available statistics so as to measure the changing trends, though it has not been possible to make inter-country comparisons of a very high validity due to the absence of uniformity either in the definitions or in the methods of computation of the national accounts and due to varying degree of reliability of the basic data from which these accounts are prepared.

There are a number of ways of computing the relative shares of the two sectors in the economy of a particularly country, but for any analysis which attempts to measure the growth of the two sectors over the whole region, it is necessary to evolve a common method which will yield meaningful results in the case of most of the countries. The national income approach

failed to yield any results as most of the countries did not possess up-to-date statistical information. Similar was the case with the national wealth approach. The Commission evolved a more workable technique of computing the gross national expenditure for each country — an indicator for which necessary statistical details were available from most of the countries.

The findings of the Commission are summarised in the table below. It will be seen that almost all the countries of the region have shown a rise in the share of the public sector in percentage terms. Highest in the list stands China (mainland), wherein the net claim of the public sector has, within the span of eight years, risen from 16.2 per cent in 1950 to 32.7 per cent in 1958. Lowest in the ladder is the Philippines, in which case the percentage of public sector share has risen marginally from 10.0 per cent to 10.5 per cent. The other fast movers are Burma and South Korea. The pace of the growth of the public sector in the case of other countries, such as Ceylon, India, Indonesia, Japan, Pakistan and Thailand has been not very fast. In the case of the Indian Union, the public sector is supposed to have swelled from 8.3 per cent in 1950 to 14.0 per cent in 1958. This approach, however, tends to distort the Indian case as the national income approach puts the

SHARE OF PUBLIC SECTOR IN GROSS NATIONAL EXPENDITURE

(Percentage of gross national expenditure)

Country and year	Total Government expenditure	Current and capital transfer payments to private sector	Net claim of the public sector
Burma			
1951 ..	14.4	2.1	13.4*
1958 ..	27.9	1.6	26.7*
Ceylon			
1950 ..	19.4	3.3	16.1
1958 ..	25.6	6.1	19.5
China : Mainland			
1950 ..	16.0	—	16.2
1958 ..	32.7	—	32.7
China: Taiwan			
1951 ..	25.4	0.4	25.0
1958 ..	33.1	2.5	30.6
India			
1950 ..	9.3	1.0	8.3
1958 ..	16.5	2.5	14.0
Indonesia			
1951 ..	16.2	—	16.2
1958 ..	19.7	—	19.7
Japan			
1950 ..	23.8	7.9	15.8
1958 ..	26.3	6.9	19.3
Korea : Southern			
1953 ..	13.2	2.8	10.4
1958 ..	24.3	6.1	18.2
Pakistan			
1950 ..	9.7	0.4	9.3
1958 ..	15.3	1.5	13.8
Philippines			
1950 ..	11.2	1.1	10.0
1958 ..	11.4	0.9	10.5
Thailand			
1950 ..	10.8	—	10.8
1958 ..	14.2	2.1	12.1

* Including inventory changes; + 1.2 per cent of gross national expenditure in 1951 and + 0.4 per cent in 1958.

share of the public sector at less than 11 per cent of the total.

It seems that the percentage approach in comparing the two sectors gives an erroneous impression. The steady rise of the public sector, according to the figures compiled by the ECAFE, tends to indicate as if the private sector has been kept low during the fifties. This is far from the truth. With the exception of China (mainland), the size of the private sector has been increasing in almost all the countries in absolute terms, though not in percentage terms. This fact may be illustrated with special reference to the Indian Union. While the total volume of the gross national expenditure has been rising at the rate of 4 to 5 per cent per annum, the increase that has been registered in the case of the public sector does not tend to reduce the size of the private sector. In fact, the private sector has also continued to grow. It will, therefore, be very unfortunate if the readers of the "Economic Survey" are carried away by these percentages to assume that the private sector in these countries does not offer ample opportunities. In fact, the conclusion to be derived from this analysis is that despite the efforts of the Governments in this region to play a leading role in the process of economic growth, more than 80 per cent of national resources have been left in the hands of the private sector, both for consumption and investment.

In fact, there are certain basic difficulties which hamper the growth of the public sector in these countries. One such factor, namely, the low profitability of the public sector undertakings was discussed last week in a special article in "The Eastern Economist". Low yield on investment is in itself a major factor in limiting the growth of the Government sector. How can steady growth in these undertakings be maintained without schemes of expansion through the "ploughed-in" profits?

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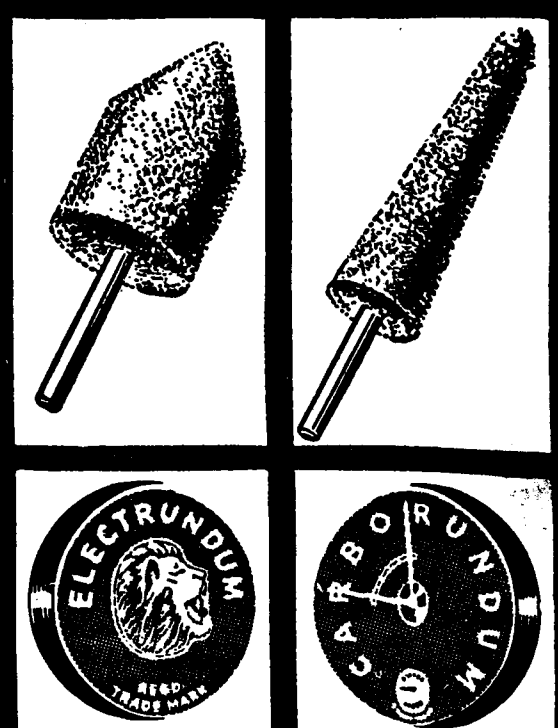
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THE BUSINESS WORLD

Germany Rocks the Currency Boat

By PAUL BAREAU

THERE is much more than a marginal 5 per cent significance in Germany's and the Netherlands' upvaluation of their currencies by that very modest figure. As far as Germany, the Prime mover, is concerned the upvaluation of the mark is by no means a bad thing in itself. It has for many years been impressed on Germany that her currency was undervalued. This is one of the reasons why Germany held its chronic creditor position for so long and has tended to be a persistent absorber of world liquidity.

To correct this situation Germany had two alternatives. The first was to allow inflationary developments within its own territory and to correct the external undervaluation of its currency by conducting to some degree of domestic devaluation. The second alternative was to take the domestic value as given and to adjust the exchange rates to it by upvaluing the currency.

There was always a third possibility of correcting this disparity and one which the German authorities had been fond of suggesting whenever they were exhorted by other countries to take steps to cure their imbalance. This was that all other countries should get into step with Germany, either by deflating or by devaluing their currencies. There was never much hope of this possible cure for the disease being applied. The corrective action had to be taken by Germany herself.

It is not surprising that Germany should have resisted conscious domestic inflation. A country which has seen its currency annihilated by inflation twice in the course of one generation, is not predisposed to run the risk a third time. There had, however, been some preliminary signs of inflationary symptoms in Germany. Within the last few weeks the state of overfull employment had led to a widespread and considerable increase in wages. This emergence of inflationary symptoms no doubt hurried the decision of the German authorities to take some action on the external front. By upvaluing the mark they will lower the prices of imported goods and help to stem any further inflationary developments.

So far all that has been done seems reasonable enough. There can, in fact, be very little questioning of the move by which Germany proposes to correct a state of imbalance which has done a certain amount of damage to other countries of the free world.

There must, however, be serious question of the manner in which this initiative was taken. It was done without any discussion with other interested countries. All countries are perforce interested in a move of this kind because an exchange rate is by definition a measurement of one currency in terms of others. Admittedly such matters cannot be discussed in public. To do so would be to let loose a wave of speculation. But as between central banks and monetary authorities there can be discreet exchange of information and effective collaboration. Concerted action can be organized in private and without any leakages.

The move of twelve European currencies into convertibility in December 1958 and the concurrent devaluation of the French franc was a good example of such co-operation and discretion. Another was the more recent move by ten countries into full convertibility under the Articles of Agreement of the International Monetary Fund. On the occasion of the Mark upvaluation there was no such collaboration. On the contrary the President of the German Bundesbank was assuring his central banking colleagues less than a fortnight before these events occurred that any upvaluation of the Mark would only be effected over his dead body. He is still alive and kicking.

The result of the upvaluation of the Mark was to create complete uncertainty about the whole pattern of exchange rates. The Dutch guilder followed the mark almost immediately but the Dutch authorities were clearly caught by surprise and their own upvaluation had a decidedly improvised look. When the markets opened after the week-end during which these moves were made, the question on every dealer's lips was, "which other currencies would follow?" There was in consequence a massive flight of capital into Swiss francs, Italian lire and French francs.

These speculative operations were supplemented later by bear attacks on sterling caused by rumours of a possible devaluation. Although these were officially denied in the House of Commons the fate of the denials of a German upvaluation was still fresh in the minds of the foreign exchange market, and therefore the Chancellor of the Exchequer's statement did not prevent what the market has defined as the biggest speculative flurry since the 1920s.

In the defence of sterling the Bank of England, acting for the Exchange Equalisation Account, had to sustain considerable losses of gold and dollars. The British authorities, however, acted with coolness and courage. Having taken all the sterling that the speculators flung at them, the Bank of England then counter-attacked and by sales of dollars moved the rate back from \$2.79½ to which it had fallen to close on \$2.80. The speculators have been beaten and many of them must be nursing considerable and painful losses.

This episode, however, underlines the need for more effective collaboration between the monetary authorities of the free world. It also stresses the danger of using minor changes in exchange parities as an instrument of general economic policy. There is an inherent virtue in exchange stability which should not be sacrificed for such modest adjustments as have just been perpetrated by the German and Dutch monetary authorities.

There has been much talk lately of the need to reinforce the institutions responsible for conduct of monetary affairs and, in particular, to make the Inter-

national Monetary Fund more flexible and more conducive to the objectives of economic expansion in the free world. However much the Fund may be strengthened and made more flexible, however good may be the new techniques with which it is endowed, the work for which it stands cannot be performed effectively with-

Perspective on Powerlooms

By
CROESUS

"MAN is born free, but is found in chains everywhere," said the famous political philosopher Rousseau during those momentous days of the French Revolution. Several decades have passed since the French Revolution, and yet this trite saying seems to hold good. Not even the achievement of Independence, in so far as India is concerned, has appreciably affected its relevance to the prevailing conditions. Nowhere does this saying apply so aptly as in the case of the organised sector of the Indian Textile Industry. The Indian cotton mill industry is asked to produce a given quantity of the country's total requirements of cloth, and, despite all sorts of handicaps, it does so, but there is no patting it on the back for the achievement, not even for exceeding its target. On the contrary, it has to take all the blame for a situation which is the result of the other sectors, especially the handloom sector, and now also the 'Ambar Charkha' sector, not fulfilling their respective targets. By their failure, the latter account for the total supplies of cloth falling below the total demand as computed by the authorities responsible for making the allotments of production quotas to the different sectors of the Indian textile industry. When supplies fall short of demand, the normal and inexorable laws of supply and demand come into operation and prices rise, tending to accentuate or exaggerate scarcity conditions and leading to a hue and cry all over the country. This has gone on for long and, every time, the organised sector of the industry has been blamed for it. Maybe a unit here and a unit there of even this sector has not played the game, succumbing to the temptation of the way of all flesh. But is the solution to these repeated cloth crises always to be the same palliative and negative approach? Are regulatory measures, whether to discourage cloth consumption (rationing) or to prevent a rise in prices (price control) the only answers? Can we not at least begin to think in terms of a reorientation of this negative and inhibitory approach in favour of a more positive and purposeful attitude? These are the questions that the Indian Cotton Mills' Federation set out to answer in a memorandum entitled 'Third Plan Targets for Handlooms, Powerlooms and Mills' issued by it last month. At a press conference, convened to release that publication, Mr. Krishnaraj M. D. Thackersay, Chairman of the Federation, would not make a categorical statement of the stand of the mill interests on whether they were opposed to the powerloom sector, but he left no room for any doubt that the millowners were determined to end a state of affairs in the industry arising from a measure of lawlessness prevailing in the powerloom sector. This was also the main theme of the valedictory presidential address of Mr. Ramnath Podar at the last annual meeting of the Millowners' Association. Mr. Podar also referred to the future burdens on the cotton mill industry imposed in the latest budget and the complications the new levies would lead to. Evidently he felt there was no prospect of the Finance Minister reducing the duties, so that he was content to express the hope that the duties would be levied in such a manner as not to hamper the smooth working of the industry.

It is perhaps necessary to mention here that the organised industry is not out to oppose the decentralised sector as such, certainly not that part of the

out a real spirit of understanding and co-operation between the monetary authorities of its member countries. The action taken by Germany, however justified it may have been, has done considerable damage to that climate of collaboration which had been gradually created over the years of post-war monetary reconstruction.

powerlooms sector which is properly registered and openly functioning, but it finds it cannot but oppose the thousands of unauthorised power looms. In opposing the latter and asking the powers-that-be to put an end to this state of affairs, the millowners may not be wholly altruistic; the hearts of not all of them may be said to go all out to the poor handloom weavers. But, then, the facts pointed out by them need not on that score be twisted to twist them. There is imperative need, in my opinion, to take note of such facts, as, for example the avoidable loss to the National Exchequer. Surely a loss in revenue of Rs. 20 crores every year caused by the small powerloom sector is not negligible, particularly at the present juncture when the country needs every 'naya paisa' to meet its urgent and large development programmes. Then, again, there is a moral angle to this question. Is it right that the authorities—and, for that matter, the country at large—should be privy to a state of affairs in which a weak sector, for which they have deliberately earmarked a place and allowed all facilities, finds itself unable to rise to the occasion and another sector—albeit decentralised—manages surreptitiously to appropriate the bulk of these advantages and, at the same time, fails in its legitimate duty of paying to the Exchequer what it is required to pay, by way of duty or taxes, under the law? Only when looked at from these angles, I believe, can one get the proper perspective on these powerlooms.

There are certain 'faits accomplis' which must be recognised by all, by the millowners as much as by others. In the first place, the present Government is irrevocably committed to protecting the handloom industry, partly because of ideological considerations and partly because of a probably persisting belief that the new progeny of the old handloom weaving community is still content to step into the shoe of paternal profession, but primarily because of the hope that it would provide employment. That there is considerable confusion of thinking in these, even in the highest circles, is obvious from the fact that there are two schools among them, one unflinchingly favouring the continuance of the handloom industry as it was of old — ante-diluvian — and another fervently feeling that, to survive, the handloom must needs evolve into the powerloom. The Kanungo Committee has been severely criticised for this "heresy." But so long as this controversy lasts, the country must continue to experience the costly luxury of the worst features of both. The advent of 'Ambar Charkha' and 'Ambar cloth' both has only come in as an unstable prop to an already outmoded industry. Secondly, powerlooms have become a fairly well-entrenched "vested interest." They have successfully defied being fathomed by the Fact-Finding Committee in 1942 and, thereafter, by the Kanungo Committee in 1954. Even the serious limitations of the powerloom industry from humanitarian and socio-economic angles, to which the Karve Committee drew attention not long ago, have not succeeded in dethroning them from the high pedestal they have managed to usurp. Instead, the present cry of decentralisation of industry has endowed them with a fashionable respectability which is a sure guarantee of political support, at least for continuance, if not for further expansion. It is a futile pastime, therefore, to think in terms of doing away with the powerlooms, whether authorised or unauthorised. It is a moot point whether, even after

the present really earnest campaign of licensing and regularising all unauthorised looms, there will not be left quite a few thousands of unauthorised powerlooms. As a wag facetiously put it, with the present policy, they will co-exist even as illicit distillation has been co-existing with prohibition.

What, then, is the remedy not only from the point of view of the millowners, but from a broader national angle? In my opinion, the only remedy is to become pragmatic by first deciding as to what we require and how we should go about to get it. If we require more cloth, as the Third Plan has postulated, we must decide as to how we should ensure it. True the overall target and even the targets for the respective sectors of the textile industry have already been fixed. But in the context of performance so far, and as the situation prevails today, we must ask the question: "Are these different targets possible of fulfilment by the respective sectors?" According to figures included in the Federation's Memorandum verified from official sources, it is clear that the handlooms cannot deliver the goods, while the powerlooms have demonstrated their ability to do so—if left unchecked—and the mills have actually exceeded their targets. On this basis, it would seem prudent to reallocate the share of each sector, but a prerequisite to that is to stabilise the respective numbers of handlooms, powerlooms, and mill-looms as they stand today, for purposes of determining, their respective quotas. Once these quotas are fixed, it must

be made obligatory for the sector concerned to account for its quota or to be prepared for a revision, either way, depending on whether it has attained or exceeded its quota or not. It would be a good idea even to reward a sector if it should exceed its quota.

I would append to any such arrangement yet another feature. It is that, if any sector fulfils the target assigned to it, it must not be subjected to all manner of unwarranted controls as to the lines it should produce, the prices it has to charge and so on; on the other hand, so long as the quality and price are acknowledged to be reasonable—and the Government has now any number of agencies to determine this—and no case can be made against it of exploitation, it should be allowed to operate freely within manoeuvrable limits. This is precisely what the organised sector of the Indian cotton textile industry has been urging. "The mill industry would like to be assured," says the ICMF Chairman, in his foreword to the publication issued in February, "that, so long as its production is in line with its targets, it will be allowed to work in peace and not subjected to irksome controls." In another foreword to the latest publication of the Federation—"Facts Relating to Cloth Prices"—Mr. Krishnaraj has said: "The most vital need is to achieve higher production, when alone prices can be kept at reasonable levels. This would call for a judicious allocation of production targets, among the three sectors of the industry, namely, the mills, the handlooms and the powerlooms."

Business Notes

Rayon

THE BUDGET AND RAYON YARN PRICES

A NEWSPAPER report, which appears to be entirely without foundation, is to the effect that the authorities would like rayon yarn manufacturers to take a substantial burden of the new excise taxes levied on rayon yarn. There has been some misunderstanding, both in official circles and elsewhere, of the manner in which the rayon industry is currently constituted and the consequent implication of price rise. The industry composes of very few large spinning units with a multitude of weaving units. If the major incidence of new taxes fell on the large spinning units, corporate profits in these units would fall very substantially and the Government revenue would be greatly affected. If the whole of the additional duties were so absorbed, the loss is computed at 60 per cent of the estimated receipts from the new rayon excises. On the other hand, rayon cloth prices have already been raised and there is no likelihood of a fall under operation of the laws of supply and demand. The net effect would be, if prices of yarn were not to rise, that middle units, which are weaving units and which do not contribute significantly to Government revenue would be greatly and improperly benefited, with Government and spinning units injured. It is thus both in the interest of Government that the normal operation of the market should decide where incidence should lie. This implies that at any rate for some time until market forces settle down, there should be no attempt at directing the level of either yarn or cloth prices. This is incidentally likely to be as much in the national interest as it is in the interest of the units concerned. An unstable position with partial control will merely involve a subsidy to weaving units at the expense of production as well as Central revenues.

Banking

STEADY PROGRESS OF NATIONAL AND GRINDLAYS BANK

FROM THE statement of the Chairman, Mr J. K. Michie of the National and Grindlays Bank Limited, it is

apparent that the Bank had a mutually agreeable arrangement with the Lloyds Bank Limited in 1960. This has added 19 branches to its list, which means an increase of £50 millions in the total of the next balance sheet. The total of the bank's consolidated balance sheet at 31st December, 1961, was £181,551,921—an increase of £18,516,333 over the previous year. The net profit was higher by £74,568 and stood at £479,276 reflecting thereby the overall favourable banking conditions in 1960 in the territories where the bank operates. On account of this encouraging outlook, the bank has increased second interim dividend for 1960 from 6½ per cent to 7 per cent taking the total distribution for 1960 to 13½ per cent. This rate of dividend is not only expected to be consolidated, but rather a rate of 14% is forecast on the increased capital for the current year. The increase in the number of branches and sub-branches from 94 to the present total of 141, and the appreciation, in dividend goes to show that the Board of Management does not hold a pessimistic view of the future. Dealing with conditions in various territories where the bank operates, Mr Michie pointed out that in India, it is all well so far as the step taken by the Reserve Bank to strengthen confidence in the banking structure is concerned, but if the Third Five-Year Plan is to be a success, India's hidden cash balances will have to be drawn into the banking system. In other words, it implies that efforts will have to be intensified to attract deposits. The theme no doubt has been oft repeated, but certainly it underlines the importance of devising measures. It is yet to be seen if the recent rise in interest rates will stimulate the flow of funds to the banks.

Tea

UPASI ON THE BUDGET PROPOSALS

THE EASTERN ECONOMIST analysed the implications of the budget proposals in regard to tea, in a Week's Note in the issue dated March 10, 1961, UPASI has now come out with a detailed analysis of these proposals in an effort to drive home the fact that tea industry would

not get substantial concession of 17 per cent on export duty as announced by the Finance Minister but only 4 per cent. Their thesis is based on the fact that there is no drawback of excise duty on exports and that all loose teas, whether exported or sold internally have to pay excise duty. The result is that teas that are exported will get a reduction of 9 nP. by way of export duty, but they will have to pay also an additional excise duty of between 5.5 nP. and 7.0 nP., according to the Zone in which they are produced. In the case of teas produced in Zone III-A i.e. high grown Nilgeris teas, the benefit only comes to 2 nP. per kilogram, as the reduction of 9 nP. in export duty is offset by the increase of 7 nP. in excise duty. In the same way the relief in the case of teas in Zone I and Zone II comes to only 5.7 per cent and 6.6 per cent.

The position in regard to 'package teas' is no way better. In the first instance, it may be noted that the Finance Minister has announced a reduction of 6 nP. per kilogram in the excise duty on such teas, bringing thereby the duty to 40 nP. But package tea released from estates also paid the appropriate duty for loose tea on the zonal basis, which meant that the duty paid by package tea in Zone I was 50.5 nP., in Zone II, 55 nP. and Zone III-A of 64 nP. The corresponding figures now are 50 nP., 55 nP. and 65 nP. respectively. Thus, it is obvious that there is no relief in Zone II, only a slight relief of 0.5 nP. in Zone I and actually an increase of 1 nP. in Zone III-A. This leaves no doubt that the relief is illusory.

Finance

STRINGENT MONEY HAS COME TO STAY!

MANY EXPLANATIONS have been given for the stringent money conditions that we have been witnessing for some months past. These conditions have belied all the erstwhile theories of the conventional slack and busy seasons, so much so that one tends to speak these days of only a busy season and a busier season, as they talk of only a hot season and a hotter season in the South. In view of this, the observation of Mr. H. V. R. Iengar, Governor of the Reserve Bank of India, when he addressed the last annual general meeting of the Refinance Corporation was taken particular note of, although there was nothing particularly new in what he said. "The stagnation in deposits, together with a heavy demand from a rapidly developing industrial sector", he said, "has resulted in severe monetary stringency". As everyone knows, bank deposits have not shown any substantial increase, especially since September last, with the result that the ratio of advances to deposit has gone up steadily. The rise in ratio in the case of certain commercial banks has been well over 80 per cent! Notwithstanding this, the demand for bank credit, whether for medium or long-term finance to industries, does not appear to have been fully met. Meanwhile, the demand too has been steadily rising.

The present demand for bank credit, according to Mr. Iengar, is higher by 20 per cent over last year and by 66 per cent over the 1955-56 level. Considering the snail's pace in the growth of the banks' deposits, on the one hand, and the increasing demand for bank credit, on the other, it would be a hard task for the banks, as he rightly pointed out, to finance, even out of their own resources, fixed assets formation in the industrial sector any longer. What is more significant is Mr. Iengar's considered view that the present monetary stringency in the economy would continue to remain for quite a few years, although its severity might vary from time to time. In saying this, the Reserve Bank Governor was only sounding a note

of warning that if necessary steps are not taken to augment the inflow of deposits, it would be difficult for the banks to meet even the legitimate demands of short-term working capital.

Although those in charge of the working of the Refinance Corporation cannot be blamed for bringing about these conditions, the emergence of these conditions has certainly brightened the scope for the activities of that body. The role of the Refinance Corporation, particularly in supplying the necessary funds for the banking system, assumes all the more importance in this context. One already notices visible signs of this in the latest annual report of the Refinance Corporation. Thus, during the year 1960, the Corporation received a greater number of applications and also disbursed a much larger amount, namely Rs. 1.41 crores than in the previous two years (Rs. 85 lakhs). The pace has gathered momentum, more significantly during the last four months, when 25 applications for a total amount of Rs. 4.58 crores were received, while disbursements during the months of January and February 1961 alone aggregated Rs. 88.45 lakhs. That the Corporation is really proving to be quite useful to the banks is further evidenced by the fact that the membership of the Refinance Corporation has since been thrown open to as many as 43 banks, 14 State financial corporations and three State co-operative banks. Hitherto, its service could be availed of only by its shareholder institutions. The question naturally arises, therefore, that, when so many institutions begin to draw on the services and funds of the Corporation, as they are bound to do in the coming months, will the corporation be able to rise to the occasion?

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TAX CONCESSIONS

Replying to the Budget debate in the Lok Sabha, the Union Finance Minister, Mr. Morarji Desai, announced three important modifications of his taxation proposals. The effective incidence of the increase in excise duty on kerosene, he said, was proposed to be reduced by 50 per cent. Steps were also being taken, he added, to see that all kerosene which falls in the category of inferior quality is quickly released from bond so that it could be made available in different parts of the country in adequate quantities. Steps were also being taken, Mr. Desai said, to increase the import of inferior kerosene to supplement indigenous supplies. Import of inferior kerosene in place of superior varieties would reduce the expenditure in foreign exchange.

The second important concession in taxation proposals announced by Mr. Desai refers to the compounded levy on units of three or four powerlooms which in the next financial year would be paying an excise duty on cotton cloth. The Finance Minister announced a reduction of 50 per cent in the incidence of this duty also. To avoid sharp increase in the burden of duty at the stage of transition, the Finance Minister disclosed that steps were being taken to introduce the tax on slab basis for small units of powerlooms.

The third concession announced by the Finance Minister is the exemption from the new levy of the yarn of count 1 to 10. This exemption is meant to facilitate production of coarse cloth and cotton carpets woven on handlooms. Mr. Desai said it would not be possible to extend similar treatment to wool purchased by manufacturers for making carpets on handlooms since a very large part of such carpets was exported. Steps, he said, however, would be taken to see that full drawback of the duty on wool was given to the exporters of these carpets.

Mr. Morarji Desai also disclosed that the policy of exempting production of units where a small family worked on its own, without any use of power or assistance of hired labour, would be continued. In order to avoid administrative inconvenience to small manufacturers, measures would be devised to recover excise duty from them on the basis of their own accounts open to periodical inspection instead of posting excise officers at their places of manufacture.

The case of producers of inferior coffee, the Finance Minister said, had been re-examined by him. If suitable means could be devised to distinguish such coffee and to avoid tax evasion, partial exemption of such coffee from the present increase in excise duty could be considered. About the increase in import duty on betelnuts, Mr. Morarji Desai stated that the stepping up of this duty was meant to mop up large profits which the trade made today. As such, there was no case for grant of relief in this duty. The Finance Minister held out a threat that if the importers failed to take immediate steps to bring down betelnut prices, the Government would have to consider whether the issue of import licences for betelnuts should be restricted only to those who could take effective steps to keep prices down.

The excise duty on plastics and glass and glassware, Mr. Morarji Desai clarified, would be at one stage only—at the stage of powder, granule or flake in the case of plastics and at the stage of sheets and tubes in the case of glass. The items made out of duty-paid

plastic powder or glass sheets or glass tubes would not be liable to this duty. It was necessary to retain "other categories" in the tax schedule to ensure that imported goods falling in these categories bear the countervailing duty.

The total effect of the concessions announced by the Finance Minister is likely to be a reduction in revenue by about Rs. 4.5 crores. This takes into account the concessions in the countervailing customs duties in the case of kerosene.

SOLVING COAL CRISIS

As a measure to relieve coal shortages in West India, the Union Government, it is learnt, has decided to move one million tons of coal by sea. This will be in addition to the one million tons of coal already being shipped from Calcutta to South India for consumption by railways.

As movement of coal by sea costs about Rs. 35 per ton more than its movement by rail, the Government, it is understood, is considering ways and means of subsidising movement by sea so that coal in the western regions is available at current prices. Some increase in coal prices in West India, however, is not ruled out.

A second measure that is contemplated to relieve coal shortages is development of Central India mines from where movement will not have to be effected through Moghulsarai which is one of the biggest bottlenecks of the Indian railway system.

The Union Ministry of Steel, Mines and Fuel has also decided that henceforward precise schedules of annual production in each mine, both in the private and the public sectors, should be worked out in advance so that production and movement of coal can be matched.

Coal requirements of priority users, namely, railways, steel plants, thermal stations and major industrial units, official circles claim, are now being fully met. There is no coal shortage being experienced in West Bengal, Bihar and Orissa. The situation in the South also is more or less satisfactory. In Madhya Pradesh and "above" Moghulsarai areas of North and West India some difficulties are being experienced due to bottleneck at Moghulsarai. The impact of shortages, however, is mainly restricted on low priority users of coal.

The situation, official circles opine, is likely to ease somewhat by July next when the railways would be able to move daily 21,000 wagons of coal above Moghulsarai as against approximately 19,000 wagons being moved at present. By that time some of the track works on this section now under construction would have been completed.

Availability of wagons in the near future is likely to be increased to some extent as supplies by the indigenous manufactures of the 1,750 new design 8-wheeler bogey wagons, ordered by the railways last year, are being accelerated.

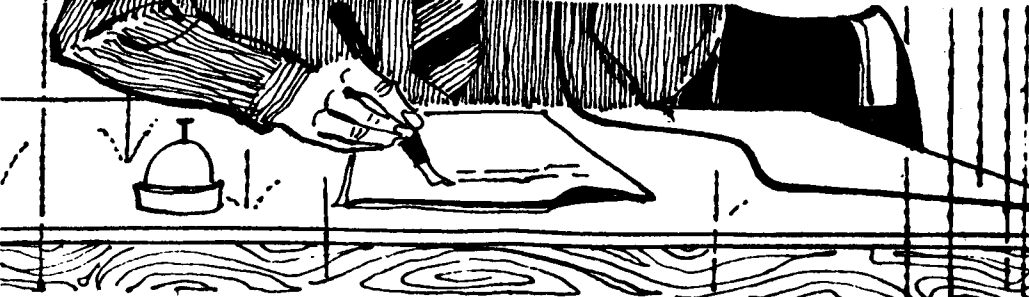
The railways, it is understood, are stepping up their wagon production programme to 2,000 wagons a

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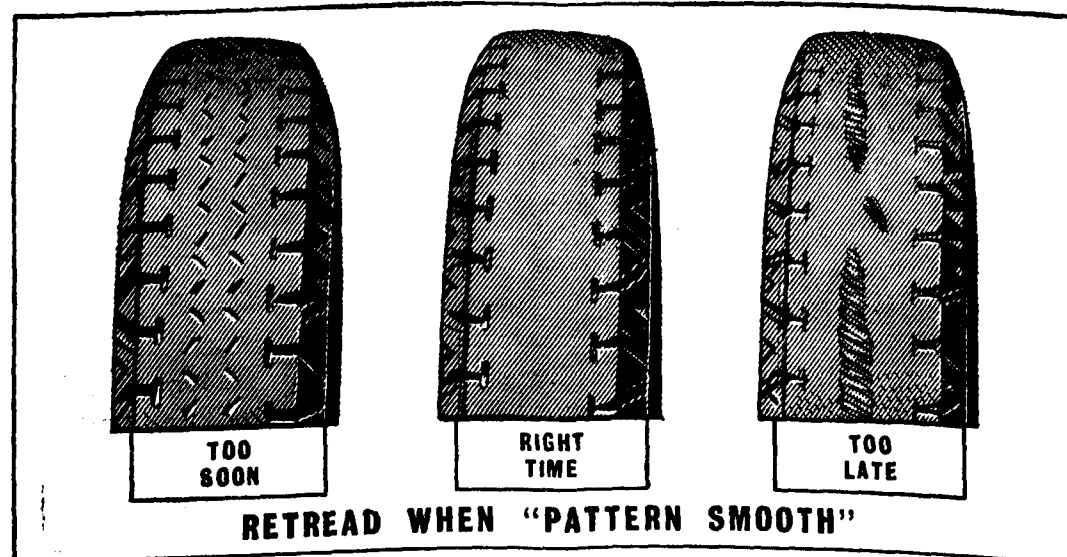
It is not a matter of distribution. Throughout the country, authorized Tyre Dealers have taken the proper action to ensure that tyres are allocated at the published retail prices on a strict priority basis to those whose need is greatest.

Some time will still elapse before new tyre factories start production and before the expansion schemes of the present manufacturers bear fruit.

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month in terms of 4-wheelers. At present the rate of production is stated to be 20,000 units a year. The limiting factor of the production programme is said to be shortage of steel. As soon as steel is made available, either from indigenous sources or from imports, production will be stepped up.

All of the additional wagons to be built in 1961-62 will be open wagons, specially suited for movement of coal. Fifty per cent of them would be built according to new design which will give a capacity more than double that of the existing wagons.

ASSAM OIL PIPELINE

The Union Ministry of Railways, it is learnt, has given permission to Oil India Private Ltd. to take its oil pipeline across the Brahmaputra railway bridge. This decision will entail a saving of nearly Rs. 1 crore in the total cost of laying the pipeline; a substantial portion of the saving will be in foreign exchange. Apart from resulting in saving in cost, the decision of the Railway Ministry will mean much greater security to be obtained, as otherwise the pipeline would have been vulnerable to extreme weather conditions.

The pipeline is being laid for Oil India by the Burmah Oil Company (Pipelines) Private Ltd. on non-profit basis. It will bring crude oil from Nahorkatiya and Moran oilfields to the two public sector refineries being set up at Nunmati and Barauni. The total length of the pipeline will be 720 miles—260 miles from Nahorkatiya to Nunmati and 460 miles from Nunmati to Barauni. It will pass over three States—Assam, West Bengal and Bihar.

This pipeline will be one of the world's largest remotely controlled pipelines working in difficult terrain and with a very highly viscous crude oil. It will have the most modern tele-communication, tele-metering and tele-control equipment.

Oil India Private Ltd. was incorporated as a rupee company on February 18, 1959, with an authorised capital of Rs. 50 crores. Issued capital of the company was Rs. 28.25 crores, of which 66-2/3 per cent was allocated to the Burmah Oil Company and 33-1/3 per cent to the Government of India.

AID-INDIA CLUB

The Aid-India Club, it is learnt, will now be meeting in Washington on or about April 25. The two-week postponement of the meeting, it is understood, has been effected to enable the Kennedy Administration to finalise its assistance programme.

As already reported, in addition to the old members—the U.S.A., U.K., West Germany, Canada and Japan—Netherlands, Italy and Switzerland, who have expressed their willingness to join the Club, will be attending the meeting. France is said to be planning to send an observer.

As compared to the United States or the Communist bloc, the credit offered by the United Kingdom, prima facie, is a small one. Great Britain's major contribution towards India's development, however, continues to be through private sector.

REPAYMENT OF ROURKELA PLANT CREDIT

The West German Government, it is learnt, has agreed to deferment of a portion of the loan, made

available by West Germany for setting up of the Rourkela Steel Plant, falling due for repayment during the years 1960-61 and 1961-62. Out of a sum of DM 147.55 million falling due for repayment in 1960-61, a sum of DM 49.19 million is being repaid on the due dates. The period of repayment of the balance of DM 98.36 million has been extended initially by four years. According to an understanding reached between the West German Government and the Government of India, repayment of one half of this amount can be further deferred by four years and of the other half by eight years.

Of the DM 256.46 million repayable in 1961-62, only 10 per cent, i.e., DM 25.64 million, would be repaid on the due dates; the period of payment of the balance would be extended initially for a period of four years with an option for a further extension by four years in respect of half of this amount and by eight years in respect of the other half.

A sum of DF 253.99 million would be due for repayment between 1962 and 1965. No understanding it is understood, has been reached in respect of deferment of repayment of this sum.

In respect of the postponement of repayment of DM 98.36 million falling due for repayment in 1960-61 an additional amount of DM 22.62 million, representing interest at 5½ per cent for the period February 1, 1961, to January 31, 1965, will have to be paid. Details of the terms and conditions of the other postponements of repayments are yet to be negotiated.

GIVING EFFECT TO WAGE BOARDS' RECOMMENDATIONS

Addressing the Parliament's Informal Consultative Committee for Labour, the Union Labour Minister, Mr G. L. Nanda, stated that the Government proposed to introduce legislation soon to give effect to the recommendations of wage boards. A draft bill has already been prepared and the Commerce and Industry Ministry is being consulted on its various provisions.

Mr Nanda added that the Government was anxious to avoid recourse to compulsion, but there were two considerations which required that statutory force be given to the recommendations of wage boards. Firstly, even if one unit in an industry failed to implement the recommendations, it created problems for the future. Secondly, there had to be a time limit for implementation of wage board's decisions, for the longer the delay in implementing the recommendations, the greater is the accumulation of arrears that have to be paid to the workers. Mr Nanda explained that the proposed measure would not be in the nature of a "general legislation", but a "piecemeal measure" in respect of each wage board.

He disclosed that out of the 445 textile mills in the country, 427 were covered by the recommendations of the Textiles Wage Board. Of these, only 375 had so far implemented the recommendations of the Board fully or partially. Out of the 32 cement factories in the country, 11 had so far fully implemented the Cement Wage Board's recommendations and six had done so partially. Mr Nanda also stated that the Indian Jute Mills Association had asked all its constituents to implement the interim recommendations of the Jute Wage Board. Some members complained that the jute mills in U.P. and Andhra had not so far implemented these recommendations. The Labour Minister said that the matter had been taken up with the State Governments concerned and their replies were awaited.

Mr Nanda also announced that wage boards for coffee and rubber would be set up soon.

BONUS COMMISSION AND THE PUBLIC SECTOR

In anticipation of a demand from private sector employers that public sector undertakings should also be brought within the purview of the proposed Bonus Commission, the Union Labour Ministry, it is understood, is sounding other Central Ministries about the categories of Central undertakings which might be "covered" by the Commission.

Under the present dispensation, public sector enterprises do not distribute any share of their profits as bonus to the workers. But many undertakings have in operation a scheme of incentive bonus as a reward for a higher productivity.

While official thinking continues to be opposed to the payment of bonus by public sector undertakings from their profits on the ground that these profits go to help finance the Plan—about Rs. 450 crores are expected to be contributed by them for the Third Plan—a view has been expressed that there need not be wholesale exclusion of public sector undertakings from the purview of the Bonus Commission. Barring those State enterprises which are not run as a commercial proposition and where the competitive element does not enter, a scrutiny of the remaining industries by the Commission, it is felt, may be well worth it.

In spite of the probe by the Labour Minister into the minds of the other Ministries, a positive announcement by the Government on this matter is unlikely. In all probability, it will be left to the Bonus Commission to take up or not the case of a particular public sector enterprise unless, of course, the terms of reference specifically forbid it to do so.

The Government has called a meeting of the employers and workers towards the close of April to finalise the terms of reference of the Commission.

GOVERNMENT SERVANTS AND DERECOGNIZED UNIONS

The invalidation by the Bombay High Court of Section 4B of the Government Servants' Conduct Rules has put the Central Government in a quandary. Section 4B prohibits a Government servant to remain a member of a derecognized union.

Following the general strike of July, 1960, the Central Government derecognized 129 out of 405 unions of Government employees. But the unions derecognized have a large membership—about 55 per cent of the total membership.

Government's discomfiture arises out of the fact that derecognition of unions has been rendered an ineffective penalty by the Bombay High Court's judgment; a Government employee can continue to be a member of a derecognized union with impunity.

The implications of the judgment are being studied and a reference of the case to the Supreme Court is not ruled out.

INDUSTRIAL DESIGNS INSTITUTE

It has been decided to establish an Industrial Designs Institute at Ahmedabad with the object of training students for top level responsibilities of Industrial Designers for the private and public sector enterprises as well as for handicrafts. The Institute will also provide advanced training facilities for architectural designers who are expected primarily to function as independent practising architects. Besides, it will provide service to industries and agencies

interested in introducing new design methods in their production, building and sales schemes. In due course, it is proposed to have a research wing at the Institute closely connected with the training and servicing programmes. About 50 students are expected to be trained in the Institute every year.

The Institute is expected to earn some revenue as fees from the trainees, charges for services rendered to industries and sales of prototypes. The annual recurring expenditure of the scheme is estimated around Rs 2.50 lakhs. The expenditure to be incurred on purchase of machinery and equipment required for the Institute as well as on securing the services of some foreign experts is expected to be met by the Ford Foundation.

The Institute is likely to start functioning during the next financial year.

BRIQUETTING AND CARBONISATION PLANT

The Government of India, it is learnt, has accepted the tender of a consortium of firms comprising Maschinenfabrick Buckau R. Wolf, A.G. West Germany, Lurgi Gessellschaft Fuer Schukert Werke, A.G., West Germany, Protos Engineering Company (P) Limited, Bombay, and the State Electricity Commission of Victoria, Australia, for the supply and erection of the proposed briquetting and carbonisation plant. The project is expected to cost Rs. 20 crores. The contract is likely to be signed by the end of this month.

INCREASING CEMENT OUTPUT

The Associated Cement Companies Ltd., Bombay, have drawn up a scheme for putting up a cement factory at Durg (Madhya Pradesh) to produce 1,65,000 tons of portland cement and 85,000 tons of slag cement per annum. The factory is expected to go into production in 1963.

Assam Cements Ltd., who hold an industrial licence for setting up a cement factory at Cherrapunji (Assam), have entered into an arrangement with a Yugoslav firm for the supply and erection of a complete cement manufacturing plant, having a production capacity of 250 tons per day. The plant will cost Rs. 62.98 lakhs. A licence to import the plant is expected to be issued in the near future.

PRODUCTION OF ZINC

A licence under the Industries Act has been granted for setting up a 15,000 tons annual capacity zinc smelter near Udaipur (Rajasthan) to be worked from Zawar deposits. According to the terms of the licence, the smelter is to be established by the middle of 1962. Its capacity might be expanded at a later stage to 40,000-45,000 tons per annum if sufficient quantities of ore are proved in the Zawar area.

It is also proposed to issue a licence to a private party for the manufacture of 12,000 tons zinc per annum from imported concentrates. The party is understood to be working out the details of the scheme which is expected to result in a substantial saving of foreign exchange.

MANUFACTURE OF REFRACTORY BRICKS

In the Yorkshire factory of William Johnson & Sons (Leeds) Ltd., a complete plant for the manufacture of refractory bricks and blocks is nearing completion. This plant is meant for New Bharat Refrac-

tories Ltd., Calcutta. It will be set up at a site near Durgapur Steelworks and will cost nearly £60,000.

This is the second contract to be fulfilled in the recent past by William Johnsons for the Indian company. Towards the close of last year they supplied similar equipment to the Bharat Mining Corporation, an associated company of the New Bharat Refractories.

BHAKRA NANGAL PROJECT

The work on Bhakra Dam is proceeding apace; by the end of January, the dam had been raised to a height of 580 feet above the deepest foundation, out of the ultimate height of 740ft. to be reached. Concreting to the extent of 46.64 lakh c. yds, which constitutes 86.64 per cent of the total, had been done by then. The concreting of the dam is expected to be completed by the end of the current year. The remaining works connected with parapets, approaches, spillway walls, steel radial gates and stairs in the galleries will continue up to the end of 1962.

Civil works on the Left Bank Power House, which will consist of five units of 90,000 kW. each, have been completed. The first unit was commissioned on November 14, 1960, and the second unit on February 1, 1961. The remaining three units are likely to be commissioned at intervals of three months each. With the commissioning of these units, the present power requirements of the Nangal Fertilizer Factory would be fully met.

The preliminary work in connection with the Right Bank Power House, which will consist of four generating units with an installed capacity of 1,20,000 kW. each, is also in hand.

The work of erection of one additional generating unit of 29,000 kW. at each of the power houses at Kotla and Ganguwal is said to be progressing satisfactorily. These units are expected to be ready for commissioning in April and July respectively. A huge network of transmission lines and sub-stations has been erected for carrying Bhakra power to the remotest corners of Punjab, Rajasthan and Delhi.

FOODGRAINS STORAGE PROGRAMME

Total foodgrains storage capacity with the Department of Food increased in 1960 from 15.5 lakh tons to 21.3 lakh tons. Construction is in progress for raising the capacity by another 4.43 lakh tons. Some more projects are also understood to have been finalised; they will be sanctioned soon. The second Silo-cum-Elevator, currently being put up in Calcutta, is expected to be completed by the end of next month.

BRIEFS

The Hindustan Steel, it is learnt, has appointed the Canadian firm ATLAS as its technical consultant for the Alloy Steel Plant to be set up at Durgapur. The Canadian firm will be paid a fee of Rs. 1.5 crores for its services.

The Government of India has secured under the United Nations Technical Assistance Programme the services of Mr. Cook, a re-insurance expert, to advise her on the establishment of a re-insurance company in this country. Mr. Cook will tender advice on organisational, legal and commercial aspects of the project.

A new private sector company, to be set up in Maharashtra, has been licensed to produce 96,000 tons pig iron a year. An Orissa unit has been permitted to expand its capacity from 15,000 tons to 1,00,000 tons per annum.

The total amount of foreign exchange approved for private sector industries during the Second Five-Year Plan, up to February, 1961, was Rs. 587 crores. During the first 11 months of the current financial year, the amount approved was Rs. 146 crores.

During the year 1960, 110 licences were issued to the private sector for undertaking manufacture of various kinds of industrial machinery and equipment, including spare parts of heavy machinery. The corresponding number of licences granted in 1959 was 69.

THE BRITISH INDIA CORPORATION LIMITED, KANPUR

BRANCHES DIVISION**Cawnpore Woollen Mills Branch****Cooper Allen Branch****New Egerton Woollen Mills Branch****North West Tannery Branch****LONDON OFFICE.****BEGG SUTHERLAND DIVISION****SECRETARIES & TREASURERS****The Elgin Mills Co. Ltd.****Cawnpore Sugar Works Ltd.****Cawnpore Textiles Ltd.****Champaran Sugar Co. Ltd.****Brushware Limited****Saran Engineering Co. Ltd.****Secretaries for: Beta Picker & Co. Private Ltd.****Royal Exchange Assurance**

COMPANY AFFAIRS

JAY SHREE TEXTILES

Several new varieties of fabric and yarns were introduced by the Jay Shree Textiles Limited, during the year to December 31, 1960. Of the items which were well-received in the market, special mention may be made of 'Flaxocot' canvas, heavy industrial fabrics, jacquard twines and linen threads for spindle tape stitching etc. The manufacture of reinforced rubberlined hose in collaboration with Messrs. George Angus & Co. Ltd., England, commenced during the current year. This is the only company in the East which manufactures yarn and fabrics made from flax, staple fibre, cotton and wool in the same factory.

The Company has obtained permission under the Industrial Development and Regulation Act to install a cotton spinning plant of 15,200 spindles. The Directors have decided to implement this scheme immediately. Most of the orders for machinery and equipment have already been placed and building work has been started. This plant is estimated to cost about Rs. 70 lakhs and is expected to go into production about the middle of 1962.

The Company has been granted licences under the Industrial Development and Regulation Act to manufacture synthetic rubber oil seals and malleable castings, steel forgings and steel structurals. The Directors are considering technical and financial implications of these projects.

To implement the new projects of the Company, the Directors are examining the question of raising additional finances by increasing the capital of the Company. Necessary permission from the Examiner of Capital Issues has already been received to issue fresh equity capital to the extent of Rs. 24.59 lakhs (by issuing one new share at par for every two existing shares). The whole matter is under consideration and decision is expected to be taken sometime during the current year depending on the financial requirement of the Company.

The net sales during the year increased from Rs. 102.6 lakhs during the previous year to Rs. 127.7 lakhs. This improvement is reflected in various appropriations. Net profit during the year under review after making necessary provisions for depreciation and taxation comes to Rs. 10.98 lakhs. The Directors have recommended the transfer of Rs. 1.19 lakhs to develop-

ment rebate reserve and Rs. 5 lakhs to dividend equalisation reserve. They have proposed the payment of dividend on equity shares at the rate of Re. 1 per share subject to deduction of tax (17n.P. per share net) which will absorb Rs. 4.91 lakhs.

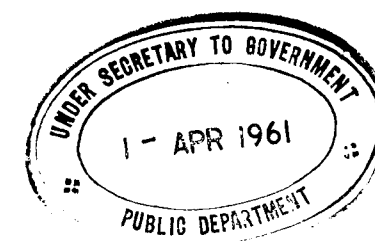
UNITED BANK OF INDIA

During 1960 the growth of bank-deposits was rather slow, but United Bank of India Limited maintained its steady growth and its deposits rose by Rs. 4.06 crores, from Rs. 47.68 crores as at the end of 1959 to Rs. 51.74 crores as at the end of 1960; of this, the rise in Savings Bank deposits was Rs. 1.68 crores, from Rs. 16.20 crores to Rs. 17.94 crores. Owing to pressure of demand for funds resulting from the increased tempo in the economic activities of the country, the rise in advances has been proportionately more being Rs. 4.10 crores, from Rs. 27.52 crores as at the end of 1959 to Rs. 31.62 crores as at the end of 1960. Advances-Deposits ratio stood at 61.1%.

The Bank has shown its holdings in Government and other Trustee securities at or below market value; its investment under this head has declined from Rs. 14.85 crores as at the end of 1959 to Rs. 13.59 crores as at the end of 1960. However, the overall ratio of its Cash and Bank balances, investments in securities, and money at call and short notice, bore a ratio of 44.6% to its deposits as at the end of 1960.

Total earnings rose from Rs. 2.47 crores (for the year 1959) to Rs. 2.70 crores (for the year 1960). There was a slight increase in the balance of profit by Rs. 34,000 from Rs. 14.29 lakhs (for the year 1959) to Rs. 14.63 lakhs (for the year 1960). On the expenditure side the major increase has been in, (a) interest on deposits and borrowings by Rs. 6.67 lakhs, and (b) establishment expenses by Rs. 10.74 lakhs.

In 1960 United Bank of India Limited completed its ten years of working since it was formed by an amalgamation by four banks in 1950. During this decade the deposits of the Bank has been almost doubled, from Rs. 26.90 crores as at the end of 1950 to Rs. 51.74 crores as at the end of 1960; the advances have increased from Rs. 13.95 crores to Rs. 31.62 crores. The Bank has, during this period, opened 24 new branches and many of these have been at places where modern banking facility was either absent or inadequate.



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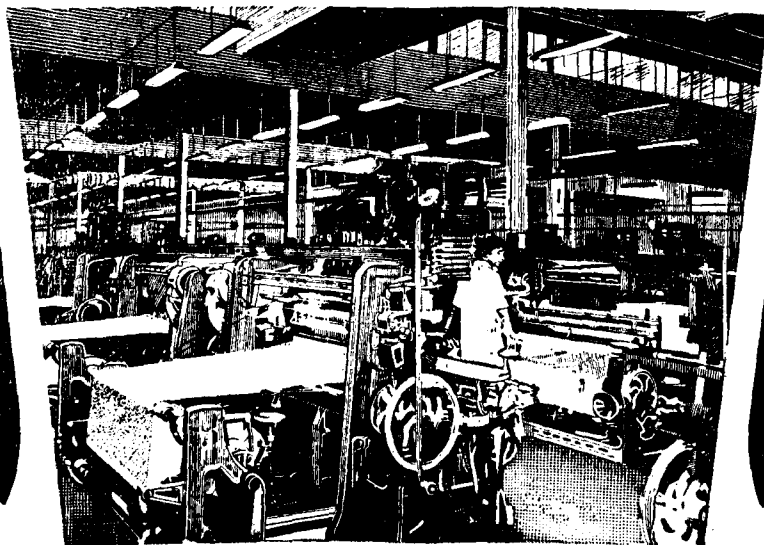


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Company Meeting

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LARGER NET PROFIT REFLECTS MORE FAVOURABLE CONDITIONS

DIVIDEND INCREASE BASED ON HOPEFUL OUTLOOK.

SUCCESS OF MUTUAL ARRANGEMENT WITH LLOYDS BANK

Mr. J. K. Michie on Importance of Stable Banking

The Annual General Meeting of National and Grindlays Bank Limited will be held on April 11 at 26, Bishops-gate, London, E.C.

The following are extracts from the statement by the Chairman, Mr. J. K. Michie, which has been circulated with the report and accounts:-

The principal event in our record of 1960 is not reflected in the balance sheet — the acquisition by us of the Eastern business and branches of Lloyds Bank Ltd. and as a part of that bargain the acquisition by Lloyds Bank Ltd. of just under 25 per cent of our capital. This mutually agreeable arrangement was ratified by you at an Extraordinary General Meeting held on 15th November, 1960. As you will see it has added 19 to our list of branches and as will emerge it means an increase of around £50 millions in the total of our next balance sheet.

Another concomitant effect was the strengthening of our Board by the addition on 1st January of Sir Jeremy Raisman and Lord Lloyd, appointments which fall to be confirmed at the Annual General Meeting. Sir Jeremy is Deputy Chairman of Lloyds Bank and both are distinguished names in the realm of Commonwealth affairs. At the same time Mr. C. Gardner, Chief Manager of Lloyds Bank Eastern Department joined our executive staff as an Assistant General Manager and Mr. R. J. S. Marsh as Assistant Manager.

A great deal of time and thought was given to preparation for this merger of interests and your General Manager, Mr. Gillespie, and I have just returned from tours much of which we did in concert though his was the more comprehensive and strenuous. Our visits covered the principal branches of the combined Bank in India, Pakistan and Aden. In addition Mr. Gillespie visited Ceylon.

Our journeys although covering a wider field were undertaken with the particular object of seeing that in every possible respect the merger should get off to a good start and that there should be no misunderstandings about our future policy in the minds of either our constituents or our staff.

ADDED STRENGTH ASSURED

I am glad to report that our impressions were without exception favourable. Our combined staffs have from the outset shown a most admirable team spirit while our constituents appreciate that the merger means additional strength to the Bank. There is too a realisation in India and Pakistan that banking should be inherently as strong as possible and this was reflected in expressions of approval of the merger made to us by many individuals including members of the banking fraternity.

GROWTH OF ADVANCES

The total of our consolidated balance sheet at 31st December, 1960 was £181,551,921 — an increase of £18,516,333 over the previous year. The growing demand for finance in the territories in which we operate, has resulted in an increase in advances of just under £19 million. Current, Deposit and other accounts are over £18 million higher, but this pressure of demand for seasonal finance has had the effect of reducing our liquidity ratio.

At £479,276 our net profit was £74,568 higher reflecting the overall more favourable conditions for

banking which obtained in our territories in 1960 in comparison with the previous year — which in turn showed an improvement over 1958.

Subject to necessary reservations in respect of East and Central Africa and Burma this better climate for banking generally seems likely to continue and as a consequence of this view we have increased our second interim dividend for 1960 from 6½ per cent to 7 per cent, making the total distribution for the year 13½ per cent. Further this action would not have been taken unless we had felt justified in promising to consolidate this rate of dividend — you can therefore expect subject to no unpredictable contingency to receive 14 per cent on the increased capital for the current year.

National and Grindlays Finance and Development Corporation. The net profit for the year was £10,152 the reduction being accounted for by the higher rates of interest paid on its borrowings from the Bank.

INDIA

What particularly struck Mr. Gillespie and myself in our journeyings through India is the surge of industrialisation which is going on, with, it seemed, increasing momentum. The reasons behind this expansion are all excellent and legitimate and in most cases the capital in so far as cover for land, buildings and plant are concerned seems to be available. But it is the provision of "working" capital to carry stocks and outstandings which to our minds poses a real difficulty, and unless more money can be found by or for the banking system it seems to me it will be put under considerable strain within the next twelve months.

I know this aspect of the third five-year plan is appreciated by the Reserve Bank, which has already taken certain measures to increase the resources of the banks by the release of the special deposits which had been called for in March and May 1960 and by the extension of their Bill Market Scheme for the rediscounting of bills on behalf of banks, although on an escalator scale of interest. The Reserve Bank has also taken steps to strengthen and thereby to increase confidence in banking in India generally — it having unfortunately suffered a setback last autumn. These steps include the merging of some of the smaller banks with stronger units.

But somehow the hidden cash balances of India must be drawn into the banking system and through it put to work if the latest five-year plan is to be — as it must be — a success.

When it is realised that the total of bank deposits in all India at 30th June, 1960 was only Rs. 1,946 crores or £1,459,000,000 — or an average sum per capita estimated at Rs. 55 — it will be realised what the scope and the necessities are, and progress is painfully slow. The portents therefore are of a continuance of tight money conditions in the foreseeable future.

Naturally we are doing all we can to attract further deposits but our branch system sets limits to our potential progress.

During 1960 India's external reserves fell by Rs. 68 crores to Rs. 319 crores.

The Reserve Bank rate remained at 4 per cent throughout the year.

Tea has had a favourable experience somewhat marred by drought in Assam though this was largely compensated by good crops in South India areas. Internal consumption continues to rise and the reduction of the export duty by 17 per cent announced in the 1961 Budget should benefit exports by making Indian tea prices more competitive in world markets.

Jute manufacturers and shippers have had an exciting and a difficult year caused by the tremendous rise in prices in India and Pakistan in October last consequent on the then disclosed shortage of raw jute. These conditions may well react to the detriment of the trade as a whole for consumer countries will be apt to look for substitute materials rather than be at the mercy of such vagaries in cost.

PAKISTAN

The impetus of President Ayub's administration continues to be felt and is reflected in a general feeling of confidence individually and nationally.

The major and much the most important work now in progress is the five rivers water scheme known as the Indus Basin Projects with its tremendous potentials in extending agriculture and, by disalinisation of land, improving it. What I have already said about jute applies even more so to Pakistan where the crop is comparatively a much bigger factor in her economy. The percentage of the crop consumed internally continues to grow.

For identical reasons the need for an expansion of bank deposits is at least as urgent as in India; indeed the ratio of deposits to population is somewhat lower but that may be in some degree a consequence of the traditional Muslim objection to accepting interest.

The State Bank rate has remained at 4 per cent and, as I have indicated, money is scarce and, relative to current bank lending rates, expensive.

External assets of the State Bank of Pakistan rose by Rs. 6 crores during the year.

CEYLON

Both politically and financially Ceylon has had a disturbed year.

Two general elections have been held, the eventual result being a victory for Mrs. Bandaranaike's Sri Lanka Party.

Despite reasonably good prices for tea and rubber, although other exports were not so fortunate, Ceylon's external resources again fell during 1960 — by Rs. 207.6 million — to a figure of Rs. 481.2 million and drastic measures are now being taken to reverse this continued loss by restriction of imports and by raising the Central Bank rate to 4 per cent from the previous inadequate basis of 2½ per cent.

As I have said before, Ceylon's natural wealth is such that a commonsense economic policy followed consistently would soon put matters right and it is hoped that neither panic nor discriminatory measures will be adopted and that the present penal rates of taxation will be moderated. For these are not the ways to attract foreign investors to the country or indeed to retain existing non-indigenous investment.

Mercantile Credit Ltd., the Colombo hire-purchase company in which this Bank has an interest, did an expanding business in 1960 and good results are expected. This year import and credit restrictions are almost certain to reduce the volume of trade covered by hire purchase.

BURMA

The pattern of events described last year has continued under U Nu's A.F.P.F.L. Party.

Burma's foreign exchange reserves rose during the first half of 1960 but were lower by £5½ million by the

end of the year as a result of certain capital disbursements including a repayment to the International Monetary Fund. There was an increase of rice exports to 2,000,000 tons — which nevertheless is still only about 60 per cent of pre-war figures. Increased internal consumption doubtless partly accounts for this disparity.

During 1960 the Government of Burma exercised its option to acquire an increased share of the capital of the internal oil industry now run as the Burma Oil Co. (1954) Ltd. and its holding is now 51 per cent.

The attitude to foreign companies operating in Burma continues fundamentally unchanged although a recent Ministerial Mission to Europe has expressed the wish to encourage new capital to set up industries in the country. The two policies can hardly be said to run parallel.

ADEN

Lack of rain adversely affected the 1960 cotton crop which fell below expectations. However the prosperity of Aden very largely depends on the activity of the port as a bunkering centre and on the operation of the refinery. In the absence of labour troubles for most of the year both were fully employed — in fact the prompt handling of ships is now a pressing problem which is to be met by new installations in the coming year.

Recently we opened another sub-branch in the Maalla area bringing the total of our offices to five. We have also been given a licence to operate at Al-Ittihad, the capital of the Federation of Arab Amirates of South Arabia, when this comes into being.

CONFIDENCE IN THE FUTURE

While it is apparent from what I have written that all is by no means plain sailing it is also true to say that your Board and Management do not take a pessimistic view of our future, otherwise we should neither have increased our dividend nor have increased the number of our branches and sub-branches from 94 to the present total of 141 in a period of just over a year. We continue to believe that whatever the political future, sound banking is a necessity to economic life, and it is that which we aim to provide. Indeed I agree with those who argue that sound economics backed by a stable banking system is a necessary background to any country and any Government and should have a high priority.

What continues to puzzle me in regard to this country and I am sure causes concern in many minds, is our apparent inability to achieve a worthwhile favourable balance of trade in spite of what is to all intents and purposes full employment. It is all very well to argue that the British people prefer "the good life" to a higher level of savings but in the world of today the problem by no means ends there. We must either have more money to invest abroad, to lend to our Commonwealth friends and particularly to emerging nations, or see our influence and our trade with them steadily wane.

We incline to claim that we are a special repository of wisdom on international affairs and that others have always been glad to have our counsel but I feel that would be a more valid argument were we to prove ourselves more successful and more able to help them financially. There is much in the Russian claim that the cold war is now becoming an economic one.

TRIBUTES TO STAFF

Finally, our Staff — and that includes those we have recently absorbed — have given and are giving us enthusiastic and loyal service and that applies from our General Manager right down the line.

When Mr. Gillespie and I were recently on tour we took occasion to meet as many of the staff as was possible and I hope that the friendly exchanges we had — "inter alia" with our Union officials — will bear good fruit.

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COMMODITY NEWS AND NOTES

Contracts have been signed to export 13.395 lakh tons of iron ore during 1961, while negotiations for the export of 27.50 lakh tons are in progress. The following are the details:

Country	Quantity sold for delivery during 1961
Rumania	2.00 lakh tons
Czechoslovakia	9.03 lakh tons
Yugoslavia	1.35 lakh tons
West Germany	1.015 lakh tons
Country	Quantity for delivery in 1961 in respect of which negotiations are in progress
Hungary	1.00 lakh tons
Italy	1.00 lakh tons
Poland	1.00 lakh tons
East Germany	1.00 lakh tons
Austria	0.50 lakh tons
Japan	20.00 lakh tons
Egypt	3.00 lakh tons

INTERNAL RELEASES OF COFFEE AND EXPORT SALES

Up to end of January 1961 the receipts of coffee into the 1960-61 pool amounted to 21,072 (12,909) tonnes, comprising 18,744 (12,043) Plantation, 1,485 (682) Arabica Cherry and 843 (184) Robusta, the figures within brackets indicating pool receipts on the same date last year. The releases of coffee in the in-

ternal market during January 1961 amounted to 2,851 (2,462) tonnes, made up of 1,018 (799) Plantation, 305 (567) Arabica Cherry and 1,528 (1,096) Robusta, the figures within brackets indicating internal releases during January 1960. The Marketing Committee at its meeting on 2nd February 1961 decided to allocate a quantity of 21,500 tonnes of coffee for export out of 1960-61 crop, comprising 11,000 Plantation, 3,500 Arabica Cherry and 7,000 Robusta. A quantity of 527 tonnes Plantation Coffee was sold for export out of 1960-61 crop at the export sale held on 25-1-1961. Tenders have been invited for a quantity of 1,355 tonnes Plantation and are due on 9th January 1961.

PACKET PRICE OF TEA REDUCED

The wholesale packet price of tea has been reduced by 3 nP per lb. from March 12, in view of the reduction of excise duty on package tea by 6 nP per kgm. as provided in the Central Budget proposals for 1961-62, according to a press note issued on behalf of the major tea packing companies.

IMPORT OF U.S. COTTON

The additional amount authorised by bartering firms in the U.S. in respect of import of raw cotton against the export of manganese ore under the barter agreement between the State Trading Corporation and the four U.S. bartering firms is now increased from \$ 2m. to \$ 3m. according to a press note issued by the Joint Chief Controller of Imports and Exports. It was announced on March 1 that the additional amount authorised by the bartering firms in the U.S. then amounted to about \$ 2m.

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Food articles & Tobacco	Liquor	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures			All Comme- dities
					Inter- mediate Products	Finished Products	Total	
1953-54	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	119.0	99.5	116.5	123.7	113.8	111.3	111.6	117.1
December 1959	118.2	103.7	117.0	127.2	118.0	112.6	113.4	117.9
January 1960	117.5	100.9	116.8	130.9	121.6	115.1	116.0	118.8
February	118.0	96.0	117.3	131.6	120.5	115.6	116.3	119.5
December 1960	117.2	112.1	120.3	149.6	132.3	125.0	126.0	124.8
January 1961	116.4	111.2	120.0	154.7	133.9	126.5	127.5	125.6
February	116.2	111.2	120.0	159.2	134.2	128.4	129.2	126.6
4-2-1961	116.7	116.6	120.1	157.3	133.7	127.8	128.6	126.4
11-2-1961	116.5	111.6	120.1	160.3	133.8	129.0	129.6	127.1
18-2-1961	116.0	112.2	120.0	159.5	134.4	128.4	129.2	126.6
25-2-1961	115.9	109.4	120.0	159.7	134.9	128.4	129.3	126.6
4-3-1961	116.5	112.8	120.3	159.0	136.1	127.8	129.0	126.7

*Revised.

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

Period	Bombay		Delhi	Calcutta	Kanpur	Nagpur	Jubbulpur	Central Provinces		Madras June 1936=100	Ludhiana†	Jamshedpur†	All India†
	Bombay	Bombay June 1934=100											
1939 (Aug.-Dec.)	103	—	—	—	105	104	—	106	—	106	—	—	—
1954	342	359	244	138	327	408	373	139	341	148	140	138	138
1955	322	338	218	130	321	371	364	133	321	134	135	132	132
1956	336	352	244	142	347	424	397	151	358	152	146	145	145
1957	352	368	259	150	364	448	422	162	374	157	157	152	152
1958	376	394	274	150	384	468	447	165	401	157	169	161	161
1959	393	412	309	158	384	469	498	163	429	166	173*	168	168
1960	401*	420*	—	158*	397*	476*	512*	—	462*	167	—	171*	171*
1960 May	402	421	295*	153	396	461	510	165*	452	166	163*	170	170
June	403	422	297*	154	399	460	510	165*	462	167	164*	171	171
July	404	423	299*	160	406	484*	515	165*	467	169	164*	174	174
August	402	421	302*	160	410	484*	515	163	470	169	168*	174	174
September	399	418	—	161	403	489	520	163	472	167	168*	173	173
October	402	421	—	162	396	488	517	163	477	171	164*	173	173
November	404	423	—	159	392	489	509	163	484*	171	168*	171	171
December	400	419	—	160	385	478*	507	—	488*	169	167*	171*	171*
1961 January	400	419	—	161	385	480	—	—	470*	171	166*	168*	168*
February	—	—	—	163	—	487	—	—	474*	—	—	—	—

†Base 1944=100. *Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)
WEEK ENDED

	17-3-1961			10-3-1961			3-3-1961			24-2-1961		
	High	Low	Ave- rage	High	Low	Ave- rage	High	Low	Ave- rage	High	Low	Ave- rage
Gold (per 10 grams)	123.60	121.90	122.58	124.40	122.90	123.62	122.00	121.40	121.67	122.35	120.75	121.45
Silver (per kilogram)	206.50	202.75	204.83	208.20	206.05	207.03	206.70	206.10	206.42	207.25	205.55	206.13

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CAPITAL ISSUES IN THE PRIVATE SECTOR

TABLE I
ISSUES OF FRESH CAPITAL*: JANUARY 1951 TO JUNE 1960

(Rs. crores)				
Year	Ordinary	Preference	Debentures	Total
1951	4.3	1.3	2.3	7.9
1952	2.9	0.4	1.4	4.7
1953	7.2	0.4	4.9	12.5
1954	20.4	2.4	10.4	33.2
1955	16.3	4.4	5.5	26.2
1956	33.1	10.5	1.6	45.1
1957	19.1	2.0	3.7	24.9
1958	17.5	3.1	5.3	25.9
1959	28.8	9.7	4.7	43.2
1960 (Jan.-June)	24.3	3.8	4.0	32.1
Total 1951-55	51.1	8.9	24.5	84.5
January 1956 to June 1960	122.8	29.1	19.3	171.1
January 1951 to June 1960	173.9	38.0	43.8	255.6

Note: The data relate to issues of public limited companies in the private sector, excluding banking, insurance and financial companies and are inclusive of foreign participation. Data for the year 1951-55 exclude issues below Rs. 5 lakhs.

* Inclusive of premium on the capital issued.

TABLE III
SIZE CLASSIFICATION OF NEW ISSUES: 1956-60
(Amount in Rs. crores)

Size Group	1956		1957		1958		1959		Jan.-June 1960		Total	
	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount
Up to Rs. 10 lakhs	11	0.61	19	0.98	14	0.58	24	1.11	17	0.96	85	4.23
Over Rs. 10 lakhs and up to Rs. 25 lakhs	8	1.36	13	2.70	8	1.61	11	1.96	13	2.26	53	9.89
Over Rs. 25 lakhs and up to Rs. 50 lakhs	11	4.22	5	1.71	14	5.78	14	5.74	4	1.61	48	19.06
Over Rs. 50 lakhs and up to Rs. 1 crore	10	7.60	5	3.03	3	2.64	9	7.06	2	1.73	29	22.06
Over Rs. 1 crore	7	31.35	6	16.43	9	15.33	11	27.30	10	25.50	43	115.91
TOTAL	47	45.14	48	24.85	48	25.92	69	43.17	46	32.06	258	171.14

Note: For purposes of size classification of new issues, simultaneous issues of ordinary and preference shares and debentures by a company have been treated as one issue and not separate issues.

TABLE IV
CAPITAL RAISED BY NON-GOVERNMENT COMPANIES: JAN. 1957 TO SEPT. 1960
(AGAINST CONSENTS AS WELL AS UNDER EXEMPTION ORDER)

Types of Issue	1957			1958			1959			Jan.-Sept. 1960 (Preliminary)		
	Public Ltd.	Private Ltd.	Total	Public Ltd.	Private Ltd.	Total	Public Ltd.	Private Ltd.	Total	Public Ltd.	Private Ltd.	Total
Initial*												
Ordinary	7.08	3.68	10.76	5.77	7.29	13.07	8.92	16.94	25.86	5.60	9.83	15.43
Preference	0.87	0.41	1.29	0.80	0.08	0.88	0.50	0.14	0.64	0.13	0.02	0.15
Further†												
Ordinary	32.39	8.68	41.07	15.20	8.32	23.52	20.91	9.04	29.96	16.60	6.27	22.88
Preference	4.70	0.42	5.11	4.61	0.63	5.24	3.73	0.13	3.86	5.24	0.14	5.38
Debentures	9.28	0.54	9.81	12.39	0.11	12.50	9.39	0.35	9.74	3.53	—	3.53
Total	54.33	13.72	68.05	38.76	16.43	55.21	43.45	26.59	70.05	31.10	16.26	47.35

Note: The data are based on reports received from companies/registrars of companies and do not take into account capital raised by companies for which no reports were received.

* Capital issues by new companies.

† Capital issues by existing companies.

Source: Reserve Bank of India Bulletin

CAPITAL ISSUES: 1951-59
(CONSENTS GRANTED AND UTILISED)

Year		Public Ltd. Companies		Private Ltd. Companies		Total	
		Amount Sanctioned	Amount Paid-up	Amount Sanctioned	Amount Paid-up	Amount Sanctioned	Amount Paid-up
1951	(i) Shares*	29.41	11.16	11.80	5.89	41.21	17.05
	(ii) Debentures	4.08	3.13	0.04	0.04	4.12	3.17
	(iii) Total	33.49	14.29	11.84	5.93	45.33	20.22
1952	(i) Shares*	16.63	9.78	4.74	1.83	21.37	11.61
	(ii) Debentures	2.99	2.30	—	—	2.99	2.30
	(iii) Total	19.62	12.08	4.74	1.83	24.36	13.91
1953	(i) Shares*	36.74	27.84	4.82	3.08	41.56	30.92
	(ii) Debentures	11.57	9.41	0.15	0.15	11.72	9.56
	(iii) Total	48.31	37.25	4.97	3.23	53.28	40.48
1954	(i) Shares*	60.72	33.85	5.46	2.79	66.18	36.64
	(ii) Debentures	20.00	16.97	0.30	0.29	20.30	17.26
	(iii) Total	80.71	50.82	5.76	3.08	86.48	53.90
1955	(i) Shares*	55.96	22.18	13.88	7.26	69.84	29.44
	(ii) Debentures	10.26	6.06	7.11	2.09	17.37	8.15
	(iii) Total	66.22	28.24	20.99	9.35	87.21	37.59
1956	(i) Shares*	87.02	48.95	11.59	6.65	98.61	55.60
	(ii) Debentures	9.90	3.75	0.45	0.45	10.35	4.20
	(iii) Total	96.92	52.69	12.04	7.10	108.96	59.79
1957	(i) Shares*	42.38	20.25	27.69	10.70	70.07	30.95
	(ii) Debentures	9.21	7.27	0.47	0.19	9.68	7.46
	(iii) Total	51.59	27.52	28.17	10.89	79.76	38.41
1958	(i) Shares*	37.96	19.78	13.10	6.46	51.06	26.24
	(ii) Debentures	17.49	10.59	0.81	0.21	18.30	10.80
	(iii) Total	55.45	30.37	13.91	6.67	69.36	37.04
1959	(i) Shares*	78.40	14.96	33.34	13.93	111.74	28.89
	(ii) Debentures	12.30	4.40	1.02	0.42	13.32	4.82
	(iii) Total	90.70	19.36	34.36	14.35	125.06	33.71
Total 1951-58**							
	(i) Shares*	366.82	193.79	93.08	44.66	459.90	238.45
	(ii) Debentures	85.50	59.48	9.33	3.42	94.83	62.90
	(iii) Total	452.32	253.27	102.41	48.08	554.73	301.35

** Until recently the consents granted by the C.C.I. were valid for a period of two years. For this reason, the figures of capital raised against consents granted in 1959 are partial. The figures relating to 1959 have therefore not been included in the totals.

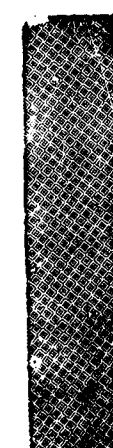
* Other than Bonus Issues.

BRITISH COLLABORATION WITH INDIAN FIRMS IN DEVELOPMENT PROJECTS

Indian Firm	British Collaboration	Project
Metallurgical Industry		
I.S. & G. Yamunanagar, Punjab	John Thompson Ltd., U.K.	Boilers
Commercial Office & Household Equipment		
Kilburn & Co. (P) Ltd., Calcutta	Hall Harding Ltd., U.K.	Copying machines
Industrial Air Control India (P) Ltd., Bombay	Lightfoot Refrigeration Co. Ltd., U.K.	Signalling equipment
Hindustan Twyford, Calcutta	Twyford Ltd., U.K.	Sanitaryware and household ceramics
The Britannia Engg. Co. Ltd., Calcutta	Dawson, Payne & Elliott Ltd., U.K.	Letterpress printing machines
Punj Sons Ltd., Connaught Circus, New Delhi.	A.E.I. (Gala) Ltd., London, S.W.1	Manufacture of domestic refrigerators
Agricultural Machinery		
Mahindra & Mahindra (P) Ltd., Bombay	David Brown Industries Ltd., U.K.	Tractors
Farm Equipment Co., Kanpur	Trackparts, Hatfield, U.K.	Crawler tractor spares
Plastics		
Allied Resins & Chemicals (P) Ltd., Calcutta	Leicester Lovell & Co. Ltd., U.K.	Urea formaldehyde synthetic resins, etc.
East Anglia Plastics India (P) Ltd., Calcutta	East Anglia Plastics Ltd., U.K.	Cellulose acetate moulding powders
Hyderabad Laminated Products Ltd., Secunderabad	Bakelite Ltd., London, U.K.	Plastic Product (Laminated phenolic)
Mechanical Handling Equipment		
Brady Engineering Co., Ltd., Bombay	H. Morris Ltd., U.K.	Elevating trucks
New Standard Engg. Co. (P) Ltd., Bombay	Road Machines (Drayton) Ltd., U.K.	Single & Double bucket swing weigh batchers
Sterling India Co. (P) Ltd., Calcutta	T.T. Works Ltd., U.K.	Conveyors
Vaughan Burn Crane Co. (P) Ltd., Calcutta	Vaughan Cranes Co. Ltd., U.K.	Manufacture of cranes
Industrial Plant, Machinery & Accessories		
Spence Ltd., Bombay	H.E.C. Compressors & Engineers Ltd., U.K.	Air Compressors
Benger Laboratories Ltd., Calcutta	Fisons Ltd., U.K.	Pharmaceutical plant

BRITISH COLLABORATION WITH INDIAN FIRMS IN DEVELOPMENT PROJECTS (Contd.)

Indian Firm	British Collaboration	Project
Patel Engineering Co. Ltd., Bombay	James Bertram & Sons Ltd., Scotland	Paper making plant
Fuel Injections Ltd., Bombay	Bryce Berger Ltd., U.K.	Fuel nozzles, delivery valves, etc. Refractories
India Firebricks & Insulation Co. Ltd., Bombay	Thomas Marshall & Co. (Loxley) Ltd., Sheffield, U.K.	
Bell's Asbestos & Engg. (India) Pvt. Ltd., Calcutta	Negretti & Zambra Ltd., Regent Street, London, Y.I, U.K.	Progressive manufacture of pyrometers, potentiometers, vacuum recorders, etc.
Port Engineering Works Ltd., Calcutta	Watson Laidlow & Co., Glasgow, U.K.	Centrifugals
Machine Tools and Accessories		
Praga Tools Corpn., Ltd., 17-Saifabad, Hyderabad	Kearney & Trecker C.V.A. Ltd. of Sussex	Drill chucks
	A. A. Jones & Shipman Ltd., Leicester	Precision grinding machines
Fuels		
Indian Cathodic Protection Co. (P) Ltd., Bombay	Cathodic Corrosion Control Ltd., London	Coating and wrapping inspection, and cathodic protection of pipeline at Barauni
Electrical Equipment		
Omega Insulated Cable Co. India Ltd., Madras	Mersey Cableworks Ltd., U.K.	Cables
Saxby & Farmer India (P) Ltd., Calcutta	Westinghouse Brake Signal Co. Ltd., U.K.	Signalling equipment
Gandhi Electric Industries (P) Ltd., Bombay	Lancashire Dynamo Crypie Co. Ltd., U.K.	Electric welding equipment
Kaycee & Co. (P) Ltd., Nicol Road, Bombay	Rotaflex (G.B.) Ltd., London, U.K.	Accessories for electrical trade and lampshades
Radio and Telecommunications		
Agreement with Government of India	Marconi's Wireless Telegraph Co. Ltd., U.K.	Radio & Radar equipment in the aeronautical, broadcasting, communications, radar and television fields
Transportation		
J. N. Marshall & Co. Ltd., Bombay	Simmonds Accessories Ltd., U.K.	Self-locking nuts for use in aircraft, trains etc.
New Standard Engg. Co. (P) Ltd., Bombay	Beckett Laycock and Watkinson Ltd., U.K.	Window equipment used in automobile, shipbuilding, and railway trains
Enfield (India) Ltd., Royal Enfield Bldgs., Madras	Villiers Engg. Co., Ltd., U.K.	Motorcycle engines, scooters and mopeds
Bramec Suri (P) Ltd., Delhi	Hall & Nielsen Ltd., Bury, U.K.	Clutch & brake lining
Associated Engg. Work Ltd., Delhi	Magnatex Ltd., U.K.	Windscreens Wipers (blades and arms)
Rane (Madras) Ltd., Madras	Small & Parkes, Ltd., Manchester, U.K.	Clutch discs
Allied Motors (P) Ltd., New Delhi	Super Oil Seal & Gaskets, Ltd., Birmingham, U.K.	Synthetic rubber oil seals
T. V. Sundaram Iyengar & Sons Pvt. Ltd., West Veli Street, Madurai	Joseph Lucas Ltd., Birmingham, U.K.	Electrical equipment for motor vehicles
Simpson & Co. Ltd., Mount Road, Madras	Amrose Sharrow & Co. Ltd., U.K.	Automobile, industrial marine & aircraft forgings & stampings including crankshafts
T.I. Miller Lamps Ltd., Madras	H. Miller & Co., Ltd., Birmingham	Lamps for auto-cycles, scooters, motor cycles and trucks and bicycle dynamo lamps
Rane (Madras) Ltd., Madras	Small & Parkes Ltd., Manchester, U.K.	Clutch discs
Canara Workshops Ltd., Mangalore	Mond Nickel Co. Ltd. (S.G. Iron process)	Hubs, brake drums and cylinder liners
Drugs and Pharmaceuticals		
Smith & Nephew India (P) Ltd., Bombay	Smith & Nephew Associated Companies Ltd., U.K.	Pharmaceuticals
Food and Oils		
Ovaltine of India (P) Ltd., New Delhi	A. Wander & Co. Ltd., Ovaltine U.K.	Ovaltine
Northern India Tanneries Ltd., Kapurthala	P. Leiner & Sons Ltd., London	Gelatine and glue
Chemicals		
Tata Chemical Works Ltd., Bombay	British Glues & Chemicals Ltd., U.K.	Protein isolate
East India Distilleries & Sugar Factories Ltd., Ennore, Madras	Simon-Carves Ltd., U.K.	Fertilisers
Adarsh Chemicals & Fertilisers Ltd., Surat	Chemical Construction (GB) Ltd., London	Sulphuric acid and superphosphate



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THE EASTERN ECONOMIST

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NEW DELHI: MARCH 31, 1961.

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The Eastern Economist

MARCH 31, 1961.

The Federation and the Country

THE annual meeting of the Federation of Indian Chambers of Commerce and Industry held in New Delhi this week has run true to form and, indeed, almost to formality. It was inaugurated sedately at Vigyan Bhavan by the Prime Minister, whose address this year was, unfortunately, less attuned to the needs of the moment and to the present temper of businessmen than ever before. It is true enough that trade and industry have to be integrated with the larger economic and social objectives of the country, which are towards greater equality and greater participation, whether or not these are contained in the slogan of the socialist pattern of society. But the Prime Minister did less than justice to his business audience when he suggested that they have not made a substantial change in that direction already. The Federation is already including amongst its members a number of small businesses, and many of the larger businesses are thinking in terms of subcontracting or otherwise assisting ancillary industries. At the same time, by and large, the Federation has accepted gracefully the pattern of taxation of the Indian Union with small footnotes of dissent at points where the pressures of taxation have been intense. It is quite surprising how readily a massive armoury of taxes, including Wealth tax, Expenditure tax and the Gift tax as well as nearly the highest level of personal taxation in the world, have been accepted by the main current of business opinion in India.

A word of approval of the private sector's adaptability and performance would have been more appropriate than the reiteration of the querulous point of private wealth and public squalor which the Prime Minister chose to make. This is the time not merely for a meeting of minds in the public and the private sectors, but for generous recognition that a condition for common implementation is that minor differences in outlook need not be publicly displayed on these occasions. Indeed, nothing could have been more conciliatory than the address of the President of the Federation, Mr. A. M. M. Murugappa Chettiar, who spoke wisely of the

necessity of directing business policy to the imperative needs of the masses. There are some differences in the Federation itself as to whether this should be done currently by restricting or fostering consumption. This is not, however, the difference between the "privilege" of the classes and the neglect of masses, but merely a judgment as to the time it is to take for the mass consumption society to be developed in this country. The Prime Minister's view, shared by several members of the Federation, was that it is better to restrict consumption and build up producer goods and exports so that the pace of self-sufficient economic development might be eventually faster. Mr. B. M. Birla held the contrary view which might be justified in a society in which only large markets provide incentives. Consumer goods cannot develop in a vacuum; they must be developed against existing markets. But the contradiction is less intense than it appeared, because expenditure incurred on producer goods at second round provides the demand for consumer goods. Thus, in point of fact, the market for consumer goods is implicit in expenditure on investment in producer goods. The only question is whether balance can be struck in phasing. On the whole, the Third Plan, which was supported by the Federation, strikes the balance in the right place.

It was clear, however, that while the general framework of the Third Plan was as acceptable as the Second, the Federation was extremely critical of public sector implementation, particularly on transport and on power. The public sector which occupies the strategic heights of the economic scene in these areas, must be made aware of its own responsibilities, particularly if the shortfall in either or both should impinge heavily on other production. It is sincerely to be hoped that the Federation, in its anxiety to placate the public sector, will not abstain from saying its piece boldly in regard to the failures of administration, of which there are many examples even outside transport and coal. The delays in

sanctioning schemes or even in rejecting them are unnecessarily long, and the apparatus of Government needs to be overhauled if the tempo of economic development is to be increased. Indeed, there could have been much more documentation on this point. Few people realise adequately the losses that are incurred by delay in attaining full production. Certainly, if Hindustan Steel could have produced its current output even three months earlier, its balance-sheet would have been very different. Businessmen would render a service to the country if they could get the public sector to emulate them in speed, just as the public sector should get the private sector to take a larger view in regard to exports (even at a temporary loss) and social responsibilities in terms of fair dealing all round. The Federation might

claim to have judged rightly in its tone, which was one of full co-operation in a national effort, but with a clear expression of the private sector's personality where the expression of that different personality serves the national interest. Nevertheless, one cannot help feeling that, with the restraints written into the political atmosphere, dominated now by the outlook of the Government, the Federation's meetings are losing interest and fail to impinge constructively on the making of public policy. The Federation needs to give some thought to the declining value of its currency in the public mind. Perhaps, the quality of thinking which goes into its resolutions and the quality of its memoranda need to be improved to make a greater impact both on sectors of influence in New Delhi and on the public at large.

Exports, Advertising and Marketing Research

THE accent this week has, in several places, been on exports. An important resolution of the Federation of Indian Chambers of Commerce and Industry deals with this subject and even more important than the resolution was an outspoken address by Mr. S. K. Patil, Food Minister, at one of the Federation lunches in which he expressed grave fears about the elimination of Indian products, particularly sugar and fertilisers, from the export field as a result of their absurdly high cost structure. More direct reference to exports, with several constructive proposals, was made in the Advertising Conference on Marketing and Export Promotion inaugurated by the Prime Minister on Monday. This Conference was sponsored by the Indian Society of Advertisers, but its emphasis went far beyond advertising. Mr. Chinubhai Kilachand, Chairman of the Indian Society of Advertisers, suggested a Central Export Institute to co-ordinate the activities of the various export promotion councils. But his emphasis was much more on an aggressive and sustained advertising and market research programme to diversify markets and goods. One of his proposals that advertising should take advantage of the effectiveness of commercial radio stations was dismissed by the Prime Minister almost without consideration, but the other points that he made, such as that the market research must be continuous in order that we have up-to-date information on consumer preferences abroad and the trade marks and brands should build up a personality for our products, won more acceptance at least in theory. We are no further with a practical export promotion effort at the present time and, therefore, there is need for hard thinking as to what are the obstacles in the way.

So far as the Indian Society of Advertisers are concerned they can complain legitimately that the Government of India demands an extraordinary effort to sell abroad, but in point of fact, pettily denies foreign exchange for widespread sales promotion. The net result is that sales promotion activities abroad, whether in respect of advertising or marketing research, cannot be undertaken. Mr. Kilachand's point that, unless this is done continuously Indian producers cannot be expected to produce to the standards of consumers in different countries, is inescapable. If the Government of India believes — as the Prime Minister made clear — that advertising should be done with the idea of export promotion, the first logical step, to which the Finance Ministry and the Reserve Bank of India should agree, is that for products which have clear possibilities abroad

to be established by marketing research studies, the necessary foreign exchange for a sales programme and further marketing research should be made available without undue delay. At the present time, it looks as though every one is earnest about exports, but no one is prepared to pay the necessary price to bring them about.

The other problem on which too little was said was quality. There was some feeling that Mr. S. K. Patil was exaggerating defects in quality in regard to Indian sugar. But the fact remains that the display of our products is often defective. Sometimes, little elements, like good packaging, are forgotten. It is not impossible that, unless we rectify these mistakes, Mr. Kilachand's fear that European nations will decline in our export trade will materialise. He considered that the answer was not necessarily old markets, but aggressive salesmanship in new ones. He thought that the performance of the engineering industries, which have done well in 1960, was a model of what could be achieved, but surely this success, while welcome, is too inadequate to serve as a guide for the future. We need ten times this effort in engineering alone.

There is also the obverse need of buying in the cheapest market. It is not often realised how much India has lost by the fact that her orders for capital goods and raw materials have often been placed not in the cheapest market, but elsewhere because of particular connections, such, for example, as those which obtain between the S.T.C. and the East European markets. It is time that marketing research provided not merely information on exports, but details of price lists in competing countries for the capital goods which India needs. It has been estimated that for the period of the Third Plan the Director-General of Supplies and Disposals alone will be placing orders to the extent of Rs. 250 crores. Surely, one of the most important matters of policy connected with the Plan should be a permanent organisation which should advise the Director-General of Supplies on changes in foreign prices and how advantages could be obtained from changing areas of purchase or, alternatively, in negotiating for a reduction of prices clearly unfavourable to this country. If even a small fraction of the suggestions made by the Indian Society of Advertisers were fully implemented, a very useful beginning would have been made in an export promotion campaign. It is sincerely to be hoped that no time will be lost in making India's export promotion policy dynamic in these or similar terms.

Guest Editorial

The Economic Consequences of Dr. Verwoerd

By PAUL BAREAU

SUFFICIENT time has now passed since the self-exclusion of South Africa from the Commonwealth to assess its consequences in a mood washed of the emotions which this particular outcome of the recent Commonwealth Conference inevitably aroused. They were deep emotions for, as the Prime Minister, Mr. Harold Macmillan, said in the debate on this matter in the House of Commons "our Commonwealth is not a league of governments, it is an association of peoples", — and many of the people who are now leaving the Commonwealth loathe *apartheid* with an abhorrence that derives from the fact that they suffer from it. This need not have happened had it not been for the doctrinal rigidity with which the Prime Minister of South Africa raised to the level of philosophy practices which might have been condoned or at least tolerated within the Commonwealth, had they been merely part of a gradualness in the approach towards racial equality.

All these, however, are might-have-beens. The die has been cast though the hope must remain that one day South Africa, purged of this evil doctrine, will voluntarily return to this multi-racial community of peoples. The urge to return may become greater as the economic consequences of Dr. Verwoerd's decision become more apparent.

For the immediate future those economic consequences are likely to be small. In the first place, South Africa will remain a member of the sterling area. It was almost a foregone conclusion that it should do so. The decision is justified by the mutual interests of the parties primarily involved. The bulk of South Africa's trade is with the United Kingdom and other sterling countries. The major part of its external debt is expressed in terms of sterling. Its big finance houses derive their resources from Britain as well as from South Africa. A substantial part of South Africa's external reserves is held in sterling balances. Its banking system is closely linked with the London market. For all these reasons any decision other than that which has been taken would have been an attempt on South Africa's part to cut off its nose to spite its face.

South Africa will also presumably continue to sell the bulk of its gold through the London market. Since April 1959, attempts have been made by South Africa to make direct sales of gold from Johannesburg. These have been so successful that it is authoritatively estimated that last year two-fifths of the gold sold by the South African Reserve Bank was disposed of by direct sales and without going through the Bank of England. These direct sales have, however, been dwindling particularly since the gold flurry of last October which showed how supremely well the London market performed in a period of extraordinary difficulty and gave both sellers and buyers a service and flexibility which no other gold market began to approach.

There have, however, been some doubts whether South African gold will continue to be sold in London and these have caused some pressure on sterling. There is a serious flaw in the logic of this argument, quite apart from its false premise. Even if South Africa sold all its gold direct to the United States and kept part of its reserves

in dollars rather than in sterling, it would (other things being equal) have to convert these dollars into sterling. These "other things" are the distribution of South African external trade and the harsh realities of its balance of payments.

The pattern of South African external trade is unlikely to be seriously disturbed by changes in the political status of the country. The Commonwealth preferences will continue to apply. The Ottawa Agreements, under which they are conceded, were a series of bilateral agreements. Whatever may happen to the agreements between South Africa and other members of the Commonwealth, that between South Africa and the United Kingdom will remain undisturbed. This will be wholly consistent with the General Agreement on Tariffs and Trade. When GATT was signed after the war it recognised existing preferential arrangements, though it banned new preferences. The recognition of agreements then in force was made independently of their Commonwealth context.

As regards the question of citizenship and the mobility of people between South Africa and the United Kingdom, there is likely to be a short-term agreement to continue the *status quo*, and give South African citizens the full rights of British citizenship. A precedent for this was set by the treatment meted out to the Republic of Ireland when it decided many years ago to leave the Commonwealth. The Irish, by definition, should not set precedents for anyone or anything else. They are the proverbial exception that proves every rule. They have left the Commonwealth but have retained every privilege of membership — a paradoxical situation which is unlikely in the long run to apply to South Africa.

This retention of privileges will certainly not apply to access to the British capital market. This will not be due to any conscious restrictive move on the part of the British authorities but to a natural revulsion and lack of confidence on the part of thousands of investors, individual and institutional, in Britain. The recent slump in South African shares measures this revulsion. It heralds the possibility of considerable withdrawals of British capital, estimated at some £900 million, from South Africa. Since the South African gold and foreign currency reserves amount to about one-tenth of this figure, any massive repatriation would rapidly bring into being a rigid restriction of payments not only on current but on capital account.

South Africa may yet discover that the economic consequences of Dr. Verwoerd's decision are graver than most appear to assume. This is not the first time that South African Boers have taken to the ox-wagon and trekked away from other communities. But it is one thing to do so in the context of a simple, pastoral, self-sufficing society as was done by the Voortrekkers 125 years ago. It is another to attempt it, however metaphorically, in this second half of the twentieth century and in a country which is rapidly becoming industrialised and which still largely depends on external capital. The day of reckoning may not be long in dawning.

A DELHI DIARY

THE CROSS-ROADS OF ASIA?

A NICE question has been asked in Delhi this week.

Have we become the cross-roads of Asia or are there many cross-roads and Delhi only also a ran? The occasion for the remark has been the vast number of VIPs who were in town this week or have just recently departed. After Mr. Averell Harriman and Prince Souvanna Phouma, who are now carrying their good work at Washington and Paris respectively, New Delhi has seen Mr. Dean Rusk (for the first time as U.S. Secretary of State) and Lord Home, who has become an interesting character after the confession of his failures on tiger shooting in Nepal. The tiger to be shot at the present time, for which appropriate arrangements seem to have been made, is Laos. Perhaps, like Lord Home's tiger in Nepal, it will keep bobbing up and down. Only one hopes that eventually somebody will entrap it in a suitable receptacle. At the present time, while the appropriate noises are being made in the British and Russian Presses, everyone has been kept guessing as to whether or not Laos is on the way to a political solution. Meanwhile, the rise in appropriations asked for Defence by President Kennedy has not been a very encouraging sign. Nor indeed has been the Peace Council's session in Delhi, which has shown, all over again, the aggressive spirit of the People's Republic of China masked cleverly for a period of 'X' years. Readers are asked to solve the equation for 'X'!

But as I was saying, Delhi seems to have become, in the year 1961, an even more sought-after place by VIPs from abroad. It has also this week become a meeting place for all and sundry from all parts of India. The Federation of Indian Chambers of Commerce and Industry, which held its annual meeting, occupied the stage for three days, after which it was hastily occupied by the Indian Society of Advertisers. The common link in the two conferences was an inaugural address by the Prime Minister and a hotly debated subject—export promotion. I cannot say that after the deliberations, most of which, they tell me, have been 'constructive'—happy word!—anything will happen on our exports. But Sir Donald MacDougall, who delivered a splendid challenge at the Indian Society of Advertisers, came to the view that, unless our exports trebled in the next decade, we were in for a pretty difficult time. On the other hand, Mr. S. N. Chib emphasised the point that tourism—has this or has not this to do with Delhi's cross-roads?—would do a magnificent job. In fact, it is now the lustiest infant foreign exchange earner that we already have.

THE MAN WHO CAME TO DINNER

I must leave the problem of the cross-roads without an answer in order to say my piece about the man who came to dinner. In fact, it was a luncheon and not a dinner, and the man concerned is by no means unknown—Mr. S. K. Patil. He certainly stole the show so far as the Federation meeting was concerned. He defused with humour the bomb that he was exploding, but it was a bomb alright. He warned the business community (in one of the most cheerful speeches it has ever heard) about the explosive dangers of abundance, and not of population only. The Food Minister

was glad—and sad!—that now food figured so little in Parliament that scarcely 10 per cent of the questions referred to the misdeeds of his Ministry. It was implied that the misdeeds were not many. There was almost no need for a food debate and yet from all he said it looked as though there was an excellent ground for a debate on sugar in which India's surplus held in the current year might be, he said, one million tons. Talking about support prices on which there has been quite a little confusion in recent months, the support price of sugar now raises Indian price nearly to Rs. 300 per ton above international price. Even if the United States, with seeming generosity, bought our sugar at Rs. 550 per ton, Indian sugar had to be subsidised to the extent of Rs 150 per ton in order to enter the United States. This was the current position. But if we went on at this rate, what would happen ten or 15 years from now? Our fertilisers were 30 per cent above world prices; sugar was 75 per cent and textiles were beginning to show that they were uncompetitive. In what was India competitive, and if we were uncompetitive abroad and internal consumption was incapable of absorbing the miracles of production that had been accomplished in sugar and presumably will be accomplished in other (Patilian) fields, how was the demon of surplus to be laid? The Minister himself had been frightened to the point of not taking sugar with his coffee and now he feared he would have to take a trip abroad to sell sugar to the United States. This was very different from buying 17 million metric tons of foodgrains on which he happened to be on the right side of the fence. It was all a very disagreeable pill for the business men present, but at least it was sugar-coated with an abundance of humour.

THE TRIALS OF TRADE

The second speaker at the Federation lunch, Sir Paul Gore-Booth, had a grimmer subject, but happily a more cheerful conclusion. The subject was the European Common Market and United Kingdom and Commonwealth interests. It was an intricate subject on which, as Sir Paul Gore-Booth said, we need, like Sam Weller, "Double million gas microscopes of hextra power....." There was, however, good cheer to be found, firstly, from the fact that an agreement between Six and Seven would not necessarily be detrimental to Commonwealth interests. Much of the fear that under-developed countries would suffer in the process could be dispelled if it was recognised that now Europe divided investment resources between the Six and the Seven with much duplication; but if an agreement could be found, these resources might conceivably be available for the under-developed (developing?) countries. Secondly, the current would not be changed in the short period very much by an agreement and there would be plenty of time to make the necessary adjustments which were essentially long-term arrangements. I wondered how many business men really followed the strain of the argument which the High Commissioner presented so ably. But I think everyone was happy with the conclusion that the United Kingdom Government would continue to explore the possibility of an association in Europe and that the search was worth while and hopeful for the Commonwealth, no less than for the United Kingdom. Thus, we return at last to the best of all possible worlds!

—ARGUS

THE WEEK'S NOTES

Laos

TIME FOR ACTION

THE CONCERN expressed by Prime Minister Nehru in Rajya Sabha on Monday on the deteriorating Laos situation will be widely shared. With the Pathet Lao forces heading fast towards the Mekong plains, the situation is indeed explosive and requires urgent attention. As Mr Nehru has stated, the issue of war and peace in a big way depends on what happens in Laos in the next few days. If the Pathet Lao forces continue their onward march in the Mekong plains, the SEATO nations will undoubtedly step in, thereby making the situation worse.

In this gloomy picture, however, there is a silver lining; it is the latest proposals of the British Government for early negotiations between the co-chairmen of the 1954 Geneva Conference—Great Britain and Russia. The British plan envisages, firstly, that the Soviet Union should join the U.K. in making an appeal for a cease-fire in Laos, secondly, that the 1954 International Commission for Laos should be revived and, finally, an International Conference on the substance of the Laos problem should be held. This three-stage plan is very near to the proposals put forth by the Soviet Union some time ago. The latest reports from Moscow suggest that negotiations on the basis of this plan can be started soon. The Western Powers—the British proposals are said to have the blessings of the U.S. Government—apparently have come to agree to the summoning of a 14-nation Conference as suggested by Prince Souvanna Phouma and the Soviet Union to resolve the Laos tangle. This Conference, according to the British Plan, would be held when the first two stages of the scheme have been satisfactorily implemented, i.e., the International Commission for Laos has been revived and a cease-fire ordered.

There, however, remains, one big hurdle to be surmounted and that is the insistence of the Soviet Union that before any negotiations are started for reconvening the International Commission, the West must recognise that Prince Souvanna Phouma, though in exile, still remains the de jure Prime Minister of Laos. There are no indications as yet as to whether the Western Powers would agree to this. But since both Prince Souvanna Phouma and the present Prime Minister of Laos, Mr. Boun Oum, are agreeable to reconvening of the International Commission, there should be no hesitation in reviving it.

It is indeed encouraging that both the Western Powers and the Soviet Union have come to realise that Laos should be a neutral country on the periphery of the Communist world in South-East Asia. That was the basis on which the 1954 Geneva Conference proceeded and reiteration of this by both the Western Powers and Russia should help in resolving the issue and bringing peace to the strife-torn Laos. The United States and the Soviet Union will do well in forthwith stopping military aid to the two warring groups in Laos. Any further delay in dealing with the Laotian problem will undoubtedly mean it's becoming more and more complicated and difficult to solve.

World Peace Conference

AFFRONT AND ABUSE

THE PRIME MINISTER categorically denied this week in the Lok Sabha that there was any understanding between him and Mr Sunder Lal, Chairman of the All-India Peace Council, which played host to the World Peace Conference in New Delhi, that there should be no discussion of the Sino-Indian border dispute at the World Peace Council's session. This was in reply to a question put to him in the House with reference to Mr. Sunder Lal's statement at a Press briefing that there was such an understanding. Mr. Nehru gave clarification on this point in the most emphatic terms to the effect that he impressed upon Mr. Sunder Lal that the border issue was "a test of the views of the Peace Council." It is amazing that those who speak with authority for the All-India Peace Council should indulge in lies of this type.

Even assuming that there was an understanding as stated by Mr Sunder Lal, that understanding would not be conceivable unless the Chinese delegation to the World Peace Council was also a party to it. An understanding which would bind the Indian delegation not to touch the border issue and would leave the Chinese delegation free to mention or discuss it would be totally devoid of any sense whatsoever. In the course of the Council's deliberations, the leader of the Chinese delegation made the unabashed and untrue statement that the overwhelming majority of the people in India favoured the Chinese stand on the Sino-Indian border issue. It needs no arguing that Chinese aggression and occupation by military force of India's territory has been opposed by the entire Indian nation except a tiny number of China's camp followers in this country. It was up to Mr. Sunder Lal and his co-delegates from India to stand up against this statement and demand its withdrawal. Instead, they meekly swallowed it and allowed it to go on record.

It was left to the French delegate to give a retort. He asserted bluntly that "even in this part of the world (Asia) there is a great threat to peaceful co-existence. This is because one neighbouring country has committed aggression on one of the largest democracies in the world." The aggressor referred to was unquestionably China and the Chinese delegation threatened to stage a walk-out unless the French delegate withdrew his statement. Ultimately, at the intervention of the Chairman of the Disarmament and Peaceful Co-existence Commission of the Council the statement was withdrawn. Here was a clear opportunity for the Indian delegation to demand as a condition precedent the withdrawal of the false and propagandist statement of the Chinese delegation. But the Indian delegation did not have the courage to take this course.

The Chinese delegation has abused India's hospitality in carrying malicious propaganda against the host country purposefully and deliberately. It indulged in this brazen-faced activity by making a direct attack on the Government of India as inheritors of the seeds of British imperialism at the cultural meeting of the Council convened in connection with Tagore's birth centenary and exposed itself to the penalty

of indirect expulsion from the country. In doing so, has it strengthened its country's "cause" or enhanced its reputation?

The deplorable fact which emerges from this incident is that a naked affront to India was swallowed by the All-India Peace Council even without a word of protest. Can this conduct be explained on any other hypothesis than that of extra-territorial loyalty?

Gujarat's Finances

MEMORANDUM TO THE FINANCE COMMISSION

IN RESPONSE to the Third Finance Commission's invitation to make observations and suggestions on the basis of allocation of the proceeds of certain taxes and duties between the Centre and the States, the Gujarat Chamber of Commerce has made a well balanced and objective assessment of all the relevant factors which merit serious consideration. Against the total outlay of Rs. 235 crores for the Third Five-Year Plan for Gujarat, the Centre's contribution is estimated to be Rs. 113 crores while the remaining amount of Rs. 122 crores has to be made available by the State through mobilisation of internal resources. Analysing the resource position of Gujarat, Mr. Maldevji Odedra, Deputy Finance Minister, Government of Gujarat, pointed out that the State Government will not be able to raise more than 100 to 105 crores of rupees even after putting the best efforts. It is claimed that the per capita tax revenue, calculated on the basis of actuals for the year 1958-59, for Gujarat State comes to Rs. 15.5—one

of the highest among many States in India and higher than the all-India average of Rs. 12.9. Further, it is pointed out that the State Government have exploited 15 sources out of the 17 sources of taxes and cesses—that is, all sources of taxes have been tapped except tax on agricultural income and tax on trade, professions and callings, which do not offer much prospect by way of bringing in substantial revenue.

Thus it is felt that in view of limited scope for widening the tax base and the high level of taxation that is already obtaining in Gujarat, greater allocation of revenue by the Centre to the State is called for. In this connection the Chamber of Commerce suggests that the percentage share allotted to the States out of the proceeds from income should be raised from 60 per cent to about 75 to 80 per cent. It also suggests that the share of excise duties of each State should be determined on the basis of extent of consumption of commodities and should be 50 per cent of the proceeds thereof. The Chamber also holds the opinion that the proceeds of the estate duty should be distributed among the States on the basis of collections. In view of the heavy budgetary deficit, high incidence of per capita taxation, backlog of development in regard to irrigation facilities, power, transport, roads, etc., numerous transitional problems arising from the creation of the new State and additional financial burdens that will have to be borne by the State Government on that account, justice will be done to the State of Gujarat only if a sizable sum is allotted by the Centre by way of grants-in-aid.

The World Abroad

TAXATION, INCENTIVES AND SALARIES

By

ODYSSEUS

MR RICHARD C. SMYTH, President of Smyth & Murphy Associates, a US firm of business consultants, has just published a stimulating book entitled "Financial Incentives for Management" (McGraw Hill, London, 66sh). Mr Smyth sets out to explain, with a wealth of practical examples, statistical tables, and graphs, right and wrong ways in which to use financial incentives to extract harder and better work from employees—from foremen to chief executives. In other words, his subject is: what are the best ways of offering more pay for better work, by bigger salaries, bonuses, profit-sharing schemes etc.?

Perhaps, at the outset, we ought to consider two objections against the profit motive itself—although they are not heard so frequently today as they were some years ago. The first is that the acquisitive instinct is at the root of all evil: the source of inequality. In Germany, and other countries of the West, where the acquisitive instinct is allowed full play, the individual is, it is alleged, made selfish and, dazzled by his material prosperity, forgets his obligations to the aged and the poor, the sick and the young. In place of all this, the Socialist ideal is a society in which one stands for all and all for one. In real life, however, where this selfless ideal is enforced you find primitive societies, like the South African Bantus, the yield of whose agricultural system of joint production has remained constant for centuries. The Bantus achieve the Socialist egalitarian ideal: their society is not stratified according to differing incomes. The result is the absence of incentive to advancement and the presence of an equally important incentive to a static economy. The Soviets quickly grasped this point and long ago introduced bonus schemes for workers and high salaries for executives, so much so that the sons of Moscow's top level executives constitute a new "gilded youth"—a term which taxes caused to disappear from current usage in the rest of Europe several decades ago.

But it is not only the Left which minimises the importance for economic advance of the acquisitive instinct. In its interesting and authoritative report, "Growth in the British Economy" (Allen & Unwin, London, 1960), Political and Economic Planning disputes (with certain qualifications) the view that high taxation damps individual initiative. One of Mr Smyth's most useful contributions to this debate is to provide facts and figures which establish that where there is a direct unblurred connection between effort and reward, efforts are greater. He tells us that over the past forty years industrialists have ascertained by experience in applying wage incentive plans in workshops that a chance to earn a bonus of at least 20 percent is needed to achieve sustained high level performance. If the bonus is much below 20 percent, the average employee sees no point in exerting himself. American experience has been that to obtain the best results, top level executives need opportunities to earn bonuses of 40 to 60 percent of their basic salaries; middle position managers need 30 to 40 percent; and supervisory and administrative staff need 20 to 30 percent. As profits increase, a share of the increase goes to the executives. Thus, both shareholders and executives secure increased earnings. A study of fortyone leading companies between the years 1939/50 revealed that those which increased senior executives' compensation by over 80 percent had an average increase in net profit of 360 percent. Where compensation was 50 and 80 percent, the average net profit gain was 230 percent; and where executive com-

pensation was either not increased at all or only up to 20 percent, profits increased only by 118 percent.

BIG SALARIES MEAN BIG PROFITS

A more recent study of executive salaries and bonuses involving seventy-one representative large companies each with 20,000 or more employees showed that the top-paying companies in 15 major industries had a substantially higher return on invested capital than did their lower-paying competitors. The company in each industry that paid its executive group the highest percentage of total payroll earned an average of 17.2 percent in 1956 on invested capital. This return is 40 percent above the 12.3 percent return reported by the average of all companies taking part in the survey. Top-paying companies earned twice as much on invested capital as did the companies with the lowest executive pay in each industry which reported a 7.6 percent return on investment. Further evidence is found in an analysis of the profit increases of these 71 large companies during the ten years ending in 1956. The top paying companies in each industry reported profit gains that were twice the average, and more than ten times the ten year profit increase of the low-paying companies in each industry.

After reviewing all the evidence, it seems reasonable to conclude that a properly designed and administered executive incentive bonus plan tends to increase corporate net income and to benefit shareholders.

In this age of social security, unemployment pay, sickness relief, fringe benefits of all kinds, and pensions, coupled with higher and higher taxation, it is becoming increasingly difficult to induce many men, well settled in comfortable junior positions, to undertake responsibilities, anxieties, and often the public criticism, that go with top level positions. For example, Mr Smyth cites Mr Reese Taylor, Chairman of the Union Oil Company of California, as reporting that his company has actually "had fellows decline promotions," because of high taxes plus heavy responsibilities that seem disproportionate to the financial rewards. "We don't find enough people who want to be president of the company any more." Again Mr Harlee Branch, Jr., president of the giant Southern Company, says: "We have found it difficult, at times impossible, to attract men of superior talent inasmuch as their only hope of reward in our business is salary payments which are so heavily taxed."

It is, of course, true that financial rewards are not the only considerations which inspire men. Others include a sense of responsibility, loyalty to the organisation, the challenge of the job to be done, pride in accomplishment, a chance to participate in forming company policies, easy access to managers above them, good physical working conditions and pleasant surroundings, a sense of mission, and interest in the work itself. These are all honourable motives, and they may, on occasion, induce a man to stay where he is rather than accept a better paid job elsewhere. Nevertheless, these motives must have a solid foundation on which to develop, and that is provided by an adequate financial reward, with reasonable prospects of improvement in recognition of good work.

Mr Smyth's evidence that the various levels of management in the USA are relatively less well off today than before the war is even more true of the UK

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where both taxation and inflation have been steeper. The previously cited survey of fortyone US companies over a wide range of major US industries showed that between 1939/50 the percentage increase in gross pay for managerial staff was far less than the increases for white collar and hourly paid workers:

**Percentage Increase in Average Gross Compensation
(Excluding Overtime Pay)**

Top management	35
Middle management	45
Supervisory management	83
White-collar & hourly paid employees	106

Allowing for taxation and the fall in the purchasing power of the £, a man who was earning £1,750 (approx. \$5,000) gross in 1938 in the UK needs to earn £7,740 (approx. \$221,000) today to recapture his 1938 purchasing power. An American who earned \$5,000 in 1938 would need \$11,744 (approx. £4,187) today to equal his prewar standard of living. In both countries, the increase in taxes has hit the higher-income levels disproportionately harder. As a result, in the USA when tax increases and inflation are allowed for, managerial staff has lost ground in comparison with prewar US white collar and hourly paid workers as follows:

**Percentage Change in Average Gross Compensation
Adjusted for Increased Taxes and Living Costs**

Top management	-59
Middle management	-40
Supervisory	-13
White-collar and hourly paid employees	+3

It is interesting to note that despite their substantial monetary rises, US wage-earners are only 3 per cent better off in real values than prewar.

Whether you regard this trend as good or bad depends on your social philosophy, but from the point of view of paying salaries and finding incentives to best performances, it does create problems.

The basic fact is that in a modern dynamic industrial economy, as opposed to a primitive, static agricultural economy, unless you pay rewards that offer real incentives, you will not get men to take real responsibilities. This poses a particularly difficult problem in the higher executive levels. Where, as in so many countries, taxation is precipitously steep at the higher levels, such big increments often become necessary to secure any appreciable addition to the net cash in an executive's pocket after taxation that adequate salaries can become a burden on any but the biggest companies.

In the USA, for example, a ten percent rise of \$500 on a salary of \$5,000 a year, leads to a tax of 19.8 percent on the \$500. A rise of \$20,000 on a salary of \$200,000 leads to a tax of 78.3 percent on the \$20,000. In the UK today, tax is at the rate of 88.7 percent in the top bracket. Such steep taxes hit especially hard companies which have to send executives to manage overseas enterprises. Not only are these outsize salaries apt to be a burden, but they often attract strong criticism from uninformed people who argue that "no man is worth Rs 150,000 a year." Next week, I will comment on some of the solutions of these problems offered by Mr Richard Smyth.

The European Scene

GATT'S CRISIS

From Our Special West European Correspondent

PARIS, March 25.

SEVERAL European newspapers lately have spoken of a "crisis in GATT" and there have even been polemical articles, possibly inspired officially, blaming one country or another for the present near-breakdown in tariff negotiations in Geneva. These reports are considerably exaggerated but it is true that GATT has run into problems of an immense complexity and is making precious little progress toward resolving them. Negotiations that were scheduled to be completed months ago have dragged on interminably, meetings are being adjourned sine die, and more important matters that were due to be taken up this spring have had to be put off indefinitely. Although the questions involved are of vital interest to traders everywhere, their intricacy discourages public curiosity and it is probable that events are being followed closely only by a small number of experts—and even they have lately had to get an electronic computer brought across from the USA to help them unravel the mass of calculations in which they have got lost.

Yet the issues can be described fairly simply, in their bare outlines. GATT (the General Agreement on Tariffs and Trade) is the international trade body that survives from the Havana Charter of 1948, which was never ratified. It is concerned with reducing obstacles to international commerce, mainly by providing a sort of market-place where nations agree to reciprocal reductions in customs duties. GATT, unlike the World Bank or the United Nations, has virtually no permanent executive or secretariat of its own, and thus only enjoys full existence when member-nations meet in Geneva to bargain about duties. The usual procedure is that the two or three countries most interested in trade in a certain article (e.g. the biggest exporter of shoes and the main importers) negotiate a reduction of duties or agree that duties will not be changed for three years (this is called "consolidating" a tariff), and this is then automatically extended to the other members of GATT by means of the most-favoured-nation clause which ensures that a concession made to one member is applied to all the others.

Though little known, this procedure has produced some quite spectacular results. At the first three tariff conferences (Geneva 1947, Annecy 1949 and Torquay 1950-51) about 58,000 customs duties were reduced or consolidated and this was no mean contribution to the expansion of world trade. Another conference in Geneva in 1956, aimed at a universal reduction of world tariffs, failed, but these problems were to be taken up at the Fifth International Tariff Conference that began last September. Meantime new developments emerged which altered the whole context of the GATT negotiations: one held out a great hope, and the others complicated matters considerably. The hope lies in the Dillon Proposal, put forward by the man who has since become the American treasurer. The U.S. Congress has authorised the President to grant by decree reductions in American tariffs going as far as 20 per cent, on condition naturally of reciprocity. This required a multinational conference, at which the USA would trade its tariff-cuts for concessions made by others, and Mr Dillon suggested

such a conference as long ago as 1958. It has not yet begun, but the powers granted by Congress expire on June 30, 1962; since the horse-trading will take very many months, it is urgent that the "Dillon Round" should begin in Geneva by September this year. If the opportunity is missed, the power to grant U.S. duty reductions will revert to Congress and, seeing that the USA's trading position has changed since Congress wrote its blank cheque to the White House, duty reductions would then be much harder to obtain.

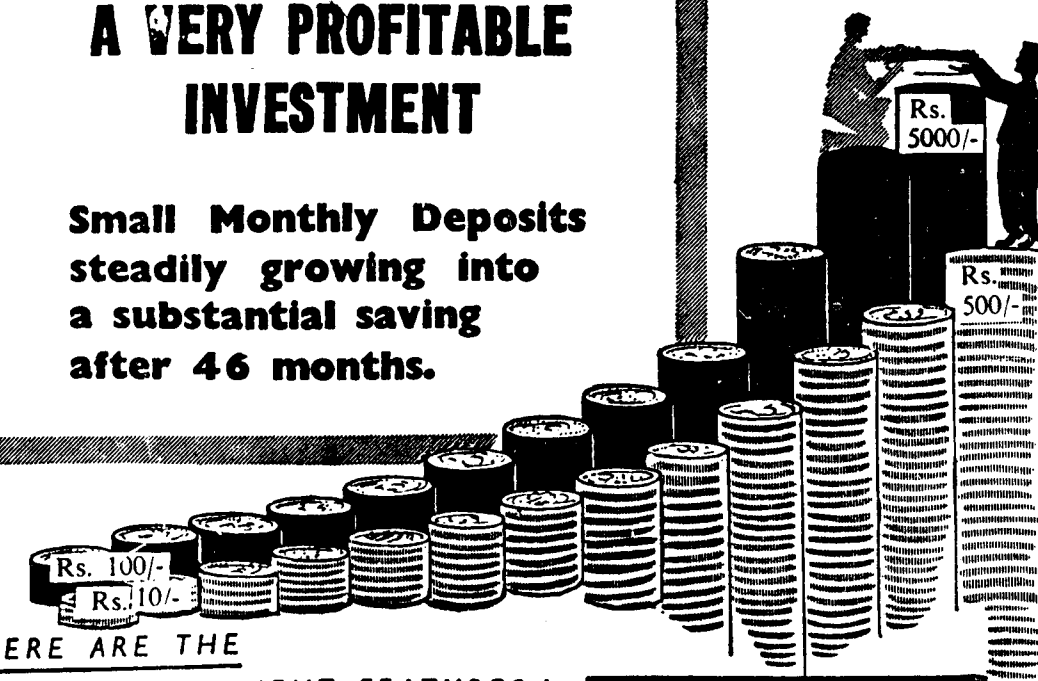
The complications that have appeared are, of course, the constitution of regional groups such as the Common Market, the Free Trade Zone and the Latin American ventures in the same direction. These entail discriminatory duty reductions among their participants, which are not extended to the other members of GATT. The rules of the association foresaw the possibility of customs unions and free-trade areas (the distinction between the two being that the former has a uniform external tariff and the latter has not) but stipulated that, to accord with GATT, they had to be real customs unions covering all the products traded between their members. Now the British-led EFTA excludes agricultural produce, so it is not a legal free-trade area as defined in the charter. The Common Market includes agricultural produce but does not simply abolish duties and quotas; it proposes a "joint agricultural policy" for its six members. So its case is doubtful and some members of GATT argue that it is illegal. GATT has been unable to settle this juridical debate and has just postponed a decision. The Common Market, however, appears to have been accepted de facto, but a battle is yet to be fought about EFTA.

The really serious problem concerns the Common Market's external tariff. Since this is to be the arithmetical average of the five national tariffs (five only, because the Belgium-Luxembourg union has one tariff), it means that some tariffs must go up while others come down. There is no trouble about those that come down; GATT is there to encourage that. But many of those that are due to go up, mainly West German and Dutch duties, have been "consolidated" i.e. those nations have agreed in GATT not to raise them, or at least to give adequate compensation if they do so. Now of course the Common Market countries (who have taken a common line and sent a joint committee of experts to negotiate in Geneva) argue that what outsiders lose when a German duty goes up is already adequately compensated for when a French or Italian duty comes down. This, the outsiders flatly refuse to believe. One country, say India, might lose a great deal when a German tariff increases whereas it gains nothing when a French tariff on the same article falls because France does not import that article, or not so much of it, or imports it from elsewhere; thus India could demand some compensation.

That was where the electronic computer came in—it was asked whether a 5.4% fall in the Italian tariff on Burmese fishing rods compensated for a 2.8% rise in the German tariff on Bolivian straw hats. Not surprisingly very little progress has been made, because this sort of problem is insoluble. The Common Market countries are sticking rigidly to the doctrine that the arith-

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metic average offers as many concessions as it entails losses, whereas other delegations, notably the British, are insisting on a point-by-point proof of this, over a range of thousands of articles. As usual when international conferences get deadlocked, allegations of ill will begin to be made. The Swiss roundly blame the French for the whole trouble, though France is not negotiating at Geneva: it is the Common Market as a unity that is dealing with the other members. In turn the French accuse the British of a diabolical scheme: they are deliberately drawing out the interminable squabble about the Common Market's external tariff so that the Dillon negotiations cannot be completed in time, because London fears the results for British industry of a universal 20% duty cut. No evidence is available for this improbable suggestion.

It is curious that GATT has got bogged down in the minor question of infinitesimal disadvantages caused by the Common Market's external tariff when Mr Dillon is waiting patiently with that 20% cut in U.S. tariffs. The Common Market countries have already offered to cut their external tariff by 20% if the Dillon plan succeeds, so anything that might be lost by an overseas country because of the introduction of that external tariff would soon be made up by a fall of one-fifth in its level. The discussions that have been dragging on inconclusively for months in Geneva no doubt have their importance but the uninitiated will find it hard to believe that it exceeds that of a substantial and universal reduction in duties.

It would be too strong to say that GATT had broken down, but it has certainly shown itself incapable of dealing, so far, with the problems before it. This is regrettable because GATT was on the verge of becoming a much more important and influential organisation than it has been to date. In the long period of payments-balance difficulties in Europe, GATT's rules could not be applied literally since every country was allowed to practise protectionism to safeguard its currency. Now, all the major European countries have foresworn that escape-clause; their currencies are restored and they have promised the IMF to impose no new restrictions on convertibility, so GATT could hope to see its rules followed to the letter. Moreover the OEEC, which was always a technical infringement of GATT rules, is being wound up and the successor OECD has indicated that it will no longer deal with tariff matters but will hand them over to GATT. Since the USA and Canada are full members of the OECD, this means that GATT would receive total jurisdiction over 70% of the world's trade, that being the share of the European members of the OEEC plus North America. It also means that the famous problem of the trade-war between the Six and the Seven would be settled in GATT and not inside the OECD.

It will be no advantage to hand these questions over to an organisation that is deadlocked over smaller matters. GATT certainly needs some structural reforms, for it is altogether too "democratic": it has no "security council" and no permanent executive, so it can be held up over relative trivialities and tends to lose the thread in between sessions. Confidence in the organisation has been shaken and will not be restored until it begins, in good time, the negotiations suggested by the Americans and which could result in a one-fifth reduction in duties all around the world.

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Our West German Letter

DR. ERHARD ON INDIA

[Dr. Gabriele Wulker, our Special Correspondent in Bonn, interviewed Dr. Erhard recently. An edited version of the interview is published below. —Ed.]

QUESTION: Public concern is frequently being expressed in India that the Federal Republic would be more interested in Africa than in Asia. However, in view of the Third Five-Year Plan, India hopes for decisive support from the Federal Republic. It would be of interest to us if you could give us some details of the supporting measures you intend for Africa and Asia.

Answer: In awareness of the special difficulties of the developing countries, the Federal Republic endeavours at present to considerably increase its contribution for the development of a productive and sound economy in these countries. On account of its size and population, and its importance for several other reasons, India has so far received greater support. This aid will be increased in the future. May I remark in this connection, that the Federal Republic has contributed to the Second Five-Year Plan an amount of \$100 million and that it intends to make available further amounts for expansion of Rourkela Steelworks and for the realisation of the Indus-Water-Project, and also the technical assistance.

The Federal Government will contribute to India's Third Plan as far as its financial resources permit. The special interest of the Federal Government in India's problems was clearly demonstrated by the Federal Minister Wilhelmi, who recently visited India on behalf of the Federal Government. He announced a German contribution of DM 400 million for the first year of the Third Plan. The Federal Government furthermore endeavours to promote private German investments in India. I am fully convinced that the Indian economy will particularly profit from the assistance provided by the private enterprises. Under these circumstances the preference of Africa is out of question. It is true that in the past few years specific problems were posed by the newly independent States. They urgently need technical assistance and capital aid. This, however, does not mean that aid to India will not be intensified.

Question: Is the Federal Republic particularly interested in giving support to the developing countries through the World Bank or directly through bilateral or multilateral channels?

Answer: The Federal Republic has in the past given multilateral as well as bilateral aid. The demand for capital in the developing countries is nowadays so great that both the means are necessary on a parallel line, supplementing each other.

The multilateral aid has proved to be an important instrument for the accumulation of capital from many sources to finance greater projects, which would exceed the possibilities of one single country. Whereas, in favour of bilateral aid it is frequently held that thereby closer economic and cultural relations between donor and receiver country may be created, particularly if they lead to co-operation on the basis of true partnership and mutual understanding. This is the goal of the German aid.

I believe that under the leadership of the World Bank the difference between bilateral and multilateral aid will be eliminated. Just to give some instances I may say: The Indus Water-Project and India's Third Five-Year Plan. In both the cases the special needs were confirmed multilaterally. The execution will, however, be reserved to bilateral agreements. This does not exclude that in future, for certain spheres of projects bilateral and for other spheres, multilateral aid will be appropriate. This depends on the specific needs of the receiver-country.

Question: India needs qualified labour in indus-

plans of the West-German Government, to send for some years highly qualified labour to India?

Answer: Qualified experts are sent to India whenever the Indian Government sends its requirements. The period of their stay depends on the job to be executed, which may be expert opinions or an extended activity as a teacher or as an adviser. The German training experts for the prototype and training workshop at Okhla and for the technical school at Madras are important instances. The advisory group for the Indian coal-mining as well as a team of about 175 experts for Rourkela Steelworks are further examples. This German team will pass on their experience with modern techniques to the Indian technicians of the Hindustan Steel Ltd. In the future too the Federal Government will do its best to meet the Indian demands for German experts.

Question: Quite a number of Indian students and trainees have come to Germany. They acquire knowledge in the restricted fields of their studies or technical training. Cannot the firms and universities arrange that they not only gain special knowledge but also come into close contact with the German culture?

Answer: This question is easier to solve for the Indian students themselves. Training at the universities itself entails sufficient contact with the German cultural life. Moreover the students have the opportunity of participating in the cultural events conducted at the universities. In his respect the "German Academic Exchange Service" always provides assistance. The trainees who spend most of the day in workshops and factories find it difficult to come in contact with the German life. For them various facilities are available. The "Carl Duisberg Gesellschaft" may be named first, which takes care of the foreign trainees in the Federal Republic and tries to make various arrangements for them. The "German-Indian Society" in Stuttgart and the Indian Institute in Munich follow the same line. The "Carl Duisberg Gesellschaft" maintains the so called foreign circles or contact centres in cities and towns. They introduce the foreign trainees to the German cultural life by means of cultural events, e.g. musical evenings, theatre, excursions or discussion groups. Furthermore a seminar is held once a year for the trainees invited by the Government and are offered visits to theatres, film shows, etc.

Larger firms are on their part trying to foster their foreign trainees in such a way that they can establish contacts with the cultural life. In general, it depends more or less upon the person himself to endeavour to know the German culture. Nevertheless wide range of possibilities is offered to all foreign students on a voluntary basis.

Question: What facilities have been created for the Germans who go to India to introduce them to the social and cultural structure of the country. Can the experts in one way or the other be induced to make use of these facilities?

Answer: Facilities have been provided to introduce the German experts going abroad to the social, economic and cultural structure of the particular country. Various institutions have taken up this task: The "Deutsche Stiftung für Entwicklungsländer" in Berlin Tegel, the "Haus Rissen" in Hamburg and the Industrial School for Teachers in Solingen. The last one trains German teachers at industrial or technical schools for their future tasks at technical schools in developing countries.

Learning from the experience which the German experts could hitherto gather in developing countries,

(Continued)

Economic Report from the U.S.**FOREIGN AID MESSAGE**

WASHINGTON, March 22.

THE special foreign aid message President Kennedy has sent to the U.S. Congress is proof of the fact that new challenges bring forth new responses. For what the President has proposed is an all but complete revamping of the U.S. programme of aid to developing lands—not so much in the monetary totals involved as in the direction and administration. Implicit is a vast co-operative effort by all free nations to raise living standards and promote economic and social progress throughout the developing areas of the world. This would require programmes of self-help by the developing nations, as well as programmes of enlarged and co-ordinated assistance by the developed nations. It would involve the establishment of long-range goals and a common undertaking to meet those goals, with each nation's contribution related to the contributions of other to the precise needs of each developing land.

Out of this, the 1960's could emerge, in Mr. Kennedy's ringing words, as a "decade of development", in which many developing nations could make the transition to self-sustained growth. Achieving this, in his view, will require a "new partnership" in which each free nation will assume a responsibility proportional to its means. To help bring about these ends, the President is proposing a comprehensive reorganisation of the U.S. aid effort, under one administration, which would report to the Secretary of State, and would embrace such now independent operations as the International Co-operation Administration (ICA), including its technical assistance functions; the Development Loan Fund; the Food for Peace Programme; certain lending activities of the Export-Import Bank; the New Peace Corps; and other related services. This newly proposed over-all aid agency still has no name. But that detail is far less important than the improvements it could work in the aid effort. For it would enable one administrative body to draw upon funds from different sources to achieve the kind of development progress that is best suited to the needs of individual recipient countries. In making it possible to co-ordinate the various types of aid needed in each developing land, the new agency would enhance the effectiveness of the entire foreign aid effort. There has been up to now no such U.S. instrumentality for laying out and administering co-ordinated national and regional aid programmes in this manner.

The nature of the individual country programmes would depend in large measure, of course, on the needs of those countries and the steps they take to accelerate their own economic and social progress. Development of standards will be important in this regard, as the developing lands will have to institute their own reforms and so provide a basis for effective use of the assistance provided. But organisational machinery is only one step. There also must be something to administer. And in this regard, President Kennedy is proposing a significant shift in the kind of assistance the United States will be offering. This shift does not involve in the first instance any changes in the total amounts of U.S. money to be made available. The \$4,000 million President Eisenhower requested for foreign aid in his last proposed budget—that for the 1962 fiscal year beginning next July 1—is the same amount President Kennedy is asking for now. There would, however, be important changes within that amount—changes that reflect a growing emphasis on economic assistance, particularly of a long-range nature. Where Mr. Eisenhower had asked for \$1,800 million for military and \$2,200 million for economic aid, Mr. Kennedy is proposing \$1,600 million for military and \$2,400 million for economic assistance. Moreover, Mr. Kennedy is further proposing that the military

assistance figure be incorporated within the budget of the Defence Department, rather than that of the new aid agency, thus emphasizing the economic side of the U.S. assistance effort.

Within the economic aid effort, there is another highly significant change. This is the proposal that development assistance take the form of long-term loans up to 50 years in maturity, and carrying low interest or no interest charges, depending on circumstances. These would be financed not through regular annual appropriations by the U.S. Congress, but through authority to borrow from the U.S. Treasury. As currently contemplated, that borrowing authority would range up to \$1,600 million for each of four years subsequent to the 1962 fiscal year. With \$900 million being asked for long-term development assistance in fiscal 1962 this would make for a long-term development assistance total of up to \$7,300 million over a five-year period. This long-term borrowing authority is considered in many ways the key to the development assistance effort. For it would enable the United States to schedule development aid on a realistic basis, one that is related to the long-term self-help programmes of the developing nations themselves. It thus would get away from the short-term "crisis" approach to development assistance, and would make for a more efficient aid programme both here and abroad. It should be noted that emphasis will be on dollar rather than soft-currency loans. But the length of the loans and the ease of the repayment terms are considered the really important factors. The expectation is that as developing lands make the kind of progress that is envisaged, the repayment of easy-term dollars loans will work little hardship on them, and indeed will help give them a greater sense of contributing to their own progress. Other parts of the aid programme, however, would continue to be subject to annual Congressional appropriations. These, such as technical assistance and other forms of grant aid, do not usually require lengthy planning, and often are given in response to current and immediate needs which may change from year to year.

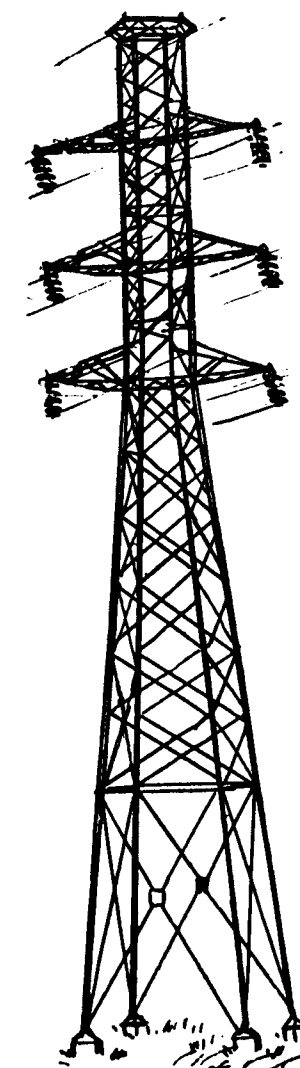
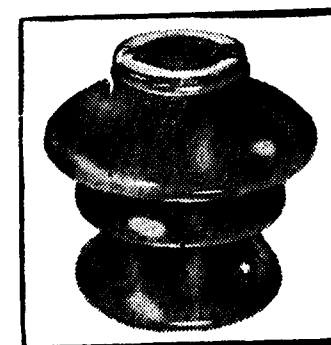
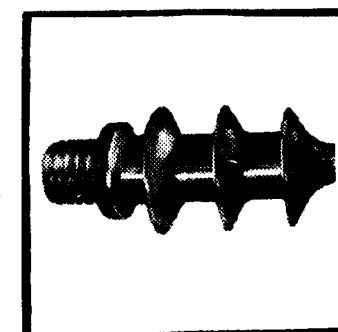
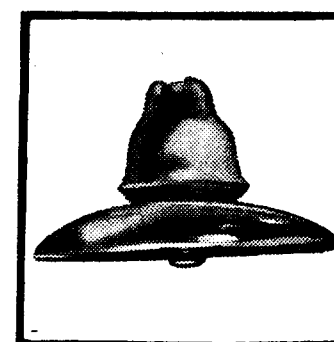
DR. ERHARD ON INDIA—Contd. from page 865

the German experts who now go to these countries are increasingly recognizing the advantages of participating in preparatory courses at the institutes mentioned above. It can be expected that the preparatory training will increase in the Federal Republic within the next years thus deepening the knowledge of your great and ancient country—India.

Question: The Federal Republic has become known in India especially by the steel mill at Rourkela which was constructed in co-operation with the Hindustan Steel Ltd. Do you think that the co-operation between the Federal Republic and India can also be intensified in the fields of small and medium sized industrial enterprises?

Answer: The appropriate distribution of factories and workshops of all sizes within a country is to my opinion an inevitable prerequisite of a sound economic social and political system. Nearly each great enterprise needs a number of small-scale industrial units which play an important role as ancillaries.

We will try to find ways and means for a closer co-operation in this field. The Federal Government at present is investigating whether the national developing banks should be supported to intensify the small and medium-sized industries. Moreover the means of information and credit facilities for those German enterprises who want to take part in the respective projects in developing countries will be improved.

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Special Article

POPULATION GROWTH AND ECONOMIC DEVELOPMENT

IT is a matter of gratification that the preliminary data in respect of the 1961 census have been released in remarkably short time. The provisional summary contains changes in population, literacy and sex ratio in the Indian Union during the last decade. The most significant, though not quite unexpected, revelation is that the population of the Indian Union at present is 438 million against 361 million in 1951, the annual rate of increase being around 2.15 per cent. India's population has overshot all the previous projections for 1961. On the basis of the census results of 1951 when the annual rate of increase was placed at 1.33 per cent, probable population by 1961 was envisaged at 407 million. Messrs. Coale and Hoover of the Princeton University, whose estimates were considered fairly on the higher side, placed the population by 1961 at 424 million. Towards the end of 1959, the Expert Committee of the Planning Commission estimated it at 431 million. The count at 438 million now, therefore, exceeds all these estimates.

To explain this rate of increase, an analysis of the existing death and birth rates is, of course, necessary. During the decade 1941-51, the death rate was roughly 27 per cent, while the birth rate was 40 per cent, so that the net annual increase worked out to 1.3 per cent. In the absence of any precise data for birth and death rates at present, we can assume that the birth rate might have remained stationary or increased only marginally. The major change, it appears, has come about in respect of the death rate which, evidently, is the result of improved levels of nutrition and medical care in the urban as well as rural areas under the impact of India's two plans. At the time of the finalisation of the first as well as the second Plans, concern was expressed in respect of population increase. But the steps taken to control it hardly touched the fringe of the problem. In the result, an annual rate of increase of the order of 2.2 per cent by 1961 has emerged.

How is this higher rate of increase in population likely to affect the country's economy? In the first instance, it has meant a lower rate of growth in the per capita income than was originally assumed. This assumption needs downward revision by reason of the

fact that the assumed rate of increase in national income is not going to materialise and will decline by 5 per cent to 20 per cent. It was believed that the national income during the Second Plan period increased by about 20 per cent. Taking into account the fact that the rate of growth in population has been around 2.2 per cent annually, the per capita income increased during the Second Plan period just by about 9 per cent. The revised estimate of the rate of increase in per capita income was placed at 12 per cent.

Moreover, the Planning Commission will have to revise certain targets to be achieved during the Third Five-Year Plan. This will apply especially to foodgrains output and employment—both of which are directly connected with the country's population. In the table below have been examined the possible changes in the target for the output of foodgrains by 1965-66 which actually was based on the assumption that by the end of the Third Plan the country's population may be around 480 million. In the light of the latest census data the population may rise to 490 million by 1965-66. The consumption requirements on the basis of 18 ounces of foodgrains per capita (15 oz. of cereals and 3 oz. of pulses per capita) now work out to 86.7 million tons instead of 84.9 million tons. Similarly a provision of 13.9 million tons will have to be made for seed, feed and wastage. A minimum stock of 1.5 million tons, as assumed earlier, will require the total output to be nearly 102.1 million tons against a target of 100 million tons. Thus the Planning Commission has to make provisions for an additional food grains output to the extent of 2 million tons to adhere to the accepted level of nutrition.

FOOD REQUIREMENTS—1965-66

	Original estimate	Revised estimate
Population (in millions)	480	490
Food requirements		
(i) For consumption (in millions)	84.9	86.7
(ii) For seed, feed and wastage (million tons)	13.6	13.9
(iii) For stocks (million tons)	1.5	1.5
(iv) Total (million tons)	100.0	102.1

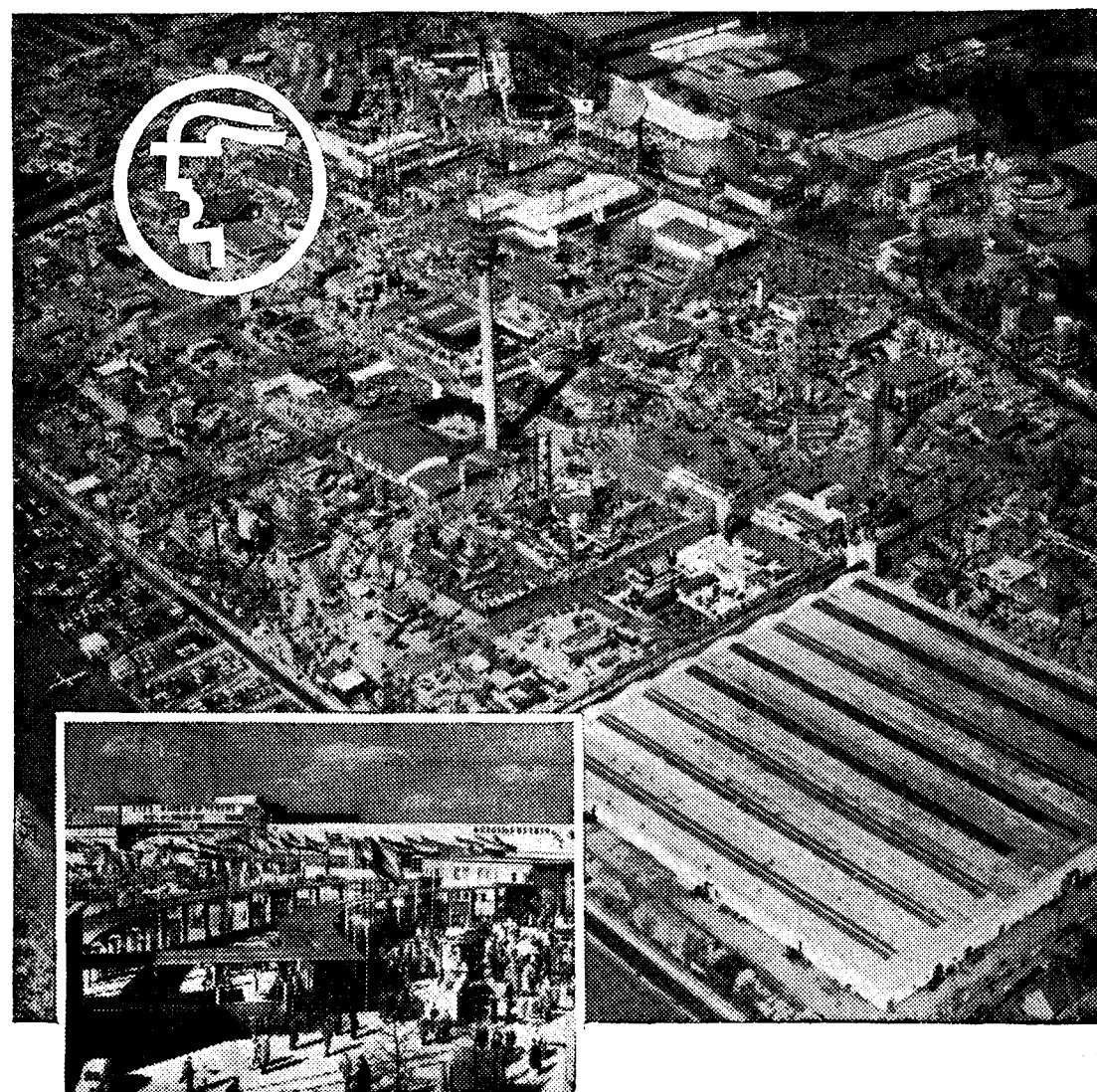
GROWTH OF POPULATION

State	Population (1951)	Population (1961)	Absolute increase between 1951 and 1961	Percentage increase between 1951 and 1961	(In millions) Density per sq. mile	
					1951	1961
Andhra Pradesh	31.12	35.98	4.86	15.63	293	339
Assam	8.83	11.86	3.03	34.30	188	252
Bihar	38.78	46.46	7.67	19.78	577	691
Maharashtra	32.00	39.50	7.50	23.44	269	332
Gujarat	16.26	20.62	4.36	26.80	225	286
Kerala	13.55	16.88	3.33	24.55	903	1,125
Madhya Pradesh	26.07	32.39	6.32	24.25	152	189
Madras	30.12	33.65	3.53	11.73	601	671
Mysore	19.40	23.55	4.15	21.36	262	318
Orissa	14.65	17.57	2.92	19.94	243	292
Punjab	16.13	20.30	4.16	25.80	343	431
Rajasthan	15.97	20.15	4.18	26.14	121	152
Uttar Pradesh	63.22	73.75	10.54	16.67	557	650
West Bengal	26.30	34.97	8.67	32.94	775	1,031
Jammu and Kashmir**	3.27	3.58	0.32	9.73	N.A.	N.A.
Union Territories						
Andaman and Nicobar Islands	0.031	0.063	0.032	104.83	10	20
Delhi	1.74	2.64	0.90	51.60	3,044	4,614
Himachal Pradesh	1.11	1.35	0.24	21.59	102	124
Laccadive, Minicoy and Amindivi Islands	0.021	0.024	0.003	14.61	1,912	2,192
Tripura	0.64	1.14	0.50	78.63	158	283
ALL INDIA	359.22	436.42	77.26	21.49	316*	384*

* Excludes Jammu and Kashmir State.

** The last census in Jammu and Kashmir was held in 1941. For purpose of variation mean of 1941-61 increase has been taken.

Note:—The population of Manipur, Nagaland, N.E.F.A., and Sikkim are not included in the all-India figures.



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The Draft Outline of the Third Plan, makes the disconcerting disclosure that the backlog of unemployment at the end of the Second Plan is likely to rise to 7.5—8 million as against a backlog of 5.3 million at the end of First Plan. It has been estimated that the new entrants to the labour force during 1961-66 may be around 15 million. Now, with a higher estimate of total population, the new entrants are likely to be more than assumed earlier. In this connection it may be added that the average expectation of life in India too has now increased to 45 years as against 32 years overall at the time of the previous census. Thus the new entrants are likely to be 15.5 million in the light of the latest census data as against the Planning Commission's estimate of 15 million, raising the total number of the unemployed to 23.0 million or 23.5 million. This gives an increase of 0.5 million as a result of the higher rate of population growth. The draft outline of the Third Five-Year Plan provides that employment outside agriculture might be about 10.5 million and the absorption in agriculture itself might be around 3.5 million. Thus the Plan promises employment only to the new entrants and that too not to a full extent. The backlog of unemployment at the end of the Third Plan may be around 9 to 9.5 million. The Planning Commission may have to make certain alterations in the pattern of investment in favour of labour-intensive projects which implies postponement of some heavy capital intensive projects.

The density of population, as shown in the table on page 869, for the country as a whole has increased from 316 in 1951 to 384 at present. Areas of actual increase are fairly well distributed all over the country, though there are appreciable variations in the rate of growth from State to State. For instance, in Kerala where the level of literacy is the highest in the country, population increased at the rate of 24.6 per cent, while in Madras the increase was 11.7 per cent. This wide difference can only be explained when complete data in respect of other items are received. The variations are not necessarily due to natural increase in population. For instance, two States where the rate of increase was more marked are Assam with 34.3 per cent and West Bengal with 32.9 per cent during the decade. In Assam the increase beyond the average for India may be reasonably explained by immigration of labour

particularly in plantations, mines, railway and road projects. Similarly, the increase in West Bengal can be explained by the influx of displaced persons from East Bengal and Tibet and a perennial immigration into the city of Calcutta and the adjoining industrial regions. A spectacular increase of over 50 per cent was recorded in Delhi which again was due to many-sided expansion of the nation's capital city. At present 17.84 per cent of the population is living in the urban areas which shows a fractional rise over the figure of 17.38 per cent in 1951. The trend towards urbanization is most likely to be accelerated during the period of the Third and subsequent Five-Year Plans which will place an increasing accent on industrial expansion.

There is an unmistakable warning in the rate of net population growth as disclosed by these preliminary census data for 1961. This rate has surpassed all the other estimates made in this behalf. While India is struggling with the hard problem of rupee as well as foreign exchange resources for development, the higher rate of population increase will detract from the fruits of investment flowing from the development programmes because the growing population is bound to make its adverse impact on each sector of development. There is no way out except through a firm and effective policy of birth control. In the years to come the declining death rate will add to the compulsion of birth control. A clear policy for family planning must be enunciated now and implemented with determination particularly in the rural areas which account for as high a proportion as 82.16 per cent.

DECENNIAL GROWTH OF POPULATION

Period	Population* (In Millions)	Percentage rise or fall
1901	235.03	...
1911	250.74	6.69
1921	249.95	-0.31
1931	277.44	11.00
1941	316.93	14.23
1951	359.22	13.34
1961	436.42	21.49

*Excludes the population of Manipur, N.E.F.A., Nagaland and Sikkim.

LITERACY AND SEX RATIO

(Percentages)

State	Literacy (1951)			Literacy (1961)			Sex Ratio	
	Total	Males	Females	Total	Males	Females	1951	1961
Andhra Pradesh	13.1	19.7	6.5	20.8	29.7	11.8	98.6	97.9
Assam	18.3	27.4	7.9	25.8	35.5	14.6	87.7	87.7
Bihar	12.2	20.5	3.8	18.2	29.6	6.8	99.0	99.1
Maharashtra	20.9	31.4	9.7	29.7	41.8	16.7	94.1	93.5
Gujarat	23.1	32.3	13.5	30.3	40.8	19.1	95.2	93.9
Kerala	40.7	50.2	31.5	46.2	54.2	38.4	102.8	102.2
Madhya Pradesh	9.8	16.2	3.2	16.9	26.7	6.6	96.7	95.2
Madras	20.8	31.7	10.0	30.2	43.0	17.3	100.7	98.9
Mysore	19.3	29.1	9.2	25.3	36.0	14.2	96.6	95.9
Orissa	15.8	27.3	4.5	21.5	34.4	8.6	102.2	100.2
Punjab	15.2	21.0	8.5	23.7	32.4	13.7	85.8	86.8
Rajasthan	8.9	14.4	3.0	14.7	22.8	5.7	92.1	90.8
Uttar Pradesh	10.8	17.4	3.6	17.5	26.7	7.3	91.0	90.8
West Bengal	24.0	34.2	12.2	29.1	40.0	16.8	86.5	87.9
Jammu & Kashmir	N.A.	N.A.	N.A.	10.7	16.3	4.2	N.A.	88.3
Union Territories								
Andaman & Nicobar Islands	25.8	34.2	12.3	33.6	42.4	19.4	62.5	61.6
Delhi	38.4	43.0	32.3	51.0	58.9	41.1	76.8	78.6
Himachal Pradesh	7.7	12.6	2.4	14.6	22.6	6.0	91.5	92.5
Laccadive, Minicoy and Admindivi Islands	15.2	25.6	5.3	23.3	35.9	10.9	104.3	102.1
Tripura	15.5	22.3	8.0	22.2	32.2	11.4	90.4	93.1
ALL-INDIA	16.6*	24.9*	7.9*	23.7	33.9	12.8	94.6*	94.0

*Excludes Jammu & Kashmir.



THE BUSINESS WORLD

Banks' Problems in 1960

By CROESUS

THE valedictory address of Mr. C. H. Bhabha, who laid down his office as Chairman of the Indian Banks' Association after six years, was a comprehensive survey of the problems and progress of Indian Banks during the year 1960, generally, and a critical appreciation of the policies of the Reserve Bank and the State Bank of India, in particular. The criticisms of Mr. Bhabha are such that they require to be looked into immediately by those concerned. It is possible to misunderstand some of them, but, as Mr. Bhabha made it very clear at the outset of his speech, "The Indian Banks' Association has not failed to be critical of official or semi-official policies or actions which it genuinely believes could not but lead to unnecessary hardship to banks in fulfilling their mission for the community as a whole." It is necessary to do this, by reason of the fact that "Banking is a highly sensitive industry which has to deal with depositors' monies and which is based essentially on public goodwill, confidence, and credit." As the Association has rightly opened, "what is essential for a faster growth of banking in the country is a cool consideration of its importance as well as of its contribution to the economic prosperity and progress of the nation." Also, to quote Mr Bhabha, again, "a good deal of liberal foresight and practical approach" is the prime need of the hour to foster the healthy growth of Indian Banking.

It is against this background and the banking trends witnessed during 1960 that one should examine the criticisms of the out-going I.B.A. Chairman.

To take banking trends first. These may be briefly recalled here. First the year 1960 witnessed a reversal of the trends in recent years in regard to both the growth in deposits and the composition thereof. As Mr. Bhabha stated, "the total deposits of the scheduled banks fell from Rs. 1,828 crores on 25th December, 1959 to Rs. 1,760 crores on 30th December, 1960, showing a fall of Rs. 68 crores." It is necessary to digress here a little to point to the discrepancy between these figures, which are more or less corroborated by those published in the Weekly Statistical Supplement to the Reserve Bank of India Bulletin, and the figures contained in para 7 of the Report of the Central Board of Directors of the State Bank of India for 1960. According to the latter, "the total deposit liabilities of scheduled banks continued to expand, though at a slower pace, till about August, when they aggregated Rs. 1,966.0 crores. Thereafter, they declined and stood at Rs. 1,891.9 crores in December, 1960. Over the year, total deposits of scheduled banks increased only by Rs. 64.8 crores, as compared to the expansion of Rs. 253.6 crores in the previous year. A third source—the latest issue of Tata Quarterly—gives still different figures. According to it, the total deposits, which were Rs. 1,887 crores in January, 1960 rose by Rs. 124 crores to Rs. 2,011 crores in August and declined to Rs. 1,921 crores in December, thereby registering a net decline of Rs. 90 crores. The position, therefore, according to this source, is a net improvement of only Rs. 34 crores in the total deposits of scheduled banks over the year 1960. A layman may

be excused if he says he is unable to decide as to which of these three figures he should accept as correct. A clarification of the position and the reasons for the discrepancy, either by the I.B.A. or by the State Bank of India, would be appreciated.

As regards the composition of deposits, time deposits, which were increasing faster than demand deposits in the last two years ceased to do so and the position was actually reversed. The decline in time deposits was also faster than that in demand deposits. One would have liked to know the reasons for this from the IBA Chief, but he dismissed the subject by saying that the matter must be receiving the attention of the central banking authorities.

If the upward trend in deposits slackened, or was actually reversed, scheduled banks' advances continued their upward trend to cross the Rs. 1,000-crore mark and register an increase of Rs. 166 crores over the year. This was only to be expected with the increase in the general tempo of economic growth. But this has given rise to problems consequent to the undue strain created thereby on the total resources of the banking system. It is a moot point whether the remedy for such a situation is to curb credit or to increase deposits. Of course, it is easier to curb credit as the Reserve Bank attempted to do in a number of ways, such as placing restrictions on the growth of bills discounted and impounding new deposits. It is for the economic historian of the future dispassionately to examine the justification or otherwise, as also the effectiveness or otherwise, of the policies of the Central Banking Institution. But one thing that must be said to the credit of the Reserve Bank is that, from the beginning, it has viewed these restrictions as flexible and, in fact, when the position in the money market deteriorated it was not slow to withdraw most of the restrictions. There are, however, still some, like the measures relating to the rediscounting of bills and advances against securities, the effects of which do not appear to have been watched with sufficient care. Accordingly, Mr. Bhabha's warning in this connection, especially about the long-term impacts of these measures in particular on the Government securities needs to be taken note of by the authorities. Surely, with its large borrowing programme during the Third Five-Year Plan period, they cannot afford to be complacent about what happens to the gilt-edged market.

A very pertinent point was made by Mr. Bhabha when he referred to the applicability of certain amendments to the Companies Act to banking companies. It is not clear why, when there is a separate Banking Companies Act, some sections of the Indian Companies' Act should be made applicable to the banking companies, thereby creating an anomalous situation. When a separate legislation exists for any sphere of economic activity, it pre-supposes that there are certain problems peculiar to them. The instances quoted by Mr. Bhabha only serve to confirm the need for keeping the two legislations distinct.

Equally anomalous is the differentiation in the application of the banking legislation as between the State Bank of India, which is a semi-autonomous corporation, and the other banking companies in the country. If, as in the other spheres, it is being increasingly recognised that the same code should apply to enterprises in both the private and the public sectors, there is no reason why this dichotomy should prevail in the field of banking. What is sauce for the goose could be just as good sauce for the gander.

Perhaps the most serious charge levelled by Mr. Bhabha against the State Bank is the unfair method alleged to be employed by the State Bank to divert business. What is intriguing is that, even when its attention was drawn to these unfair methods, the Reserve Bank should have remained passive, which can only lead to either of two conclusions, namely either that the allegation is not justified or that the Reserve Bank is too much interested in the State Bank to take a dispassionate view and mete justice. In any case, it is high time that the whole question of the relations between the State Bank and the other commercial banks in the country was thoroughly gone into. Some might have thought that after PL 430 deposits with the State Bank were transferred to the Reserve Bank, there was hardly any cause for the other commercial banks to complain against the State Bank, but it would appear from the address of Mr. Bhabha that, by virtue of its being the agent of the Reserve Bank, the State Bank enjoys certain facilities which place it at a relatively more advantageous position than the rest of the commercial banks, and this naturally vitiates healthy competition. The sooner the feeling that the State Bank has been adopting a deliberately unhealthy attitude towards other banks is removed, the better it would be for the sound growth of Indian banking.

With the narrowing of the profitability of the banking industry as it is situated today, it is but natural that the attention of Indian bankers should turn to productivity. A good deal of Mr. Bhabha's address was devoted to making out that, whereas the average earnings of the subordinate staff in the banks had increased perceptibly, there was no commensurate increase in their outturn. The relatively lower amount of work put in by the bank employees of India, he said, was partly due to the larger number of public holidays in India compared to other countries, as also the smaller number of hours of work for bank employees in this country compared to that of their colleagues in some advanced countries and the

resulting shorter output of work. While entirely endorsing Mr. Bhabha's complaint about the relatively inadequate quantum of work put in by our bank employees these days, I do not think it is right to grudge them the increase of even 24 per cent in their overall earnings over the past few years in the context of the prevailing inflationary conditions.

Next, Mr. Bhabha welcomed the move on the part of the Reserve Bank to introduce the deposit insurance scheme despite the heavy burden imposed by it on well-managed units, if only because it may be expected to go a long way towards inspiring public confidence in Indian banking. But he was critical of the Central Banking Institution and felt that with the wide power enjoyed by the Central Banking Institution, it should not have been difficult to give good guidance and keep strict vigilance to prevent misdeemeanours on the part of the erring banks.

I was happy to note that Mr. Bhabha shares the view that it is a sound thing for banking companies suitably to strengthen their capital structure so as to bring their capital and reserves in line with their growing deposits. Of course, as he said, this would be possible if the banking industry also prospered in line with the others. If, as the I.B.A. Chairman averred "despite the faster planned economic development of India, the benefits reaped by Indian banks have not at all been commensurate with their untiring efforts to prove their worth under all conditions of stress and strain and to support official programmes and policies" it is certainly worthwhile examining the reasons for it, and this is as much the responsibility of the I.B.A. as of the Reserve Bank.

Finally, in regard to the regulation of interest rates on deposits, while Mr. Bhabha claimed that the gentlemen's agreement has worked well and strengthened the banking structure, he was not categorical in claiming the superiority of this system to the system of official regulation as in the U.S.A. His remark that "by and large, both these methods have proved wholesome and have in no way affected adversely the growth of deposits" is like the famous pronouncement of Sir Roger De Coverly that "much might be said to both sides," unless, of course, one has to infer that, in making the suggestion that "the present system in India should be suitably improved so as to be helpful to the banking industry to fulfil its mission," he has definitely voted in favour of the system of gentlemen's agreement among banks in India.

Business Notes

Industrial Policy

DOCTRINAIRE PREFERENCE OR PRAGMATISM?

THE PRESENT industrial policy of the Government establishes beyond doubt that the powers-that-be are "blinded still, whether for the country's good or bad, with doctrinaire preference with regard to the means to be selected in exploiting the country's national wealth," to quote Mr C. H. Campbell, President of the Bombay Chamber of Commerce and Industry. As he told the Chamber's annual general meeting, last week, in his valedictory address, there are many instances that one can quote to substantiate this charge which one hears so often from all quarters of the country.

In order to illustrate his point, Mr Campbell chose a rather controversial subject of the day—refining of oil in India. The existing refining capacity in India, he said, is six million tons per annum. As against this, in 1966, perhaps nearly 14 million tons would be required, leaving a gap of eight million tons per annum. One would have thought that, in view of this, the authorities would do everything to step up the refining capacity. But what the retiring President of the Bombay Chamber of Commerce stated at the meeting does not seem to bear this out. Thus, Mr. Camp-

bell said that a major oil company had offered to expand its capacity to approximately four million tons within 18 months and even complete lubricating oil manufacturing complex of between 60,000 and 1,00,000 tons annual capacity within a further year. According to him, this expansion scheme was to be entirely financed by the company with no foreign exchange requirement from the Government; additionally, there was promise of a net saving in foreign exchange of Rs. six crores per annum. All this would have materialised by 1963, had early sanction been given to the proposal. But then, to date, no sanction has been forthcoming. As Mr. Campbell observed, "unless governed by a doctrinaire approach, it is difficult to appreciate the reasons for the delay in acceptance of such an attractive offer at a time when the country is hard pressed for foreign exchange."

Mr Campbell, however, also noted, at the same time, that there has been a slight change in the Government's policy with regard to the coal industry. He accordingly complimented the Government on its good pragmatic sense to encourage private collieries to increase production by allowing them to mine areas adjacent to them as well as non-contiguous or proximate areas which they had not been allowed to mine

before. A similar change in Government attitude has taken place in the case of fertilizers also.

While Mr. Campbell characterised the recent declaration by the Union Commerce and Industry Ministry that industry would be allowed to exceed the capacity licensed under the Industries (Development and Regulation) Act in so far as this could be done, by using indigenous raw materials and spares and incurring no further liability for foreign exchange, as "another triumph for pragmatism," he expressed the fear that the Government might have already licensed capacity which cannot be serviced by the foreign exchange that may be available in the near future, and pleaded for caution in the licensing of any further fresh capacity. He was right in remarking that "it would be a severe blow at the confidence which India is increasingly inspiring abroad, if new investors, whose projects are licensed, and who are given import licences for raw materials and parts to start with, were to find, after a year or two, that production was running well below installed capacity for want of either or both." Accordingly, he welcomed the appointment of a special committee to recommend a system of priorities in imports and the statement that a special group of officials was looking into the country's raw material requirements.

Alkali and Chemicals

FORWARD MARCH

FROM THE SPEECH of Mr. J. M. Lal, Chairman of the Alkali and Chemical Corporation of India Limited, delivered at the twenty-fourth annual general meeting, it is apparent that the Company is successfully marching forward in production, sales and its future plans. So far as the production of polythene granules is concerned, it is creditworthy that, although the installed capacity is only 3,500 tons, actually an output of 4,000 tons has been achieved largely on account of scientific study of the processes and increased efficiency in production. Paints are faring no less better. The increase in paints production is also due to the methodical and scientific study of the working of the plant. The record for sales is equally good. The Company's sales touched the figure of Rs. 5.4 crores in 1960 as compared to only Rs. 3.4 crores in the previous year. The noteworthy feature in the sales programme is the services provided by the Imperial Chemical Industries Technical Service Organisation to all its customers to help them use the products economically and with sound technical results.

The progress at the plant for making various chemicals for the rubber industry at Rishra is proceeding satisfactorily. And further prospects are bright. For the production of polythene the Government has now agreed that the Company may expand its capacity by more than 2½ times. Regarding paints, discussions are being carried on with the Government of India for expansion of the capacity and on the obtaining of extra capacity, it is expected that not only will the company be able to meet the internal demand but also be able to undertake exports successfully, which it has been able to develop over the last year. In addition to these products, investigations are in progress to increase the production of chlorine, caustic soda and the hydrochloric acid. The most helpful feature in the expansion programme has been the sterling finance provided by the U.K. Imperial Chemical Industries Ltd. for the import of plant and machinery. Last but not least, on the credit side is the establishment of a Craft Apprentice Training School, which, besides assisting the company in providing skilled craftsmen, has

also been able to train men on behalf of the Government.

Banking

THE INDIAN BANK: HIGHER PROFITS

THE INDIAN BANK LTD. Madras, in its fifty-fourth year has reached a stage when minor tremors in the Banking industry do not influence its working to any major extent. During the year to December 31, 1960, for instance, when the Pallai Bank failed and many other banks recorded adverse results, the Indian Bank actually increased its profits. From Rs. 36.84 lakhs in 1959 the net profits were recorded at Rs. 40.32 lakhs in 1960. It may be observed from the balance sheet published elsewhere in this issue that the deposits of the Bank dropped from Rs. 43.47 crores last year to Rs. 39.48 crores at the end of 1960. During the same period the advances too dropped but relatively to a lesser extent. The ratio of advances to deposits, therefore, increased from 66 last year to 69 at the end of the year under review. This naturally meant a higher income in the form of interest, which increased from Rs. 2.16 crores to Rs. 2.30 crores. The Bank opened offices, during the year, at Muthialpet (Madras) Neyveli, Vishakapatnam and Wellingdom Island.

It is to be noted that the Directors had already approved the payment of an interim dividend at the rate of 5 per cent and a bonus of 2½ percent (subject to tax) and the transfer of a sum of Rs. 2 lakhs to Sinking Fund. Now the Directors have recommended the payment of a final dividend of 5 per cent and bonus of 2½ per cent (subject to tax) making the dividend and bonus at 15 per cent.

BANK IN INDIA: IMPRESSIVE RECORD

AT THE 55th Annual General Meeting of the shareholders of the Bank of India Ltd., the Chairman, Sir Cowasjee Jehangir, struck a cheerful note on the working of the Bank whose profit of over Rs 103 lakhs for the year 1960 is about Rs. 20.5 lakhs more than the 1959 profit of about Rs 82.5 lakhs. The impressive feature is that adequate provisions are made at all stages and the final dividend of 12.5 per cent, subject to deduction of tax at the prescribed rates, is proposed. So far as the expansion programme is concerned, the Bank is to open new branches in nearly 40 places. It is also gratifying that the Bank has been able to develop substantial foreign connections which are bound to bring substantial benefits.

Dealing with economic issues, Sir Cowasjee Jehangir has struck a note of warning in regard to rising prices. Sir Cowasjee states that there has been a substantial rise in spending on the part of the Government on many 'rash' projects. Although it was not for the Chairman to name these enterprises, it is reasonable to infer that they possibly include the atomic power plant and the like whose economics is open to serious question. Then again, if the budget of 1961-62 is any indication, it is clear that the Government of India is the largest single spender. In the opinion of the Chairman, the root of all the troubles is the policy of the Planning Commission which has allowed its imagination to run wild without calculating the disastrous financial consequences of their 'rash' projects. Under the circumstances, Sir Cowasjee has called for a reduction in expenditure. The remedy lies only in good and efficient planning which alone will enable the Government to spend less and to borrow less money from all parts of the world. This will obviate the need for levying high taxation which will impose disproportionate burdens on different classes of society,

FROM THE CAPITAL'S CORRIDORS

FICCI MEETING

At the 34th Annual Session, held here on March 25 to 27, the Federation of Indian Chambers of Commerce and Industry adopted six resolutions, dealing with the Third Five-Year Plan, export promotion, streamlining of administrative machinery, transport capacity and movement bottlenecks and coal production and its movement.

The resolution dealing with the Third Plan stressed the need for reconsidering the role of private sector in the economic development of the country under the Third Plan. The resolution said "the distribution and outlay of (Third Plan) sources needs careful reconsideration. Any avoidable wastage or imbalance in the pattern of production and the misuse and malallocation of resources which they involve, will affect not only the rate of consumption but also the rate of savings and, therefore, the overall rate of economic growth. It is of necessity to ensure that the outlay on industries, power and transport sectors is maximised to the fullest extent practicable. Only then the foundation for self-sustaining growth can be laid. And it is also the surest way of restraining inflationary pressures. Inflation, which is usually measured by the rise in prices, occurs because the total demand on the nation's resources is in excess of the available supplies. The effective way of meeting the situation is by improving the supply position."

The resolution added: "Agricultural production requires to be stepped up, and policies in this behalf must be evolved on a pragmatic basis and implemented with vigour. Industrial production can be accelerated quicker if climate is created for the purpose, and industry and trade are given comparative freedom to go ahead with their business. There are many idle factors in India, both human as well as material, that could be activated. The growth of technical, managerial, entrepreneurial skill is of basic importance in this regard. The Federation is convinced that having regard to the unexploited resources in the country, which are estimated to be large, they should be brought into productive use speedily. And this will be possible through domestic effort supplemented by foreign collaboration provided the forces of development are assisted to play their rightful part. In this connection, the Federation would strongly recommend that the tax policy of Government should view management and entrepreneurial ability as a key economic resource that requires to be released and fostered through incentives so as to make possible and successful widespread capital investment for productive activity."

EXPORT PROMOTION

The resolution on export promotion said: "The Federation notes with concern that despite the measures initiated by the authorities to stimulate exports, the value of our exports has remained stagnant during the past few years at an annual average of less than Rs. 615 crores. In the opinion of the Federation piecemeal attempts for the solution of the problem and measures in the nature of patch work will not produce the desired results, and there is pressing need for a complete reorientation of the approach to the problem both on the part of Government on the one hand and the trade and industry on the other. It cannot be over-emphasised that having regard to the country's repayment obligations, the increased foreign exchange contents of the Third Five-Year Plan and the fact that the scope for any significant pruning of the country's import bill is very limited, there is imperative need for an all-out effort to intensify our export promotion drive. Those in industry and trade have a special responsibility in this behalf, and they should endeavour to promote exports by creating confidence in the minds of foreign buyers through

export performance and by following acceptable procedures, such as pre-inspection, arbitration and the like."

The third resolution demanded streamlining of administrative machinery, adding that there was vital need for improving administrative efficiency and integrity. "There is equal need," it said, "to simplify, co-ordinate and rationalise the system of submission of reports and information by industry and trade to the authorities." "The Federation", it added "would like to invite the particular attention of Government to:

- that there is too much centralisation of effective power at the higher level and there is need for much decentralisation to take quick decisions;
- that there is lack of proper co-ordination between various departments of Governments which often causes bottlenecks in production and distribution;
- that the existing administrative procedures relating to the setting up and expansion of industries need re-examination so as to eliminate avoidable delays and duplication, particularly in regard to industries set up as joint ventures with foreign collaboration."

This resolution also contained that "the Federation is of the view that top priority needs to be given to the streamlining of administrative machinery in the Third Plan with an emphasis on reducing needless restrictions on enterprise, as otherwise the expansion of the economy will be slowed down and at the same time the growing administrative machinery will unduly add to the cost of the execution of the Plan."

TRANSPORT BOTTLENECKS

Referring to transport bottlenecks, the Federation was of the opinion that the development of roadways was equally essential "in the context of the country's growing transport needs. It is common knowledge that Railways, inasmuch as they do not reach all the corners of the country, cannot handle the entire traffic; more so when they are not able to move, speedily and smoothly, even the traffic offered. Therefore, if a part of the traffic has been diverted to road transport, the road transport can hardly be blamed for that. Consequently, the suggestion that nationalisation of the entire road transport system would have to be attempted in suitable stages does not meet the situation and, if implemented, will aggravate the problem, and deny the user of transport the facility to choose the mode of transport best suited to his requirements."

"The Federation," the resolution said, "believes that a freer road transport policy will result in road transport effectively supplementing rail transport, thus augmenting transport availability for both passenger and goods traffic. The development of roads is an essential prerequisite for the growth of road transport. This important aspect has not received its due importance, and the Federation cannot help feeling that the authorities have not utilized, as they should have done, the heavy imposts collected from road transport for the development of roads." The resolution added: "The Federation would also urge that greater attention be paid to the opening of river routes throughout the country and establishing regular river transport services in such sections where they could operate immediately. In this connection, it views with grave concern the reports that some of inland waterways and ports are gradually getting silted up. If timely steps are not taken for dredging these, they will cease to be useful."

COAL PROBLEM

Coal was another subject on which a resolution was adopted. This resolution said: "The Federation regretfully feels that the shortfall in the coal production target during the Second Plan has been occasioned through failure to utilize effectively the available production potential. In spite of the many handicaps faced by the Private Sector of the Coal Industry, which amongst others include restrictions in expansion into new areas involving the working of easy deposits at relatively shallow depths, being compelled to accept an uneconomic price structure, and, to work under adverse mining conditions, its current rate of production is well in excess of its Second Plan target of 45 million tons. In this background the possibility of achieving the Third Plan target of 97 million tons must be viewed realistically having regard to the production of coal of the requisite quality. While the Federation welcomes the recent announcements relating to a more realistic interpretation of the Industrial Policy Resolution, which does not preclude the expansion of the privately owned collieries whether independently or in conjunction with the State, actual implementation has been vitiated by serious shortcomings and avoidable delays and restrictions."

The sixth resolution which the Federation adopted was on Land Ceilings. This resolution urged that agriculture should be operated as an industry. The policy of Land Ceilings, it claimed, went against increasing productivity.

WAGE BOARD FOR IRON AND STEEL INDUSTRY

The Government of India, it is understood, has decided to appoint a Wage Board for the Iron and Steel Industry. The announcement is expected to be made shortly.

Constitution of the Wage Board for the Iron and Steel Industry will be an important development in employer-employee relations in India. This will be for the first time that some major public sector undertakings—Rourkela, Bhilai and Durgapur Steel Plants—will be brought within the purview of a wage board. Fixation of wages through tripartite wage boards until now has been tried out in this country only in respect of private sector industries, namely, textiles, cement, sugar, jute and tea. Two State-owned units, however, were covered by the Cement Wage Board recommendations.

If the terms of reference of the Iron and Steel Industry Wage Board include the determination of the principles governing bonus as has been the case with the other wage boards, it will mean acceptance by the Government of the need to pay bonus to workers in public sector undertakings. This will also be a major departure from the present policy of the Government of India. Hitherto, workers in public sector undertakings have not been paid bonus, though in some undertakings there are in operation schemes for Payment of production, incentive or attendance bonus.

N.C.D.C. OPERATIONS

The central workshop of the National Coal Development Corporation, being set up at Barkakhana at a cost of nearly Rs. 1.5 crores, is understood to be nearing completion. A structural shop, a machine shop, an engine shop and a foundry and a smithy shop are said to have already been commissioned. Manufacture of some spare parts is also reported to have been started. When in full production, the workshop will annually turn out spare parts worth about Rs. 35 lakhs and structural and other steel fabrications worth about Rs. 25 lakhs.

The N.C.D.C., it is further learnt, has also set up an organization to look after the repair and maintenance of the machinery installed by it in its various collieries. Each group of collieries is now equipped

with a workshop where all kinds of machinery used in the opencast and underground mines are serviced.

To meet the growing requirements of technical personnel, particularly junior technical supervisory staff and technicians, the Corporation has established five mining training schools, with the usual complement of workshops, hostels and staff quarters, at a cost of about Rs. 40 lakhs. A sum of Rs. 16 lakhs approximately is spent every year on these training institutions. The Corporation has also set up twelve evening lecture centres. The five training schools and the twelve evening lecture centres are capable of training about 850 technicians a year. The Corporation feels that these training schools and lecture centres would ensure an adequate supply of skilled personnel required by the Corporation during the first three years of the Third Plan.

The Corporation also sends a number of its technicians to foreign countries for specialized training.

During the 4½ years of its existence, the Corporation has opened and developed ten new collieries. All of them are fully mechanized. The current rate of production of the N.C.D.C. collieries, both old and new, is 13.07 million tons per annum.

MOVEMENT OF COAL BY SEA

Consequent upon the decision to move another one million tons of coal by sea, the Government of India, it is understood, is examining some re-adjustment in rail and sea freight on coal meant for consumption in West India. Meanwhile, shippers have been persuaded to accept Rs. 35 per ton freight on coal movement to Gujarat and Saurashtra ports—the same freight as charged by them for Bombay.

THIRD PLAN WAGON PRODUCTION PROGRAMME

The Railway Board, it is learnt, has assessed that a minimum of 91,814 broad-gauge wagons, 21,116 meter-gauge wagons and 3,426 narrow-gauge wagons, in terms of 4-wheelers, would be required by 1965-66 for rolling stock rehabilitation purposes and for carrying the additional traffic to be generated by the Third Plan. A wagons manufacturing programme has been drawn up with these targets in view. It will cost nearly Rs. 236 crores.

INDO-PAKISTAN TRADE

Trade between India and Pakistan during the financial year 1961-62 is envisaged to be stepped up to about Rs. 12 crores — Rs. 6 crores either way. Of this nearly Rs. 3.5 crores will be on account of the shortfall in trade in the year 1960-61; this short-fall is contemplated to be made up in 1961-62.

At the "review talks" held here between India and Pakistan early this week, the two delegations, it is learnt, agreed that steps should be taken to facilitate further movement of trade between the two countries.

The 1960-61 ceilings on the value of trade between the two countries have been repeated for 1961-62. The carry-over of the balances from 1960-61 will be in addition to these ceilings, except in the case of livestock. Betel leaves have been moved to the category "miscellaneous commodities."

The ceilings on value of trade either way in 1961-62 would be as follows:—

Group A: Fresh fruits, fruit plants and seeds—Rs. 40 lakhs.

Group B: Raw cotton from Pakistan, bidi leaves, cement stone boulders and railway materials etc. from India—Rs. 150 lakhs.

Group C: Livestock, including horses from Pakistan—Rs. 5 lakhs.

Group D: Jute cuttings from Pakistan, steel materials and coal from India—Rs. 100 lakhs.

Group E: Miscellaneous commodities—Rs. 115 lakhs.

India, it is understood, had asked for a higher ceiling for raw jute imports, but as this item is linked to exports of coal and steel materials, in which India's supply position is not so comfortable, no agreement could be reached on this.

EXPORTS OF GOA

The present ban on export of necessities to Goa, Daman and Diu, imposed nearly six years ago, is likely to be relaxed early next month. This would enable Goans to obtain from India their essential requirements and sell to this country some of their basic produce. Before the ban was imposed, Goa used to import vegetables, rice and cloth from India and export coconut, arecanut, salt and mangoes to this country.

PROCESSING OF INDUSTRIAL PROJECTS

The Union Government, it is learnt, has decided to appoint an officer on special duty in the Ministry of Commerce and Industry to speed up processing of big industrial projects, particularly those involving foreign collaboration. Side by side, a handbook is being prepared detailing the industries eligible for foreign private investment in India. The handbook will clarify Government's policy on the matter and will lay down working rules which any official could apply without unnecessary reference to his superiors. Lack of prompt decision is one of the major obstacles to rapid development; the handbook now being prepared, it is hoped, will expedite decisions.

The list to be included in the booklet will clarify eligibility of various industries for being set up in the light of the priorities fixed for Plan programmes and the availability of foreign exchange for their execution.

PRAGA TOOLS FACTORY

An agreement has been signed between Praga Tools Corporation — a public sector undertaking — and CEKOP—a Polish organisation of machine tool makers—for collaboration in setting up a new factory at Hyderabad for the manufacture of light and medium varieties of machine tools. Praga Tools Corporation already produces machine tools and accessories worth Rs. 60 lakhs a year. When the new factory goes into production, the Corporation would be turning out machine tools worth about Rs. 2 crores per annum.

This is the first project to be undertaken under the Indo-Polish Economic Agreement signed in May last. The cost of the project is estimated at about Rs. 1.5 crores.

The Polish organisation has already been entrusted with the task of preparing the project report for the factory. The project report is expected to be received by September.

MACHINE TOOLS FACTORY IN PUNJAB

Of the two medium-sized machine tools factories to be put up by Hindustan Machine Tools, Bangalore, during the Third Plan period, one will be located in Punjab. This factory will have a production capacity of 1,000 machine tools (worth about Rs. 4 crores) per annum. The cost of the project is estimated between Rs. 5 crores and Rs. 7 crores.

An agreement for technical collaboration for the project was signed early this month with "Limex" when a delegation from Hindustan Machine Tools visited East Germany.

The Punjab factory will produce universal milling machines, production millers, dye sinking milling machines, gear cutting machines like shapers, hobs and grinders and special performance machines. The final selection of the site where the factory will be set

up and the other connected details will be settled when the HMT delegation returns from Europe.

Decision about the second medium-sized machine tools factory proposed to be set up under the aegis of Hindustan Machine Tools is expected to be taken shortly.

With the growing tempo of industrial development, demand for machine tools in India has been rising steeply; by the end of the Third Plan period, it is expected that demand would be of the order of Rs. 60 crores per annum. At present, bulk of the country's requirements of machine tools are met by imports. In 1960, domestic production in the public and private sectors, including the small-scale manufacturers, was about Rs. 10 crores.

FARMERS' CAR

The Union Ministry of Defence, it is learnt, has not yet finalised its proposals regarding manufacture of Farmers' Car. The Japanese manufacturers of this car with whom collaboration will be sought for this project, M/s. Komatsu Manufacturing Company, are studying the Indian conditions to determine what changes, if any, would be needed to make the car suitable for use by Indian farmers. Results of their study are awaited.

JANATA CAR

With the Farmers' Car proposed to be manufactured by the Union Ministry of Defence, the Janata Car Project is likely to be handled by the Union Ministry of Industry.

Dr. B. D. Kalelkar, Senior Industrial Adviser to the Government of India and a member of the Pande Committee on Small Car, now touring Europe in search for a suitable collaborator for this project, it is learnt, is exploring possibilities of entering into collaboration arrangements with the manufacturers of Volkswagen. Preliminary talks in this connection are understood to have taken place in New Delhi when the West German Minister for the Treasury recently visited India.

The Pande Committee has already examined offers from some manufacturers of small cars in Europe and Japan. It is expected to submit its report to the Government towards the end of next month. Among the offers so far received, the one by Renault (of France) is considered to be very favourable. The Renault car, if manufactured in India, is expected to be put on the market for about Rs. 6,000.

AUTOMOBILE ANCILLARY INDUSTRIES

A three-man T.C.M. team is touring India at present to conduct a survey of the automobile ancillary industries. Its terms of reference are:

1. To study, survey and evaluate proffered pattern of development of automobile ancillary industries in relation to the main industry;
2. To survey the capacity of existing ancillary industries and make recommendations for setting up additional capacity with minimum expenditure of foreign exchange on import of parts and raw material.
3. To determine the managerial and technical requirements, including quality control and standardization for early expansion and development of ancillary industries in India;
4. To suggest pricing and marketing practices for ancillary products both for original fitment and replacement purposes.

The team is expected to submit its report to the Government of India through the Technical Co-operation Mission.

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(Exporters to Burma & Ceylon)

SWTSPW. 544

THE INDIAN BANK LIMITED, MADRAS

(Estd. 1907)

Registered Office: "Indian Bank Buildings,"
17, North Beach Road, Madras-1.

To be placed before the Shareholders at the ensuing Fifty-Fourth Annual General Meeting to be held on 7th April, 1961, at the Registered Office of the Bank, "The Indian Bank Buildings", 17, North Beach Road, Madras-1.

DIRECTORS' REPORT

ONE HUNDRED AND SEVENTH REPORT

The Directors have the pleasure to submit a statement of Assets and Liabilities and of Profit and Loss Account of the Bank for the year ended 31st December 1960. The Auditors' Report is also annexed.

2. The Net Profit of the Bank for the year amounts to Rs. 40,32,080-89 and together with the sum of Rs. 80,143-18 carried from the previous year's account, makes a total of Rs. 41,12,224-07.

	Rs.	nP.
3. Out of this sum, the Directors have made the following interim appropriations:—		

An ad-interim dividend at the rate of 5% and a Bonus of 2½% (subject to deduction of tax at the prescribed rates) was paid which absorbed

To transfer to Sinking Fund

The Directors now recommend that the following further appropriations may be made:

To pay a final dividend of 5% and a Bonus of 2½% (subject to deduction of tax at the prescribed rates) thereby making

	Rs.	nP.
the dividend and bonus for the year amount to 15%	6,22,500	00
To provision for taxes	23,00,000	00
To transfer to Sinking Fund	2,00,000	00
To transfer to Bank's buildings account	30,988	00
To carry forward	1,36,236	07
	41,12,224	07

4. The Bank rate remained unchanged at 4%.

5. Offices of the Bank were opened during the year at Muthialpet (Madras), Neyveli, Vishakapatnam and Willingdon Island.

6. In accordance with Articles 92 and 93 of the Articles of Association of the Bank read with Sec. 256 of the Companies Act, 1956, four Directors, Messrs. R. Sundram Iyer, T. S. Kachapikese Mudaliyar, Kumbhara-rajah M. A. M. Muthiah Chettiar of Chettinad and R. K. Venkatachalam retire this year by rotation and they, being eligible, offer themselves for re-election.

7. Sri K. Arunachala Mudaliar resigned his seat on the Board on 2nd December 1960. In his place Sri C. Ramasubban was co-opted as a Director on 20th January, 1961.

THE INDIAN BANK

Balance Sheet as at

Corresponding figures 31st Dec. 1959				CAPITAL AND LIABILITIES			
Rs.	nP.	Rs.	nP.	Rs.	nP.	Rs.	nP.
				1. CAPITAL:			
				Authorised Capital:—			
		1,00,00,000	00	1,00,000 SHARES of Rs. 100 each	1,00,00,000	00	
				Issued and subscribed Capital:			
		72,00,000	00	(a) 72,000 SHARES of Rs. 100 each for payment in cash	72,00,000	00	
		16,60,000	00	(b) 16,600 SHARES of Rs. 100 each issued as fully paid bonus shares	16,60,000	00	
		88,60,000	00		88,60,000	00	
				Amount Called up:			
		44,00,000	00	On 44,000 SHARES of Rs. 100 each	44,00,000	00	
		22,40,000	00	On 28,000 SHARES at Rs. 80 per share	22,40,000	00	
		66,40,000	00		66,40,000	00	
		1,010	03	Less: Calls unpaid	565	00	
		66,38,990	00		66,39,435	00	
		16,60,000	00	16,600 SHARES of Rs. 100 each issued as fully paid bonus shares	16,60,000	00	
		82,98,990	00		82,99,435	00	
		Nil		Add: Forfeited shares	Nil		
82,98,990	00					82,99,435	00
14,57,300	00			Share Premium Account:		14,57,300	00
				2. RESERVE FUND AND OTHER RESERVES:—			
		68,44,583	78	(i) Reserve Fund under Section 17 of the Banking Companies Act, 1949	68,44,583	78	
		Nil		(ii) Sinking Fund	3,30,000	00	
68,44,583	78					71,74,583	78
		16,44,81,586	77	3. DEPOSITS AND OTHER ACCOUNTS:			
		6,56,32,647	77	Fixed Deposits	14,97,99,052	99	
		7,87,34,175	18	Short-Term Deposits	4,44,52,585	90	
				Savings Bank Deposits	7,15,97,666	88	
				Current Accounts, Contingency Accounts, etc.	12,89,56,355	26	
43,47,24,929	58					39,48,05,661	03
		1,55,25,095	89	4. BORROWINGS FROM OTHER BANKING COMPANIES, AGENTS, ETC.:			
		Nil		(i) In India	4,47,12,986	31	
1,55,25,095	89			(ii) Outside India	Nil		
						4,47,12,986	31
				Particulars:			
				Corresponding figures			
				31st Dec. 1959			
				(i) Secured (Secured by part of investments in Central and State Government securities as per contra)			
				1,55,25,095 89 Rs. 3,70,12,986 31			
				Nil (ii) Unsecured Rs. 77,00,000 00			
1,03,36,661	50					94,45,913	70
		2,14,20,109	51	5. BILLS PAYABLE:			
		93,74,915	24	6. BILLS FOR COLLECTION BEING BILLS RECEIVABLE AS PER CONTRA:			
3,07,95,024	75			(i) Payable in India	2,11,53,006	31	
				(ii) Payable outside India	1,35,13,719	70	
						3,46,66,726	01
		1,01,748	05	7. OTHER LIABILITIES:—			
		1,09,526	79	(i) Rebate on Bills	21,611	86	
		7,17,748	45	(ii) Unclaimed Dividends	1,08,832	75	
		12,18,541	37	(iii) T. Ts. Payable	6,14,930	04	
		12,97,900	11	(iv) Sundries Payable	13,05,896	54	
		43,02,036	35	(v) Provision for Taxes	1,17,531	88	
		41,482	27	(vi) Branch adjustment	66,15,465	52	
		32,00,356	32	(vii) Interest Realisable	53,469	58	
		13,47,925	48	(viii) Interest on Deposits	24,63,088	45	
1,23,37,265	19			(ix) Other Deposits	16,70,037	94	
4,49,11,273	54					1,29,70,864	56
				8. ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS PER CONTRA:		2,69,65,893	89
				9. PROFIT AND LOSS:—			
				Profit as per Balance Sheet as at 31st December 1959	31,22,643	18	
56,52,31,124	23			Carried Forward		54,04,99,364	28

LIMITED, MADRAS

31st December, 1960

Corresponding figures 31st Dec. 1959				PROPERTY AND ASSETS			
Rs.	nP.	Rs.	nP.	Rs.	nP.	Rs.	nP.
3,74,70,390	46			1. CASH:—			
				In hand and with Reserve Bank and State Bank (including foreign currency notes)		3,78,95,419	18
				2. BALANCES WITH OTHER BANKS:—			
				On Depo- In Current			
				sit Account			
		17,69,995	29	(i) In India Rs. Nil	21,78,517	59	
		94,25,981	37	(ii) Outside India Rs. Nil	85,72,827	44	
1,11,95,976	66						
						1,07,51,345	03
				*(Includes Rs. 14,986-48 with a Bank under moratorium)			
13,00,142	47			3. MONEY AT CALL AND SHORT NOTICE		12,44,000	00
				4. INVESTMENTS (At cost) **			
				(i) Securities of the Central and State Governments (Terminable loans) and other Trustee Securities, including Treasury Bills of the Central and State Governments.		14,44,94,915	57
		13,84,19,387	07	Face Value	Market Value		
				Quoted Rs. 14,47,47,800	14,18,17,568	45	
				Unquoted Rs. 4,71,465	4,71,465	00	
				(Nominal value)			
		13,13,321	50	(ii) Shares: (Quoted)			
				Preference (other than Banking companies paid Rs. 66,900 00)			
				Ordinary (Banking and other companies)			
				Fully paid:			
				Quoted Rs. 26,402 00			
				Unquoted Rs. 3,00,000 00		3,26,402	00
				Partly paid:			
				Quoted Rs. 1,18,019 50			
				Unquoted Rs. 4,00,000 00		5,18,019	50
						9,11,321	50
				(Quoted shares Market Value Rs. 1,42,240 00)			
				(Unquoted shares paid-up value Rs. 7,00,000 00)			
		3,83,500	00	(iii) Debentures: Face Value (Unquoted) Rs. 3,83,500 00		3,83,500	00
				(iv) Other investments:—(Quoted) Malayan and F.M.S. Terminable Loans			
		25,71,711	47	Face Value St. \$20,58,000		31,93,711	48
				(Market Value Rs. 29,58,457 48)			
		1,62,035	51	British 3% 1960/70 Loan		1,02,035	51
				Face Value £14,724—12—2			
				(Market Value Rs. 1,54,185 19)			
				Ceylon Government Terminable Loan			
				Face Value Rs. 10,01,000		10,01,011	00
				(Market Value Rs. 9,91,241 25)			
				Ceylon Development Finance Corporation Shares		35,000	00
				Paid up Value Rs. 50,000 00			
				(Market Value Rs. 35,000 00)			
				(v) Gold		Nil	
14,38,93,466	55			5. ADVANCES:		15,01,81,405	06
				(Other than bad and doubtful debts for which provision has been made to the satisfaction of auditors.)			
				(1) Loans, Cash Credits, Overdrafts, etc.			
		20,63,88,441	24	(i) In India Rs. 20,37,65,560 88			
		1,42,91,746	52	(ii) Outside India Rs. 1,43,31,766 89		21,80,97,327	77
				(2) Bills Discounted and Purchased (excluding Treasury Bills of the Central and State Governments)			
		4,73,14,163	48	(i) Payable in India Rs. 3,86,74,234 94			
		2,04,72,383	53	(ii) Payable outside India Rs. 1,58,95,742 47		5,45,69,977	41
28,84,66,734	77						
				(For particulars see page 882)		27,26,67,305	18
19,38,59,976	14			Carried Forward			

THE INDIAN BANK

Balance Sheet as at

Corresponding figures 31st Dec. 1959				CAPITAL AND LIABILITIES—(Contd.)			
Rs.	nP.	Rs.	nP.	Rs.	nP.	Rs.	nP.
56,52,31,124	23			Brought Forward	...	54,04,99,364	28
				Less:—Appropriations:			
				(i) Final dividend of 5% and a Bonus of 2½% (both subject to tax)	Rs. 6,22,500 00		
				(ii) Provision for taxes	Rs. 23,00,000 00		
				(iii) Transfer to Sinking Fund	Rs. 1,00,000 00		
				(iv) Transfer to Bank's Buildings account	Rs. 20,000 00		
					30,42,500 00		
				Add:—Profit for the year brought from the Profit and Loss account	...	80,143 18	
					40,32,080 89		
				Less:—Interim Appropriations:		41,12,224 07	
				Ad-Interim dividend at the rate of 5% and a bonus of 2½% (both Subject to tax	Rs. 6,22,500 00		
31,22,643	18			Sinking Fund	Rs. 2,00,000 00	8,22,500 00	
							32,89,724 07
				10. CONTINGENT LIABILITIES:—			
				(1) On partly paid up shares of Banks and other companies Rs. 16,65,675-00			
16,65,675	00						
25,000	00			(2) Claims against the Bank not acknowledged as debt: Rs. 3,24,507 85			
or 670	69						
69,157	85			(3) On guarantees given on behalf of constituents Rs. 7,41,45,072-00			
6,34,54,878	37			(includes guarantees given on behalf of Directors or Officers Rs. 24,69,767 76)			
				(4) On Forward Exchange contracts Rs. 10,07,81,726-46			
7,75,96,274	13						
				Note:—The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Sec. 29 of the Banking Companies Act 1949 read with Sec. 211 of the Companies Act 1956. Owing to regrouping of the accounts, previous year's figures have been recast.			
56,83,53,767	41			Total	...	54,37,89,088	35

Profit and Loss Account for the year

Corresponding figures 31st Dec. 1959				EXPENDITURE			
Rs.	nP.	Rs.	nP.	Rs.	nP.	Rs.	nP.
1,16,48,216	16			1. Interest paid on deposits, borrowings, etc.	...	1,14,86,963	19
80,99,166	41			2. Salaries and allowances, Provident Fund, Bonus, etc.	...	91,83,041	55*
				*includes gratuity of Rs. 48,000/- paid to Ex-Secretary			
				(Salary and Allowances etc. to Secretary Rs. 30,266 nP. 67)			
				Ag. Secretary Rs. 8,027 nP. 13)			
				Ex-Secretary Rs. 4,465 nP. 21)			
1,31,661	12			3. Directors' and Local Committee members' fees and allowances	...	1,32,238	02
7,38,632	62			4. Rent, Taxes, Insurance, Lighting, etc.	...	8,88,593	41
11,838	56			5. Law Charges	...	45,545	51
5,66,970	43			6. Postage, Telegrams and Stamps	...	6,05,365	50
26,581	65			7. Auditors' Fees	...	32,852	75
				8. Depreciation on and repairs to the banking company's property	...	3,13,562	24
2,61,957	87			9. Stationery, Printing, Advertisement, etc.	...	7,32,648	16
6,32,734	15			10a. Loss from sale of or dealing with non-banking assets	...	Nil	
Nil				10b. Net loss on sale of investments	...	Nil	
8,95,732	95			11. Other Expenditure	...	11,14,055	39
36,84,210	42			12. Balance of Profit (Subject to taxation)	...	40,32,080	89

LIMITED, MADRAS

31st December, 1960

Corresponding figures 31st Dec. 1959				PROPERTY AND ASSETS—(Contd.)			
Rs.	nP.	Rs.	nP.	Rs.	nP.	Rs.	nP.
19,38,59,976	14			Brought Forward	...	20,00,72,259	27
				6. BILLS RECEIVABLE BEING BILLS FOR COLLECTION AS PER CONTRA:			
				(i) Payable in India	...	2,11,53,006	31
3,07,95,024	75			(ii) Payable outside India	...	1,35,13,719	70
						3,46,66,726	01
4,49,11,273	54			7. CONSTITUENTS' LIABILITIES FOR ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS PER CONTRA:			
						2,69,65,893	89
				8. PREMISES:—			
				At cost as at 31st December, 1959	Rs. 20,15,587	16	
				Additions during the year	Rs. 1,49,295	00	21,64,882 16
							14,56,871 35
				Less Depreciation written off to date	...	7,08,010	81
13,83,795	49			9. SAFES, FURNITURE, FIXTURES, ETC.			
				At Cost as at 31st December, 1959	Rs. 20,22,056	50	
				Additions during the year	Rs. 3,33,594	66	23,55,651 16
				Less Deductions during the year	...	32,412	21
				Less Depreciation written off to date	...	23,23,238	95
10,48,984	53					11,72,043	37
							11,51,195 58
				10. OTHER ASSETS, INCLUDING SILVER:—			
				Books and Stationery	...	10,49,761	82
				Sundries Receivable (including advance Income-tax amounting to Rs. 34,34,116 59)	...	39,33,836	29
				Interest Accrued on Investments	...	16,45,180	92
				Stamps & Drafts	...	26,456	09
				Silver	...	Nil	
76,28,216	24			11. NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS.			
2,59,761	95			(at cost—Either reserve price fixed by Court or purchase price paid at public auction)			
						66,55,235	12
						1,53,601	95
56,83,53,767	41			Total	...	54,37,89,088	35

ended 31st December, 1960

Corresponding figures 31st Dec. 1959				INCOME			
Rs.	nP.	Rs.	nP.	Rs.	nP.	Rs.	nP.
				INCOME (Less provisions made during the year for Bad and Doubtful Debts and other usual or necessary provisions)			
2,15,84,797	75			1. Interest and Discount	...	2,29,67,367	69
46,91,459	08			2. Commission, Exchange and Brokerage	...	51,02,375	30
89,279	76			3. Rents	...	1,20,312	86
				4. Net profit on sale of investments, gold and silver, land, premises and other assets. (Not credited to Reserves or any particular fund or account.)	...	984	15
38,376	49			5. Net profit on revaluation of investments, gold and silver, land, premises and other assets. (Not credited to Reserves or any particular fund or account.)	...	Nil	
Nil				6. Income from non-banking assets, and profit from sale of or dealing with such assets.	...	6,072	75
9,531	57			7. Other receipts	...	3,69,813	86
2,85,257	69						
				Total	...	2,85,86,946	61
2,66,98,702	34						

The Indian Bank Limited, Madras

Particulars of Advances referred to on the Assets side of the Balance Sheet
as at 31st December, 1960

(Vide Page 879)

(This forms part of the Balance Sheet.)

31st Dec. 1959 AMOUNT		PARTICULARS	AMOUNT	
Rs.	nP.		Rs.	nP.
22,25,21,142	77	(i) Debts considered good in respect of which the Banking Company is fully secured	23,56,45,333	82
5,18,31,836	23	(ii) Debts considered good for which the Banking Company holds no other security than the debtor's personal security	3,45,27,371	64
		Advances under Joint and) several Pronotes/Liabilities) 2,47,60,636 08 including Bills Discounted) and Purchased) Advances to individual parties) including Bills Discounted) 97,66,735 56 and Purchased)		
1,26,59,559	74	(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	19,07,848	50
14,54,196	03	(iv) Debts due on temporary overdrafts and other advances	5,86,751	22
Nil		(v) Debts considered doubtful or bad not provided for	Nil	
28,84,66,734	77	Total ..	27,26,67,305	18
1,71,141	78	(vi) Debts due by Directors or officers of the Banking Company or any of them either severally or jointly with any other persons (of which Rs. 2,45,334 24 is fully secured)	2,77,215	93
1,80,28,565	97	(vii) Debts due by 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 (of which Rs. 53,54,368 51 is fully secured)	66,56,430	60
1,84,634	23	(viii) 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 (of which Rs. 2,70,035 46 is fully secured)	3,10,991	64
2,02,51,220	45	(ix) Maximum total amount of advances, including temporary advances granted during the year to 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 [of which (a) Rs. 50,25,890 09 is fully secured and (b) Rs. 1,60,76,655 48 is due by a company where a director of the Banking Company is an ex-officio director and the advance is guaranteed by a State Government.]	2,24,12,735	00
7,01,399	55 (x)	Due from Banking Companies	5,36,656	23

Directors :

M. A. M. MUTHIAH CHETTIAR
R. K. VENKATACHALAM
R. SUNDARAM IYER
T. S. KACHAPIKESA MUDALIYAR
O. M. SP. L. M. MEYYAPPA CHETTIAR
M. A. MUTHIAH CHETTIAR
S. MUTHUSWAMI,
Ag. Chief Accountant

T. RAMAKRISHNA RAO,
Dy. Secretary.

C. RAMASUBBAN
RAMDOSS PURUSHOTHAMDOSS
L. ALAGUSUNDARAM CHETTIAR
P. V. RM. KULANDAYAN CHETTIAR
K. BALASUBRAMANIA IYER
E. M. MUTHAPPA CHETTIAR

G. S. SUNDARAM,
Secretary.

THE INDIAN BANK LIMITED, MADRAS

Auditors' Report

We have audited the above Balance Sheet of the Indian Bank Limited as at 31st December 1960 and also the above Profit and Loss Account of the Bank for the year ended on that date with the books of account of the Head Office and Branches other than those in Malaya, and Singapore. The accounts of the Branches in Malaya and Singapore were audited by auditors qualified under the laws of those countries and appointed by the Board of Directors before the Companies (Amendment) Act 1960 came into force. The Bank has applied for necessary exemption to the Central Government. We report that:—

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- Such information and explanations have been found to be satisfactory;
- The returns received from the Malayan and Singapore branches have been found adequate for the purpose of our audit;
- The transactions of the Bank as have come to our notice have been, in our opinion, within the powers of the Bank;
- In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required, subject to the note appended to the Balance Sheet.
- In our opinion, (i) the Balance Sheet gives a true and fair view of the state of the Bank's affairs as at 31st December 1960;
- (ii) the Profit and Loss Account gives a true and fair view of the Profit and Loss for the year ended that date and shows a true balance of profit for the period covered by the audit; and
- (iii) proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books; and
- The Bank's Balance Sheet and the Profit and Loss Account dealt with by the Report are in agreement with the books of account and returns.

B. PURUSHOTTAM & CO.)
SUNDARAM & SRINIVASAN)
V. SOUNDARARAJAN & CO.) Auditors
BRAHMAYYA & CO.)
KARRA DAKSHINAMURTHY)
Chartered Accountants.

Madras, Dated 6th March, 1961.

TRADE PROMOTION

... is our business

Australia, New Zealand, and Fiji offer opportunities to exporters and importers and the International Division of the Bank of New South Wales can help those interested.

The Bank's complete banking service includes such specialized facilities as trade and industrial enquiries, economic and trade information, and a complete travel service. The Bank, through more than 1,000 branches and agencies, is closely and constantly in touch with industry, business, and agriculture in the areas it serves.

Enquiries may be made through your own bankers or direct to

BANK OF NEW SOUTH WALES

INTERNATIONAL DIVISION
John W. McEwen, Chief Manager

HEAD OFFICE: SYDNEY, AUSTRALIA

First and largest commercial bank operating in Australia, New Zealand, Fiji, Papua and New Guinea, with three branches in London.



We manufacture

- C. I. Domestic Hotwater Boilers
- C. I. Sewer Flushing Syphons
- C. I. Revolving Distributors for Sewage Disposal
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COMPANY AFFAIRS

T. STANES'S JUBILEE YEAR

It appears from the consolidated account of T. Stanes & Co. and its subsidiaries that the combined income of the company came to Rs. 2.44 crores during the year to September 30, 1960, against Rs. 2.15 crores in the previous year. Sale proceeds of the subsidiaries alone came to about Rs. 1.64 crores. The combined profit of these companies comes to Rs. 14.37 lakhs, against Rs. 13.82 lakhs in the previous year. The Stanes Motors (South India) Ltd., a subsidiary of the company, indicated satisfactory results. Supplies of cars and commercial vehicles of the company continued to improve during the later half of the year though it was restricted in the first-half. Only Bedford trucks, the Directors point out, will be progressively manufactured and Chevrolets will no longer be available as their production has ceased. The company had a good turn over, but the procurement of service parts was slightly difficult. The trading profits of the United Coffee Supply Company Ltd., another subsidiary of the company, though not spectacular, show sure improvement over the last year due mainly to increased sales of pure coffee. The company continued to sell loose tea because of a severe competition in the packet tea trade.

T. Stanes and Co. Ltd. in its golden jubilee year has recorded a profit of Rs. 10.37 lakhs. After providing for depreciation and other provisions like bonus etc, there is a balance of Rs. 8.25 lakhs. The directors have recommended the provision of Rs. 3.25 lakhs for taxation. An interim dividend at the rate of 10 per cent was paid in October on ordinary shares and now a final dividend at the rate of 17½ per cent is to be paid. A centenary bonus dividend at the rate of 5 per cent is also to be paid.

NIZAM SUGAR

In spite of the major breakdown in one of the plants of the company which forced stoppage of crushing for about a month, the Nizam Sugar Factory Ltd. during the year to June 30, 1960 crushed 4.92 lakh tons of cane and produced 51,199 tons of sugar showing a recovery of 10.41 per cent which was higher as compared to the results of

the previous year, when 4.43 lakh tons of cane were crushed producing 44,336 tons of sugar with a recovery of 10 per cent. A higher recovery was due to better quality of cane and more efficient working of the factory. The farms attached to the factory produced 2.24 lakh tons of cane at an average of 40.38 tons per acre; corresponding figures for the previous year are 1.88 lakh tons at an average of 35.95 tons per acre respectively, which again means better results for the year under review. Sales proceeds during the year came to around Rs. 5.98 crores against Rs. 5.79 crores during the previous year. The profits, too, were higher, at Rs. 63.10 lakhs, a significantly higher figure against the previous year's profit of Rs. 24.67 lakhs. The Directors have proposed the payment of a dividend on ordinary shares at the rate of Rs. 5.75 per share of Rs. 25 fully paid subject to deduction of tax which shall absorb a sum of Rs. 25.39 lakhs.

J. K. STEEL

J. K. Steel has achieved a fair amount of stability and in spite of an illegal strike for 71 days during the year from September 18 to November 27, 1959, the company recorded increased sales and higher profits as compared to the previous year. The sales reached a new high level of Rs. 1.24 crores against Rs. 94.9 lakhs during the previous year and Rs. 56.2 lakhs a year before.

The directors have reported that as a result of representations made to the Government, the supply position of raw materials for the rolling plant as well as wire rope plant has improved resulting in a higher production. The company also has expansion schemes in hand and has obtained licence for the manufacture of mild steel wires from the existing available capacity of its plant and has obtained licences for doubling the capacity of wire rope plant.

Profits during the year under review after making provisions for depreciation etc. comes to Rs. 13.12 lakhs against the last year's figures of Rs. 5.51 lakhs. The directors have recommended the payment of dividend on ordinary shares at the rate of Rs. 2 per share which is equivalent to 20 per cent subject to deduction of tax.

A Letter to the Editor

POWER PLANNING IN GUJARAT

The Editor,
The Eastern Economist,
New Delhi.

Dear Sir,

I venture to draw attention to a factual inaccuracy that has crept into the article entitled "Power Planning in Gujarat" which appeared in your issue of March the 10th. The article invites attention to "the ambitious project of running an express transmission line between Bombay and Ahmedabad" of which the Central Government was to bear a part of the project's cost, and which the then Bombay authorities were said to welcome and would even have been delighted to assist by sparing part of the Koyna power.

It is true that the Central Government mooted in 1959 a proposal to construct a transmission line between

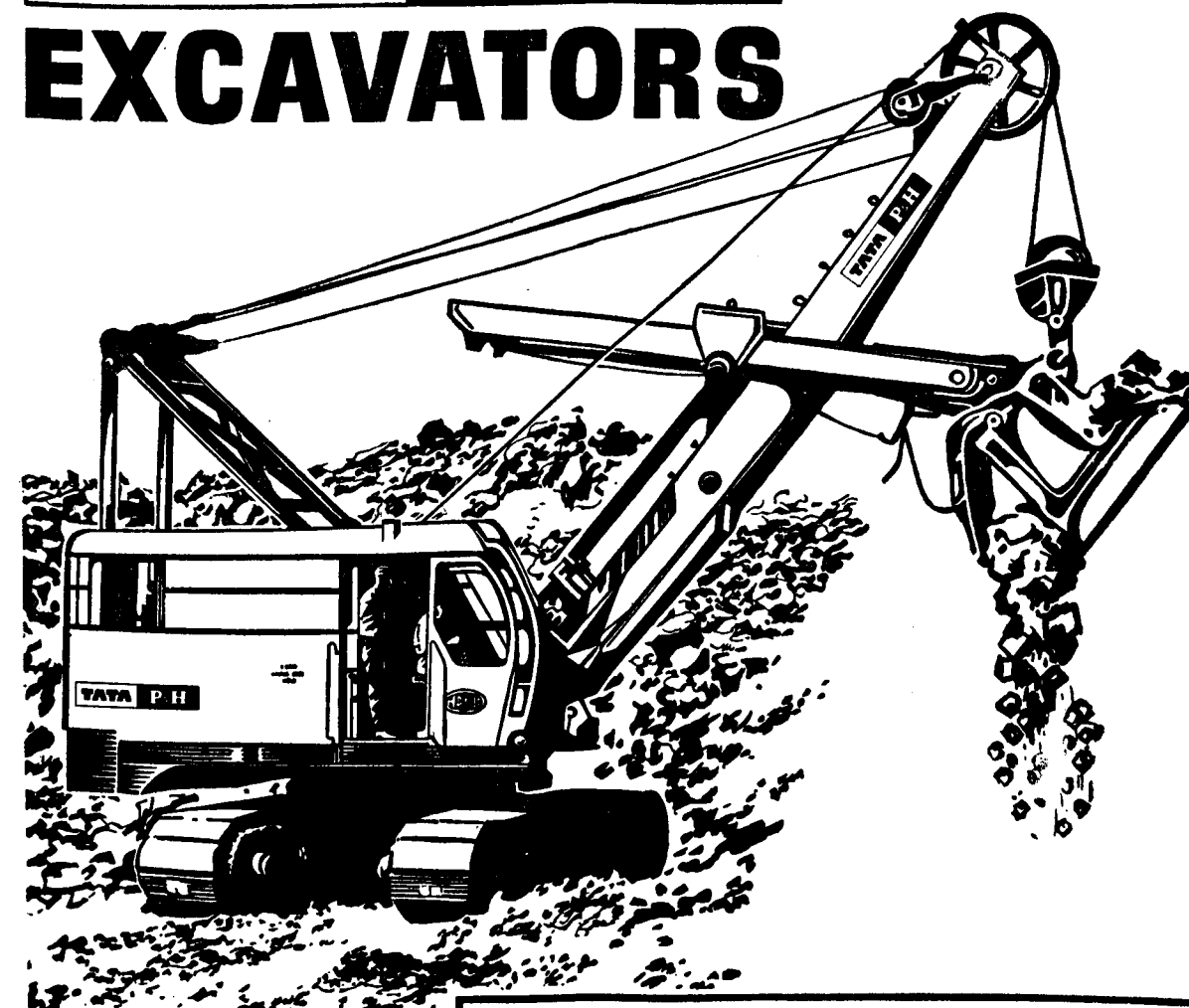
Bombay and Ahmedabad, on the assumption that surplus power was available in the Bombay region for such transmission. The then Bombay State Electricity Board carefully examined the proposal and came to the conclusion that no such surplus power would be available and the then Bombay Government concurred with that analysis. This view of the authorities was conveyed to the Central Government and the proposal was dropped. It is thus not quite in accordance with facts to suggest as has been done rather superciliously in the article that "certain superior intellects in Gujarat" sacrificed the long term interest of the Gujarat State (which incidentally did not then exist) by turning down this 'wonderful' offer.

Yours sincerely,
H. M. Patel

New Delhi,
March 23, 1961.

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Company Meetings

THE ALKALI & CHEMICAL CORPORATION OF INDIA LTD.

RECORD PRODUCTION AND PROFITS
MR. J. M. LALL ON THE ROLE OF RETAINED PROFITS
THE CONFIDENCE OF THE PRIVATE INVESTOR ABROAD

Speech delivered by the Chairman, Mr. J. M. Lall at the 24th Annual General Meeting at Calcutta on Wednesday, 22nd March, 1961.

Gentlemen,

The Audited Accounts and Directors' Report have been in your hands for sometime, and with your permission, I shall take them as read.

The results shown by these accounts need no emphasis from me; the figures speak for themselves as evidence of the most successful year in the Company's history so far. How have these highly satisfactory results been achieved?

PRODUCTION

In the year under review we had the benefit of a full year's production of polythene granules for the first time. The Polythene Plant, you will remember, has an installed capacity of 3,500 tons but, largely as a result of a methodical, scientific study of the working of the Plant, we were able to achieve an output of 4,000 tons. A notable increase was also achieved in the output of Paints and here again scientific study of the processes and increased efficiency in production planning were largely responsible. Even more paint could have been produced had it been possible to import a larger quantity of raw materials. We must expect this scarcity of imported materials to continue and we are, therefore, constantly seeking and evaluating raw materials produced in this country.

While the major increases in production have come from the two Plants I have mentioned, all other Plants also contributed.

SALES

Sales which, as you know, are made through our Selling Agents, Imperial Chemical Industries (India) Private Limited kept pace with this increased production and the final figures achieved were Rs. 5.4 crores as against Rs. 3.4 crores in the previous year. Throughout the year demand for all our products was in excess of our ability to supply and a ready market exists for any increase in output which we are able to achieve this year. An important part in the development of demand for our products, and particularly such materials as polythene and high quality paints, is played by the Technical Service organisation of our Selling Agents which provides a comprehensive service to all our customers and helps them to use our products economically and with good and sound technical results.

APPROPRIATIONS

Let me turn now to the proposals your Directors have made as to the use to which the available surplus of approximately Rs. 88.5 lacs is to be put. They have recommended allocations of Rs. 48 lacs to Reserves and Rs. 39.2 lacs to dividends.

Some of you may well ask why the Board have not recommended distribution of a larger part of the profits in dividends. The Board considered this mat-

ter very thoroughly and in their deliberations were guided by the following factors:—

- Last year we withdrew from the Dividend Equalisation Account Rs. 13.8 lacs, the entire amount standing to the credit of that Account. In addition, a sum of Rs. 10 lacs was withdrawn from General Reserves to make up the amount required for dividend on Ordinary Share Capital. The Board are of the opinion that these withdrawals should now be made good and the Reserves brought up to levels commensurate with the Company's activities.
- The Company's indebtedness to Banks stood at Rs. 1.24 crores at the end of the year.
- We have on hand a large programme of expansion which will require about Rs. 6 crores during the next 3 years or so.
- A progressive but consistent dividend policy is essential for the strength of the Company and prestige of its stock in the market.

Your Directors believe that self generation of resources is as important for the growth of a company as it is for the economy of a country. In achieving a state of "take-off" as the modern economist puts it, retained profits have a very important role to play. Nevertheless, your Board are fully conscious of their duty to the Shareholders and hope that you will not regard a dividend of 12% before tax, as inadequate.

The provisions in the recent Budget if accepted by Parliament will materially affect your company in the current year and in the future. Apart from the reduction from 25% to 20% in development rebate and increase in duty on the import of plant and machinery, substantial new excise duties have been imposed on polythene and caustic soda, and the duty on paints has been increased. For the year to September 1960 your Company paid excise duty amounting to approximately Rs. 12 lacs. For the current year which will only have 7 months of the new and enhanced duties, the excise bill will be Rs. 45 lacs and for a full year's operations the total excise duty may amount to as much as Rs. 70 lacs. As you will appreciate no Company can absorb such a large debit and the bulk of this must perforce be passed to consumers. We must realise, however, that competition in these products is growing and to increase prices to recover such a large amount from consumers is not likely to be easy.

I would like, at this stage, to refer briefly to the delay which occurred in the payment of the half yearly Preference Dividend which normally occurs in April and October of each year. The withdrawal of Section 18(3E) of the Indian Income Tax Act, 1960 raised certain difficulties in connection with the payment of Preference Dividends and there arose also considerable uncertainty as to Government's intentions regarding the treatment of tax-free Preference Dividends. In these circumstances, your Board thought it prudent to defer payment until the position was clear beyond doubt, but this clarification took a long

time to achieve and amending legislation was not passed until the end of 1960. A full year's dividend has now been paid in conformity with this legislation but my colleagues and I would like to express to Preference Shareholders our regret at the considerable inconvenience which was caused to them.

All our shareholders will, I think, be glad to hear that we have now been able to arrange with our Bankers that all future dividends can be paid at par at any of their branches.

PROSPECTS

So much for the past. What of the future? Production and sales in the current year have been satisfactory so far, and in line with the increased targets which we have set ourselves. Methodical studies of the working of each of our Plants and improvements in preventive maintenance are enabling us to increase production still further. In our caustic soda business Government has taken note of our difficulties arising from the substantial rise in the price of salt and has acted promptly to authorise us and other caustic makers to charge a higher price.

I referred in my speech last year to our plan for making various chemicals for the rubber industry at Rishra at a cost of Rs. 2 crores. Work is proceeding steadily on this project.

I have already referred to increases in output of polythene granules achieved by the application of Work Study techniques without any additional capital investment. Demand for polythene in India has grown so quickly that it has become urgently necessary to extend our capacity. Government has now agreed that we may expand our capacity by more than 2½ times and this expansion is being pushed forward as matter of the highest priority. As with the first Plant our technical consultants are Imperial Chemical Industries Limited, London, and I would like to record our gratitude for the prompt and effective help which they have given and are giving us, in order to bring this extra capacity into production within the shortest possible time.

I have also referred to the substantial increases which we have been able to achieve in the output of our high quality paints. Despite this, demand within India is increasing rapidly as a result of the country's general industrialisation, that it is urgently necessary to put in a substantial increase in capacity. This extra capacity will enable us to meet internal demand and, what is equally important, help us to expand the valuable export business in paints which we have been able to develop over the last year or so. Our proposals to increase our paints capacity are at present under discussion with the Government and we have every hope that the outcome will be successful.

In addition to these projects we are also actively investigating plans to increase our production of chlorine, caustic soda and hydrochloric acid.

These plans for new projects or substantial expansion of existing projects are made possible largely because of the readiness of our associates in the U.K., Imperial Chemical Industries Limited, to provide sterling finance for the import of plant and machinery.

Shortage of foreign exchange is one of India's major problems. I know that the Government of India are doing everything possible to find a solution to this problem and are meeting with a fair measure of success in arranging Government to Government or World Bank loans. I would like to suggest, however, that the Private Sector of the economy also is play-

ing a very important role in this endeavour. Willingness of foreign private investors to come into a country without any political pressure is indicative of the strength and stability of the economy of the country. Admittedly, the aggregate of such foreign private investment in any one of the years of the second plan is small in comparison with governmental aids but I maintain that the real effect of this foreign private investment in these years is seen not in the quantum but in the climate it has created. Governmental thinking overseas must be influenced to quite an extent by the independent expression of confidence by the foreign private investor.

STAFF AND WORKERS

May I turn now to the most valuable asset which your Company possesses, although you will not find it in the Balance Sheet: I refer of course to our staff and workers, without whose loyal support and conscientious work, machines, no matter how efficient or well designed, can achieve nothing.

Throughout the year we have laboured to build up a team spirit and a sense of common purpose among all sections of our employees. On the whole these efforts have been successful and the relationship between Management and Workers has been reasonably good. Differences there have been and still are but they are all, in my view, capable of a right and just solution if they are approached by both sides in a spirit of goodwill and with a genuine desire to find agreement. That such solutions should be found and found quickly is of importance not only to the employees themselves, to the Company and to its shareholders but, above these three, to the country as a whole.

During the year we were able to complete improved amenities for our workers by building more quarters for them, and arranging for subsidised accommodation in the West Bengal Government's Housing Project at Baidyabati.

Training is, of course, of vital importance to your Company and indeed to the country as a whole at this time of rapid development. To help meet the need for trained fitters and the like we have established a Craft Apprentice Training School, the aim of which is to provide your Company with a steady supply of skilled craftsmen. We have also undertaken to train such men on behalf of the Government of India as a contribution to the country's needs. Our policy of appointing Indian staff to responsible management positions has been assiduously pursued and I am happy to be able to report to you that with the exception of the Technical Director at Rishra the entire management of that complex chemical manufacturing site is in the hands of Indian staff and they are discharging their responsibilities most efficiently.

We had the privilege, a few weeks ago, to welcome to Rishra Mr. S. P. Chambers who is now the Chairman of Imperial Chemical Industries Limited, London. You will, I know, be pleased to hear that he was greatly impressed by all he saw at your Factory and paid particular tribute to the high morale and enthusiasm which he found there.

These then were the achievements of your Company in the year ended September, 1960. The years ahead hold out a great challenge to all who are concerned with the development of a vigorous and prosperous chemical industry in this country. They will bring their problems and their difficulties but they will also, I am sure, bring great achievements. In the building of this chemical industry your Company has an important part to play. We face that future with sober confidence.

NOTE: This does not purport to be a record of the proceedings.



MR. AL FOIL GOES OVERSEAS

"Westward Ho!" shouted Mr. Foil, importantly perched upon a tea chest, "I go as a Protector of Tea (Aluminium lining for tea chests and packages) and come back with foreign exchange. Busy voyage ahead, though," Mr. Foil continued shouting, "What with having to keep out the damp devil and keep in the tea flavour. But I am not worried. Have long experience in the matter of lining tea chests with aluminium foils which stand up to all sorts of ill usage like rough crossings and wet weather (the Bay of Biscay and the Channel y'know) . . . In fact, aluminium foil packaging keeps the tea full flavoursome and factory fresh right up to the tea lover's table . . . to England, America or any place in the world . . . I, Al Foil, alumnus of aluminium, guarantee satisfaction".

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Calcutta.**WORLDGRAM****India**

Centre For Training Instrumentation Mechanics: An agreement was signed recently between the Swiss Foundation for Technical Assistance, Zurich (Switzerland) and the Council of Scientific and Industrial Research for the establishment and operation of an Indo-Swiss Centre for training precision mechanics in the fields of instrumentation. The Centre will be a co-operative effort between the Swiss industry and the C.S.I.R. and is being established as a part of the Central Scientific Instruments Organisation which has, as one of its aims, the organisation of advanced training of technicians and specialized personnel for the Indian scientific instruments industry. The Swiss Foundations is an organisation of the private Swiss industry and has over 200 enterprises as its members. Under the agreement the Foundation will provide free of cost to the C.S.I.R. equipment worth one and half million Swiss francs and the services of 6 to 8 Swiss technical experts for a period of 5 to 8 years. The total cost of this assistance will be over 6 m. Swiss francs. The C.S.I.R. will be responsible for providing the buildings, the Indian staff and the necessary supplementary equipment, besides meeting the recurring expenditure for the centre and the local cost of the experts.

Life Insurance Corporation Business: The Life Insurance Corporation secured peak business during 1960. The new business amounted to Rs. 460 crores. The amount of new business completed during 1955, the year immediately preceding the year of nationalisation was Rs. 260.84 crores. Foreign business completed by the Life Insurance Corporation of India during 1960 was Rs. 9.70 crores. Foreign business in 1957 was Rs. 5.40 crores; in 1958 it was Rs. 5.62 crores and in 1959 Rs. 9.47 crores.

Special Indian Currency in Kuwait to be Withdrawn: The Government of Kuwait has announced its intention to introduce a new local currency, to be known as the Dinar, and the appointed date for the issue of this currency has been notified by the Government as 1st April, 1961. In consequence of this decision, it would be necessary to arrange for the withdrawal of special Indian rupee notes and coins now in circulation in Kuwait and the representatives of the Government of Kuwait and the Government of India have accordingly been discussing the arrangements to be made in this connection. The two delegates have reached complete agreement, as a result of the discussions, regarding the manner in which and the period over which Indian currency now in circulation in Kuwait is to be exchanged into the local dinars and the terms on which India's liability in sterling in respect of the notes and coins so exchanged is to be liquidated. The arrangements which have been agreed upon contemplate that an initial payment to Kuwait will be made soon after the Indian notes and coins now in circulation in Kuwait have been redeemed and that the balance of India's liability will be discharged in annual instalments over a period of 10 years extending upto 1971. The decisions reached as a result of the present agreement between Kuwait and India do not effect the circulation of special Indian notes or Indian coin in the other territories of the Gulf, where the existing arrangements will continue to be in force.

United States

Alliance For Progress: President Kennedy has invited the Republics of Latin America to join the United States in launching a vast new 10-year Plan for the Americans—a plan to transform the 1960's into a historic date of democratic progress. The President's proposal is a 10-point programme in which he calls on all peoples of

the hemisphere to join in an effort, unparalleled in magnitude and nobility of purpose, to satisfy the basic needs of the American peoples for homes, work and land, health and schools. Among the points in his programme are examination of commodity market problems, the stepping up of the Food for Peace Programme, request to Latin American Republics to contribute to the enrichment of life and culture in the United States and \$ 500 m. in U.S. funds for assistance.

U.S.S.R.

Planting New Vineyards In Azerbaijan: Spring planting of vineyards are under way in Azerbaijan. Grape and fruit growing is an important branch of Republic's agriculture which brings large incomes to be peasants. This spring the area under vineyards in Azerbaijan will grow by another 20,000 hectares. On the whole, almost 2 lakh hectares will be added to it in the 7-year period. Azerbaijan's grape goes into the making of high quality wines, many of which were awarded gold and silver medals at international exhibitions.

Super Powerful Steam Turbines: Over 9 million kilowatt is the total capacity of all the turbines manufactured in the USSR last year. Many Soviet hydraulic, thermal and gas electric machines are produced at the Turbine plant in the Ukrainian city of Kharkov. In particular, the world's largest steam turbine with a capacity of 300,000 kw. was manufactured there last year. Already the second 300,000 kw. turbine possessing exclusive productivity has been put on the test stand of this plant. It alone can produce as much electric current a year as all the electric stations of Tzarist Russia, in 1913. Next year a 500,000 kw. aggregate will be manufactured at the plant, to be followed by a 800,000 kw. unit. Now the designers are busy working on a super-powerful steam turbine with a capacity of 1.2 million kw. This giant will be twice as large as Great Britain's biggest thermal electric station at Castle Donington.

Soviet Netherland's Trade: The Netherland's trade mission which visited the Soviet Union late last year with the object of elucidating the possibilities of expanding trade between the Netherlands and the U.S.S.R. has published its report. It advocates a substantial expansion of trade between the two countries. The report emphasises the fast pace of economic development and advance in the living standards of the Soviet people.

United Kingdom

Indo-United Kingdom Trade In 1960: The continuance of the good commercial relations between India and U.K. is revealed by the figures of exports and imports between the two countries in 1960. India last year got from Britain goods worth Rs. 200.1 crores and she sold Britain products valued at Rs. 198.9 crores. Comparative figures for 1959 were Rs. 228.4 crores and Rs. 190.1 crores, respectively. Thus India's trade deficit in 1960 was reduced to almost vanishing point. India was the sixth largest market in 1960 for U.K. exports and ranked ninth as a supplier of U.K. imports from all sources. The U.K. is helping in various ways to enable India to pay for the increasing volume of imports needed to maintain expanding industrial economy. Indian imports have been paid for to some extent by U.K. Government aid—in 1960-61 new loans totaling Rs. 20 crores have been announced towards the cost of imports in 1960 (not counting the promised Rs. 40 crores as an initial offer of assistance for the Third Plan). Another useful source of finance comes from private investment by U.K. firms in Indian industry. Over the past ten years this has averaged Rs. 20 crores a year and a substantial part of this investment is used to pay for goods and services from the U.K.

Industrial Output: The level of United Kingdom's industrial output remains unchanged, according to the latest index of the industrial production published by the Treasury in London on March 21. Seasonally adjusted, the index is provisionally estimated at 119 for January (1954 taken as 100), compared with 120 for December. The provisional figures for January shows industrial production at the same level as in January 1960. Seasonally adjusted, the level of output in January shows no significant change from recent months. Any changes in the level of production brought about by the recent relaxation of the hire-purchase restrictions will probably not be reflected until the February index becomes available.

Norway

Automation On Board Ships: The Marine Technical Research Institute at Trondheim, Norway, is working on a project for a prototype tanker, the running of which will involve a high degree of automation. It is planned as a transporter of crude oil from the Middle-East to Northern Europe because this type of ship is expected to play an important part in the Norwegian Merchant marine of the future.

West Germany

TV Sets On The Increase: Five million TV sets are now registered in the Federal Republic of Germany where the television network transmits daily a joint programme for about four hours. This programme comprises entertainment, plays, operas, documentary reports and live reporting. There are transmissions of important political, cultural and sport events which often come from elsewhere in Europe or are retransmitted abroad as part of the Eurovision Exchange Programmes.

NEWS IN BRIEF

INDIAN

Eighty-seven companies with a total authorised capital of Rs. 11.73 crores were registered under the Companies Act during the quarter ending December, 1960, in the Northern Region. The region comprises the States of Punjab and Himachal Pradesh, Delhi, Uttar

Among the numerous measures adopted in recent years to stimulate exports has been the creation of a Corporation to provide protection to exporters against risks arising in overseas trade.

The Government of India have constituted a Co-ordination Committee for taking steps to check the further spread of horse sickness in the country and to take stringent measures for its eventual eradication. The Committee will co-ordinate all work connected with horse sickness and prepare concrete plans of action for combating the disease.

Additional production of 50 lakh maunds of cow's milk during the Third Plan has been recommended by the Central Council of Gramvardhana at a meeting under the chairmanship of Mr. U. N. Dhebar. The Annual General Meeting of the Council, which met in New Delhi recently, also approved higher targets for certain schemes in the Third Plan, designed to encourage milk production in cows and its economic marketing.

The stocks of foodgrains with the Central Government which amounted to 7.93 lakh metric tons on January 1, 1960, increased to 21.53 lakh metric tons on March 5, 1961. Besides, the State Governments also held a stock of about 8 lakh metric tons on March 5,

France

Exports Of The French Woollen Industry: Total sales of the French woollen industry amounted to 1,538 million new francs during 1960 (of which 1,418 million francs was accounted for by foreign countries and 119 million francs by the franc zone) compared with 1,325 million francs in 1959 (1,214 million francs abroad and 110 million francs in the franc zone), and with 959 million francs in 1958 (850 million francs abroad and 108 million francs to the franc zone). These figures are all the more favourable considering that the price of wool decreased in 1960, and as a result considerably larger quantities of wool were sold.

Production Of Machine Tools For Czechoslovakia: The Ets, Edmund Chevallier recently received new orders from Czechoslovakia totalling 2,550,000 new francs. Of this total, 800,000 new francs will be for the ingot and accessories department of the smelting industry and 1,750,000 new francs will be for special transformation machinery. The equipment order will be delivered in 1961, 1962 and 1963.

World Bank

Loan For Electric Power In Japan: The World Bank has made a loan equivalent to \$12 million for the expansion of electric generating capacity on the island of Kyushu, Japan. The loan will assist in financing the construction of a 156,000 kw. thermal power plant at Kokura in Northern Kyushu, one of the most heavily industrialized areas of Japan. This is the second loan made by the Bank for the expansion of the Kyushu Company's power facilities. The loan is for a term of 20 years and bears interest at the rate of 5½ per cent annually, including the one per cent commission which is allocated to the Bank's Special Reserve.

FOREIGN

British Overseas Airways Corporation is understood to be considering making new arrangements for insuring its fleet of 15 Boeing 707 and 19 Comet 4 jet airliners, unless agreement can be reached with members of Lloyd's about premiums.

Mr. Shoaib, Pakistan Finance Minister, has announced an upward revision in the estimates of the second Five-Year Plan to the tune of Rs. 3,000 m. The revision in the Plan had been caused by the changing world price situation and also by the buy-American policy, both of which were likely to upset the Plan's targets.

Russia and Mali have signed an agreement on economic and technical co-operation under which the African republic will receive a long-term credit of 40m., the Soviet news agency reported recently. The credit will be used by Soviet organisations to give technical assistance in prospecting for oil, gold and diamonds.

Sir Hugh Ellis Rees, of Britain, former Chairman of the O.E.E.C. is leading a 16-member World Bank economic mission to Spain. It will assist in working out a long-term development programme for the Spanish economy.

West German motor production has failed to keep up the tremendous burst of expansion with which it began this year, but February's results are still well above those of last year.

The first tanker load of crude oil from the recently discovered Italo-Persian offshore field in the Persian Gulf arrived in Bari recently. The 18,000 tons are to be processed in a refinery of which 50 per cent is owned by Standard Oil of New Jersey.



Company Meeting

THE BANK OF INDIA LIMITED

Extracts from the Speech of the Chairman, Sir Cowasjee Jehangir, Baronet, G.B.E., K.C.I.E., at the Fifty-fifth Annual General Meeting of the Shareholders of the Bank of India Limited, at Bombay on Monday, 27th March, 1961.

Ladies and Gentlemen,

I have great pleasure in welcoming you to this our Fifty-fifth Annual General Meeting.

In 1960, as in other years, the Reserve Bank of India have been vigilant in their efforts towards the proper development of banking in the country. We very much appreciate the consideration which the Reserve Bank of India have extended to banks. It is no small task to endeavour to watch and guide the large number of banking units—big and small—throughout the country. I would express the gratitude of my colleagues on the Board and myself for prompt information, advice and guidance given to our Bank from time to time by the Reserve Bank of India.

Taxation

I am personally of opinion that the recent Budget is framed on a fair basis. I am sure the Finance Minister expects to be criticised whatever he does by one school of thought or the other. A pertinent question has been asked as to how the Finance Minister was to raise funds for the Government if he did not do so by indirect taxation. My answer is that the Government should reduce their capital expenditure on rash projects which have no prospects of yielding good value for money spent. It is believed by many that this is due to the increase of corruption in the last few years and lack of efficiency and competent technical personnel in Government service. At the root of all the trouble is the policy of the Planning Commission who have allowed their imagination to run wild without calculating the disastrous financial consequences of their rash projects. Really good and efficient planning will enable the Government to spend less and to borrow less money from all parts of the world and thus reduce the demand for maintaining the high levels of taxation already imposed and for levying other taxes on all classes of the people.

The Government were spending crores of rupees and claiming that they had raised the annual income of the common man. I do not vouch for the accuracy of this claim but if this is well-founded it forms a very reasonable argument for indirect taxation. The Finance Minister must not forget that India is the heaviest taxed country in the world and that a certain class of people are made to pay almost the whole of their hard-earned income in taxation leaving little or nothing to live upon. Most of them are at present living on their capital. Highly placed officers both in public and private enterprises are made to pay a large portion of their hard-earned salaries in taxation leaving little for the maintenance of themselves, their families and their dependents. The only class of people that appears to be comparatively well off under present conditions is factory labour.

The main necessities of life are food, housing and clothes. Food and housing are the responsibility of the Government. Clothing is supplied by the private sector and, although the textile industry supplies cloth to the public at a cheaper price than supplied by many countries of the world to their people, the Government insist upon lowering the prices because it only affects the private sector but they do very little effectively to reduce the price of food or housing.

All-India Inter-Bank Agreement

In my last two annual speeches I have mentioned the All-India Inter-bank agreement for maximum rates of interest on deposits which the larger commercial banks, about 40 in number, other than the State Bank of India, entered into from October, 1958. Changes in the maximum rates of interest were made during the year from the 22nd August, 1960, and from the 1st October, 1960. I would like to see the State Bank of India, as the largest commercial bank in the country, also joining in the agreement. I understand that the Indian Banks' Association have been making endeavours in that direction. In this connection, I have to inform you that our General Manager, Mr. T. D. Karsara, has recently been elected Vice-Chairman of the Indian Banks' Association.

The Bank in 1960

The Bank's profit of over Rs. 103 lakhs for the year 1960 is about Rs. 20½ lakhs more than the 1959 profit of about Rs. 82½ lakhs. These figures of profit for the two years cannot be exactly compared. Part of the difference between them is because during the bulk of 1960 tax at an appreciably lower rate than in 1959 has been deducted at source from the Bank's investment income.

Before arriving at the profit figure we have, as usual, made appropriate prudent provisions. Sound banking calls for the setting aside of provisions relative to our commitments. Our business is appreciably growing. Our liabilities are increasing. Prudence dictates that, in such circumstances, adequate provisions should be made at all stages.

A final dividend of 12½ per cent, subject to deduction of tax at the prescribed rates, is proposed. This will absorb Rs. 37½ lakhs. An interim dividend of 7½ per cent subject to deduction of tax was paid in August last. The amount of that interim dividend was Rs. 22½ lakhs. The total dividend for the year is 20 per cent or Rs. 60 lakhs, subject to deduction of tax. This compares with 16 per cent, subject to deduction of tax, for 1959 and with 16 per cent, free of income-tax, for 1958. I think shareholders will be pleased at the dividend we are recommending.

The increase in the dividend proposed for 1960 goes to off-set only to some extent the reduction in the net payment caused by the changes made by the Finance Act of 1959.

Audit

The Companies (Amendment) Act, 1960, materially amended the Companies Act, 1956. Section 228 of the main act, as amended, makes audit of all branches of the Bank obligatory. The Central Government have power to exempt branches from being audited as required by the amended Section 228. For 1960, we applied to the Central Government for such exemption and it was granted. For 1961, we do not intend to seek any exemption. My colleagues on the Board and I are, on this point, at one with the legislature. We have a high regard for the safety provided by frequent audit.

Branches

The Bank has a programme of considerable branch expansion.

Staff Relations

During 1960, staff relations in the Bank have been

on a reasonably tranquil basis, but difficulties have not been absent.

General Manager

It is with great regret that I refer to the death during the year of Mr. T. R. Lalwani, General Manager of the Bank. He served the Bank for nearly 43 years, the last three years as General Manager. He enjoyed the confidence of the Board to a marked degree.

In Mr. Lalwani's place, the Board have appointed Mr. T. D. Kansara as General Manager.

Local Committees and Staff

I would express our appreciation of the aid given to us by our Local Committees at branches.

I express our thanks to our General Manager, Mr. T. D. Kansara, for his able management of our affairs and for his unremitting application to the Bank's business. Our thanks are tendered to the staff who have assisted in the Bank's working during the year.

Note:—This does not purport to be a report of the proceedings of the Annual General Meeting

March 31, 1961.

THE EASTERN ECONOMIST

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Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Food articles & Tobacco	Liquor & Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures			All Comme- dities
						Inter- mediate Products	Finished Products	Total	
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55	..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.6	117.1
December	1959	118.2	103.7	117.0	127.2	118.0	112.6	113.4	117.9
January	1960	117.5	100.9	116.8	130.9	121.6	115.1	116.0	118.8
February	..	118.0	96.0	117.3	131.6	120.5	115.6	116.3	119.5
December	1960	117.2	112.1	120.3	149.6	132.3	125.0	126.0	124.3
January	1961	116.4	111.2	120.0	154.7	133.9	126.5	127.5	125.6
February	..	116.2	111.2	120.0	159.2	134.2	128.4	129.2	126.6
4-2-1961	..	116.7	116.6	120.1	157.3	133.7	127.8	128.6	126.4
11-2-1961	..	116.5	111.6	120.1	160.3	133.8	129.0	129.6	127.1
18-2-1961	..	116.0	112.2	120.0	159.5	134.4	128.4	129.2	126.6
25-2-1961	..	115.9	109.4	120.0	159.7	134.9	128.4	129.3	126.6
4-3-1961	..	116.5	112.8	120.3	159.0	136.1	127.8	129.0	126.7

*Revised.

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

Period	Bombay		Delhi	Calcutta	Kannur	Nagpur	Jubbulpur	Madras June 1936=100	Ludhiana†	Jamshedpur†	All India†
	Bombay	Bombay June 1934=100									
1939 (Aug.-Dec.)	103	—	—	—	105	104	—	106	—	—	—
1954	342	359	244	138	327	408	373	139	341	148	140
1955	322	338	218	130	321	371	364	133	321	134	135
1956	336	352	244	142	347	424	397	151	358	152	146
1957	352	368	259	159	364	448	422	162	374	157	157
1958	376	394	274	150	384	468	447	165	401	157	169
1959	393	412	309	158	384	469	498	163	429	166	173*
1960	401*	420*	—	158*	397*	476*	512*	—	462*	167	171*
1960 May	402	421	295*	153	396	461	510	165*	452	166	163*
June	403	422	297*	154	399	460	510	165*	462	167	164*
July	404	423	299*	160	406	484*	515	165*	467	169	164*
August	402	421	302*	160	410	484*	515	163	470	169	168*
September	399	418	—	161	403	489	520	163	472	167	168*
October	402	421	—	162	396	488	517	163	477	171	164*
November	404	423	—	159	392	489	509	163	484*	171	168*
December	400	419	—	160	385	478*	507	—	488*	169	167*
1961 January	400	419	—	161	385	480	—	—	470*	171	166*
February	—	—	—	163	—	487	—	—	474*	—	—

†Base 1944=100. *Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)
WEEK ENDED

	17-3-1961			10-3-1961			3-3-1961			24-2-1961		
	High	Low	Ave- rage	High	Low	Ave- rage	High	Low	Ave- rage	High	Low	Ave- rage
Gold (per 10 grams)	123.60	121.90	122.58	124.40	122.90	123.62	122.00	121.40	121.67	122.35	120.75	121.45
Silver (per kilogram)	206.50	202.75	204.83	208.20	206.05	207.03	206.70	206.10	206.42	207.25	205.55	206.13

RESERVE BANK OF INDIA
ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES					ASSETS				
	Notes in Circulation	Notes Held in Bank	Total Notes Issued	Gold & Bullion	Foreign Securities	Total of (b+c)	(b+c) as Percent- age of (a)	Rupee Coin	Rupee Securities	Total Assets
	(a)	(b)								
1955-56*	1,339,39	17,08	1,356,47	40,02	656,52	696,53	51.35	106,87	533,06	1,356,47
1956-57*	1,475,77	18,75	1,494,52	40,02	545,61	585,63	39.95	115,93	755,22	1,494,52
				(117,76)		(663,37)	(44.37)			
1957-58*	1,529,36	23,18	1,552,53	117,76	329,65	447,41	28.79	1,30,06	975,06	1,552,53
1958-59*	1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
1959-60*	1,730,90	19,86	1,750,77	117,76	167,62	285,38	16.30	131,50	1,333,83	1,750,77
Average of Fridays										
Dec. 1959	1,725,18	11,46	1,736,64	117,76	163,01	280,77	16.17	132,74	1,323,13	1,736,64
Jan. 1960	1,766,07	14,42	1,780,49	117,76	163,01	280,77	15.77	130,31	1,369,41	1,780,49
Feb. 1960	1,803,57	18,74	1,822,31	117,76	163,01	280,77	15.41	126,73	1,414,81	1,822,31
Dec. 1960	1,855,90	16,59	1,872,48	117,76	127,01	244,77	13.07	127,66	1,500,06	1,872,48
Jan. 1961	1,911,58	16,83	1,928,41	117,76	128,01	245,77	12.75	124,35	1,558,29	1,928,41
Feb. "	1,936,01	18,78	1,954,79	117,76	128,01	245,77	12.58	121,75	1,587,28	1,954,79
Week-Ending										
17-2-1961	1,940,66	18,70	1,959,36	117,76	128,01	245,77	12.54	121,31	1,592,28	1,959,36
24-2-1961	1,925,33	34,97	1,960,30	117,76	128,01	245,77	12.54	122,26	1,592,28	1,960,30
3-3-1961	1,947,16	11,34	1,958,50	117,76	128,01	245,77	12.55	120,46	1,592,27	1,958,50
10-3-1961	1,979,96	11,40	1,991,36	117,76	128,01	245,77	12.34	118,32	1,627,27	1,991,36

BANKING DEPARTMENT

(Rs. Lakhs)

Period	Deposits					Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad§	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Gov- ernment	Other Gov- ernments	Banks	Others	Total									
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
1955-56*	60.11	19.85	53.77	18.31	152.04	35.59	197.64	17.21	9.78	66.96	1.73	36.99	49.36	15.61
1956-57*	57.52	14.10	52.46	19.73	143.81	91.21	245.02	18.91	5.69	64.77	4.89	85.34	51.82	13.60
1957-58*	54.61	11.28	81.00	111.38	258.27	84.36	407.63	23.30	4.81	40.47	32.90	77.91	213.92	14.32
1958-59*	57.62	20.80	87.53	118.73	284.67	71.71	441.44	19.41	6.18	25.57	28.23	65.83	284.49	11.73
1959-60*	55.50	23.24	79.61	123.48	281.83	83.18	450.01	19.94	15.54	28.97	25.53	88.92	258.90	12.22
Avr. of Fridays														
Dec. 1959	55.33	18.65	73.41	117.59	264.98	83.86	433.84	11.52	15.82	44.82	23.80	90.67	235.92	11.29
Jan. 1960	54.26	23.94	81.52	120.76	280.49	86.67	452.16	14.48	39.44	46.55	21.53	106.74	210.48	12.93
Feb. "	54.68	25.82	75.76	107.57	263.83	92.51	441.34	18.82	19.84	41.08	23.97	123.39	200.73	13.52
Dec. 1960	60.25	15.71	95.20	91.78	262.95	104.08	452.03	16.69	19.53	26.35	37.78	136.04	198.94	16.70
Jan. 1961	53.48	19.71	79.56	93.82	246.57	110.37	441.93	16.91	57.41	19.54	41.17	145.24	144.11	17.55
Feb. "	61.59	20.90	72.74	91.55	246.78	112.68	446.95	18.87	51.64	26.19	37.71	152.41	142.06	18.07
Week-Ending														
10-2-1961	59.86	21.85	70.44	92.28	244.43	112.72	442.15	10.26	62.28	24.47	39.22	157.03	130.84	18.05
17-2-1961	72.77	21.30	71.39	91.88	257.35	113.83	456.17	18.78	58.42	29.55	37.71	150.70	142.86	18.14
24-2-1961	61.04	18.39	76.98	89.54	245.95	118.59	449.54	35.06	35.85	31.49	37.77	147.64	143.60	18.13
3-3-1961	51.44	14.70	71.86	90.75	228.75	120.68	434.43	11.43	23.35	29.29	41.62	155.53	154.12	19.09
10-3-1961	55.42	6.27	73.87	88.95	224.51	115.40	424.90	11.48	37.75	30.84	48.71	158.24	118.71	19.17

* Average of Fridays. ** Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 23, 1957 and of Rs. 80 crores from July 5, 1957. † Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. § Includes cash and short-term securities.

DECENNIAL GROWTH OF POPULATION

(Percentages)

State/Union Territories	1901-11	1911-21	1921-31	1931-41	1941-51	1951-61
INDIA	5.69	-0.31	11.00	14.23	13.34	21.49
Andhra Pradesh	12.49	-0.13	12.99	12.75	14.02	15.63
Assam	16.73	19.01	19.54	20.08	19.28	34.30
Bihar	3.67	-0.66	11.45	12.20	10.27	19.78
Gujarat	7.79	3.79	12.92	19.26	18.69	26.80
Jammu and Kashmir	—	5.58	10.21	8.92	10.78	9.73
Kerala	11.75	9.16	21.85	16.04	22.82	24.55
Madhya Pradesh	15.30	-1.38	11.39	12.34	8.67	24.25
Madras	8.57	3.47	8.52	11.91	14.66	11.73
Maharashtra	10.74	-2.91	14.91	11.99	19.27	23.44
Mysore	3.60	-1.09	9.38	11.09	19.36	21.36
Orissa	10.44	-1.94	11.94	10.22	6.38	19.94
Punjab	-9.96	4.35	9.64	17.81	0.21	25.80
Rajasthan	6.70	-6.29	14.14	18.01	15.20	26.14
Uttar Pradesh	-0.97	-3.08	6.66	13.57	11.82	16.67
West Bengal	6.25	-2.91	8.14	22.93	13.22	32.94
UNION TERRITORIES						
Andaman and Nicobar Islands	7.34	2.37	8.78	14.61	-8.28	104.83
Delhi	1.98	18.03	30.26	44.27	90.00	51.60
Himachal Pradesh	3.82	1.54	7.22	10.84	4.89	21.59
Laccadive, Minicoy, and Amindivi Islands	4.85	-6.31	17.62	14.43	14.60	14.61
Tripura	32.48	32.59	25.63	34.14	24.56	78.63

POPULATION TRENDS: 1901-1961

(In Millions)

State/Union Territory	1901	1911	1921	1931	1941	1951	1961
INDIA	235.03	250.74	249.95	277.44	316.93	359.22	436.42
Andhra Pradesh	19.07	21.45	21.42	24.20	27.29	31.12	35.98
Assam	3.71	4.33	5.16	6.17	7.40	8.83	11.86
Bihar	27.31	28.32	28.15	31.35	35.17	38.78	46.46
Gujarat	9.09	9.80	10.17	11.49	13.70	16.26	20.62
Jammu & Kashmir	N.A.	2.33	2.46	2.71	2.95	3.27*	3.58
Kerala	6.40	7.15	7.80	9.51	11.03	13.55	16.88
Madhya Pradesh	16.86	19.44	19.17	21.36	23.99	26.07	32.39
Madras	19.25	20.90	21.63	23.47	26.27	30.12	33.65
Maharashtra	19.39	21.48	20.85	23.96	26.83	32.00	39.50
Mysore	13.05	13.53	13.33	14.63	16.26	19.40	23.55
Orissa	10.30	11.38	11.16	12.49	13.77	14.65	17.57
Punjab	13.27	11.95	12.47	13.67	16.10	16.13	20.30
Rajasthan	10.29	10.98	10.29	11.75	13.86	15.97	20.15
Uttar Pradesh	48.63	48.15	46.67	49.78	56.53	63.22	73.75
West Bengal	16.94	18.00	17.48	18.90	23.23	26.30	34.97
UNION TERRITORIES							
Andaman and Nicobar Islands	0.025	0.026	0.027	0.029	0.034	0.031	0.063
Delhi	0.41	0.41	0.49	0.64	0.92	1.74	2.64
Himachal Pradesh	0.84	0.88	0.89	0.95	1.06	1.11	1.35
Laccadive Minicoy and Amindivi Islands	0.014	0.015	0.014	0.016	0.018	0.021	0.024
Tripura	0.17	0.23	0.30	0.38	0.51	0.64	1.14

Note: (1) The population of Manipur, N.H.T.A. (Naga Land), N.E.F.A. and Sikkim are not included in the all-India figures.

(2) Population of each State or Union Territory has been adjusted as close as practicable to its present area and limits following the merger and reorganisation of States (1956). Figures for 1961 are provisional.

*The last census of Jammu and Kashmir State was held in 1941. For estimating the 1951 population the increase between 1941-51 has been taken as the mean of the increase between 1941-61.

URBAN AND RURAL POPULATION OF INDIA

(In millions)

State/Union Territory	1961			1951			Proportion of Urban to Total Population		Percentage increase of Urban Population	
	Total	Rural	Urban	Total	Rural	Urban	1961	1951	1951-61	
INDIA	436.42	358.58	77.84	359.22	294.09*	61.87*	17.84	17.38*	24.85*	
Andhra Pradesh	35.98	29.72	6.26	31.12	25.68	5.44	17.40	17.48	15.13	
Assam	11.86	10.97	0.89	8.83	8.42	0.41	7.50	4.65	116.69	
Bihar	46.46	42.54	3.92	38.78	36.16	2.63	8.43	6.77	49.08	
Gujarat	20.62	15.34	5.28	16.26	11.83	4.43	25.61	27.23	19.25	
Jammu & Kashmir	3.58	2.98	0.60	3.27	N.A.	N.A.	16.80	N.A.	N.A.	
Kerala	16.88	14.34	2.54	13.55	11.77	1.78	15.03	13.14	42.44	
Madhya Pradesh	32.39	27.77	4.63	26.07	22.93	3.13	14.29	12.02	47.76	
Madras	33.65	24.66	8.99	30.12	22.80	7.32	26.72	24.29	22.91	
Maharashtra	39.50	28.48	11.03	32.00	22.78	9.22	27.92	28.82	19.59	
Mysore	23.55	18.36	5.19	19.40	14.95	4.46	22.03	22.97	16.41	
Orissa	17.57	16.45	1.11	14.65	14.05	0.59	6.33	4.06	87.02	
Punjab	20.30	16.22	4.08	16.13	13.07	3.07	20.10	19.01	33.02	
Rajasthan	20.15	16.91	3.23	15.97	13.02	2.96	16.05	18.50	9.40	
Uttar Pradesh	73.75	64.28	9.48	63.22	54.59	8.63	12.85	13.64	9.86	
West Bengal	34.97	26.87	8.10	26.30	20.02	6.28	23.15	23.88	28.88	
Union Territories										
Andaman and Nicobar Islands	0.063	0.049	0.014	0.031	0.023	0.008	22.22	25.88	75.93	
Delhi	2.64	0.30	2.34	1.74	0.31	1.44	88.65	82.40	63.11	
Himachal Pradesh	1.35	1.29	0.064	1.11	1.06	0.05	4.73	4.07	41.34	
Laccadive, Minicoy and Amindivi Islands	0.024	0.024	Nil	0.021	0.021	Nil	Nil	Nil	Nil	
Tripura	1.14	1.04	0.10	0.64	0.60	0.04	9.01	6.67	141.39	

Note (1) Manipur, N.H.T.A. (Naga Land), N.E.F.A. and Sikkim are not included in the all-India figures.

Note (2)—Owing to the adoption of different definitions in the 1961 Census for urban areas, the number of urban areas in the census is different from that in force in the 1951 Census. So the figures for 1951 and 1961 therefore are not strictly comparable.

* Excludes Jammu and Kashmir.

PER CAPITA GROSS PRODUCTION OF FOODGRAINS*
(By States)

State	(In lbs.)	
	1961	1951
1. Andhra Pradesh	435	316
2. Assam	314	454
3. Bihar	286	341
4. Gujarat	179	N.A.
5. Jammu & Kashmir	304	N.A.
6. Kerala	140	117
7. Madhya Pradesh	624	494
8. Madras	339	230
9. Mysore	345	286
10. Maharashtra	332	N.A.
11. Orissa	312	334
12. Punjab	592	477
13. Rajasthan	525	158
14. Uttar Pradesh	400	395
15. West Bengal	296	377
ALL INDIA** (including Union Territories)	367	336

N.B.—The population figures for the years 1951 and 1961 (Provisional) have been related to the production figures for the years 1949-50 and 1959-60 respectively. The production figures for the year 1949-50 and 1959-60 are, however, not strictly comparable due to changes in coverage and method of estimation.

*Foodgrains include rice, jowar, bajra, maize, ragi, small millets, wheat, barley, gram, tur and other pulses.

**Excludes Manipur, N.E.F.A., N.H.T.A. and Sikkim.

DENSITY PER 100 ACRES OF AREA*
UNDER FOODGRAINS

State	1961	1951
1. Andhra Pradesh	162	155
2. Assam	266	203
3. Bihar	196	148
4. Gujarat	175	N.A.
5. Jammu & Kashmir	280	N.A.
6. Kerala	833	702
7. Madhya Pradesh	89	81
8. Madras	282	284
9. Maharashtra	132	N.A.
10. Mysore	136	135
11. Orissa	158	139
12. Punjab	117	113
13. Rajasthan	73	131
14. Uttar Pradesh	162	149
15. West Bengal	265	207
TOTAL INDIA* (Including Union Territories).	157	147

N.B.—The acreage figures for the year 1949-50 and 1958-59/1959-60 are not strictly comparable due to changes in coverage.

@ The population figures for the years 1951 and 1961 (Provisional) have been related to area figures for 1949-50 and 1959-60 respectively.

*Excluding Manipur, N.E.F.A., N.H.T.A. and Sikkim.

ONLY B.O.A.C. OFFERS 37* COMETS WEEKLY INDIA DIRECT TO

BAGHDAD	DUSSELDORF	RANGOON
BAHRAIN	FRANKFURT	ROME
BANGKOK	HONG KONG	SINGAPORE
BEIRUT	ISTANBUL	SYDNEY
CAIRO	KARACHI	TEHERAN
COLOMBO	KUALA LUMPUR	TOKYO
DARWIN	LONDON	ZURICH

DJAKARTA MELBOURNE

WITH CHOICE OF STOPOVERS AT THESE
AND MANY OTHER EXCITING PLACES
AT NO EXTRA FARE

* EFFECTIVE 1ST APRIL 1961

FLY
B.O.A.C.

IN SUPREME JET COMFORT

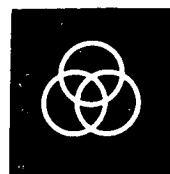
BRITISH OVERSEAS AIRWAYS CORPORATION
IN ASSOCIATION WITH AIR-INDIA AND QANTAS

A STATEMENT

"For India, industrialization is the surest road to peace and prosperity, and in the rapid growth of this nation, basic industries are essential to continued development. I am very happy that the Government of India has called upon my firm to take part in the planning and development of this country's basic industries. We would welcome any further opportunity of devoting our know-how to the advance of India's economy.

With my friends I hope that the real period of co-operation is still to come and that Rourkela is only a first step. In this venture we have worked together with highly qualified and able Indian engineers and workers whom to thank is a special pleasure to me."

Alfried Krupp
Rourkela, January 1960



150 YEARS
KRUPP
1811-1961

Rourkela -- completed in time to mark the conclusion of the Second Five-Year Plan -- is Asia's most modern steel plant. It is India's pride, but our's as well. 150 years of pioneering in industry, 150 years of world-wide experience went into Krupp's share of what His Excellency, President Rajendra Prasad, called a major contribution to India's nation-building efforts.

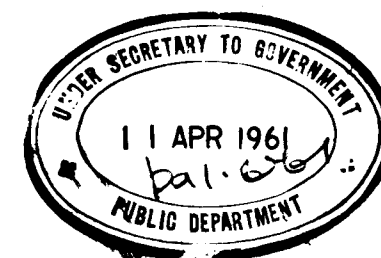
THE EASTERN ECONOMIST

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ONE RUPEE



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The Eastern Economist

APRIL 7, 1961.

Dent in External Affairs

THE debate this week on the demands of the Ministry of External Affairs has revealed marked uneasiness in Parliament on the unwise complacency of the Ministry, particularly in South-East Asia. It was not to be expected that the grants would, in any way, be refused. But, undoubtedly, the tenor of opinion, even in Congress circles, was more on the side of Acharya J. B. Kripalani than on the side of the Prime Minister. This is so marked a change from the universal, almost mechanical, acceptance of the Prime Minister's statements on foreign policy in the past that one should ask seriously whether or not the dents made in the Prime Minister's armour on this occasion are of lasting significance. On a first showing, the Prime Minister's reply was inadequate, with its painful reiteration of the point that on our borders India is ready for all eventualities, but for no adventures in military or, indeed, in any other spheres. This is precisely the complaint against the Ministry of External Affairs. All initiative has departed from it so far as India's immediate responsibilities are concerned. So far as the Congo and distant places are involved, adventure and military risks are being taken without adequate calculation.

Undoubtedly, the feeling inside the country—which may or may not be reflected by the crushing defeat of the Congress in the New Delhi Parliamentary by-election this week—is that the Prime Minister's foreign policy on China has placed this country in a position of humiliation, by no means offset by the rising prestige of our policy abroad, particularly by the dramatic acceptance by the United States of neutralism as the correct policy for Laos, and, presumably, for other areas in South-East Asia. The point that was made in the debate that not a single newspaper in South-East Asia had carried a notice of the splendid Rangoon Report on the boundary question between India and China was driven home, and is now widely recognized as a major reflection of the failure of our publicity in this strategic area. Anyone reading this Report must be pro-

foundly convinced of the great worth of India's case on this particular question. Yet the People's Republic of China, with its constant refrain of the Panch Sheel and the non-aggression pacts, has created the impression that there has been no aggression, in fact; or, if there has been a temporary lapse, it can easily be corrected with the abundant goodwill which China is prepared to disseminate with non-aggression pacts, peace treaties and other general instruments of friendly diplomacy. The point driven home in the Rangoon Report that the boundary between India and China has been "defined by nature, confirmed by history and sanctified by the laws of nations" has passed entirely unnoticed. The corollary, which is that there is nothing to negotiate on a boundary which has been so precisely defined, has been lost because of the extraordinary incapacity of our diplomats in South-East Asia to seize their opportunity.

Something is surely wrong in this respect, and nothing was so weak as the Prime Minister's defence of the officers entrusted with this particular charge. In fact, the three officers he mentioned for distinction, have not served in South-East Asia at all. The point that China is winning all along the line diplomatically in South-East Asia, even to the point of creating a feeling that our unanswerable case is by no means documented, is the measure of the failure not merely of the officers concerned but the whole Ministry of External Affairs. Not the least of the failures of the Ministry of External Affairs—as the Rangoon document shows—is that the Chinese have quoted several statements of the Prime Minister of India in support of their case, some of them long after the "dispute" arose. It is incredible, in view of the precise information available in the Rangoon documents, that the Prime Minister should have admitted that the boundary in Ladakh and Tibet had not been defined and that a "dispute" had arisen about the boundary in the Western sector. Either the Prime Minister has not realised the

full significance of the Indian case himself or he has been inadequately briefed by his officials who allowed him to make these damning admissions.

The fact remains that the Ministry of External Affairs can no longer lay the flattering unction to its soul that it knows more about India's external affairs and their management than do other informed sources in the country. Acharya Kripalani was certainly right in complaining that the Minister in-charge of the Ministry of External Affairs, who is also the Prime Minister of India, is inevitably neglecting his portfolio. The answer that we need a very high-powered Minister of State to be in effective charge of detail is inescapable. But an additional Minister is by no means an answer to the whole disease. Chaos on compartmentalisation reigns supreme. Senior officers in the Secretariat are allowed to function without any integrated pattern of work. Thus the Commonwealth Secretary is responsible for South-East Asia, but not for China. Indeed, the Commonwealth Secretary is not even responsible for Canada, which is included in a strange division called "The Americas". One would have thought that China and South-East Asia would have been under a single integrated command, at least for administrative convenience. The whole Ministry of External Affairs has grown up haphazard with no pattern of forward thinking built into the system. Sometimes the Foreign Secretary, sometimes the Commonwealth Secretary, some-

times a Joint Secretary, sometimes a Deputy Secretary—sometimes none at all—handle compelling situations which result in hasty utterances by the Prime Minister which do serious damage to vital Indian interests. The thorough reorganisation of the Secretariat and the planned integration of its divisions between Joint Secretaries and Secretaries has now been driven home as a first necessity.

For the immediate present, while the reorganisation of the entire Ministry of External Affairs is pursued, there is the urgent problem of countering Chinese moves in South-East Asia, all of which have been designed—and that too successfully—to black-out India's case and to substitute Chinese thinking over the whole area. We need to throw into this battle the best talents that we possess, particularly in the field of publicity. Publicity means not only that copies of the Rangoon Report should be made available to all the newspapers and leading citizens of these countries, but that a personal explanation should accompany a concerted attempt to explain the issues involved. Perhaps the best way would be for Mr. J. S. Mehta, Director of the China Division and Leader of the Rangoon Delegation, and Dr. S. Gopal, Director of the Historical Division, Ministry of External Affairs, to tour over South-East Asia to explain to all those interested how deeply mistaken they are in assuming that there is any sweet reasonableness on the Chinese side.

Defence Ministry in the Dock

THE latest Audit Report of the Defence Services' Accounts contains several scathing criticisms on some financial irregularities committed by the Ministry and the slow progress made by some of its manufacturing concerns. The dust finds it difficult to settle over the "jeep" scandal. The Report refers to utter disregard to rules and regulations in allowing a senior official of the Indian Navy to continue to draw his full salary and allowances even though the officer concerned had been placed under suspension consequent upon the charge of a murder by him. The Comptroller and Auditor General has not been able to receive satisfactory explanation for this from the Defence authorities.

Mr. A. K. Roy in his Report has found grievous fault with the budgeting procedure adopted by the Ministry of Defence. Large savings in all grants (for the Defence Ministry), he says, have become regular feature for several years. Savings on budget estimates during the years 1957-58, 1958-59 and 1959-60 have been of the order of Rs. 10.02 crores, Rs. 22.68 crores and Rs. 17.59 crores. These lapses, he adds, show that estimates are prepared without concerted planning and properly assessing the spending capacity. To some extent over-budgeting may be justified because authorisation of excess expenditure by Parliament takes time and work cannot be held up for lack of authorisation especially in the case of Defence Ministry. But if they become a regular feature, these lapses can be hardly condoned.

Instances of "bad planning" and "lack of foresight" continue to multiply with the result that quite an appreciable amount of unnecessary expenditure, not to an inconsiderable extent in foreign exchange, has been incurred. Machinery and equipment worth lakhs of rupees, purchased

several years ago, is lying in stock unutilised either due to the fact that it was found to be surplus to requirements or owing to the reason that proper arrangements were not made in advance for making use of it; the cases in point are ordering of spare parts for mechanical transport vehicles at a cost of Rs. 2.64 lakhs, import of five sets of equipment by the Naval authorities at a cost of Rs. 2.5 lakhs when they had seven similar sets already in stock and import of equipment and machinery, costing Rs. 17 lakhs, for construction of two naval vessels. There have also been instances of unnecessary downgrading of vehicles due to improper maintenance, incurring of infructuous expenditure on conversion of a barge, acquisition of a launch and partial overhaul of nine aircraft which had to be cannibalised later for want of spare parts. Considerable avoidable expenditure has also been incurred on aviation fuel storage, illegal discharge of some temporary staff and un-economic acquisition of land for Defence establishments. Costly equipment such as a 10-ton capacity crane, power house machinery and weigh bridges, is lying idle and deteriorating for lack of proper maintenance.

There have been also cases of lack of proper inspection at the time of acquisition of stores and equipment. A dredger, purchased at a cost of Rs. 35 lakhs, had to be repaired soon after its arrival in India. Similarly, a newly constructed mine sweeper, costing about Rs. 48 lakhs, had a major breakdown during its maiden voyage and had to be repaired at a cost of lakhs of rupees which could have been saved if the purchasing authorities had shown a little more vigilance in ascertaining the guarantee period for it. Instances are also not lacking where expenditure was incurred without taking the necessary permission

from the Ministry of Finance. As many as 29 instances are cited in the Audit Report where expenditure of Rs. 2,000 or above was incurred without receiving the required sanction. Not all the cases are such where emergency requirements warranted incurring of the expenditure without proper sanction. This only shows that the Defence authorities have little regard for financial regulations. Considerable losses, amounting to nearly Rs. 17 lakhs, have also been incurred by the Ministry owing to non-revision of hire charges for military vehicles for over a decade during which costs have been progressively going up.

A more discomfiting disclosure in the Report, however, is that there is at present a good deal of slackness at various Defence Service manufacturing concerns, notably the Machine Tool-cum-Prototype Factory and some Ordnance factories. The Machine Tool-cum-Prototype Factory,

which went into production in January, 1953, is yet to show a return on the capital invested. To cap it, it had incurred upto 1958-59 a loss to the extent of Rs. 77 lakhs. Certain work orders placed on Ordnance factories nearly six years ago for the manufacture of stores have yet to be completed; as much as Rs. 9.53 crores had been locked up in such incomplete work orders by the end of 1958-59. The manufacture of tractors and trucks in Ordnance factories, undertaken two years ago in collaboration with a Japanese firm and a German firm respectively, is considerably behind schedule. There is trouble with the Avro in Kanpur. The prototype is running far above scheduled weight which will probably make it quite useless for civil aviation. It looks as though a major crisis on this will break in August. The country is often disturbed about other matters in Defence; it is time it took these financial irregularities also into account.

Rourkela—The Final Balance Sheet

THE inauguration of the wide strip mill at Rourkela by the Prime Minister on March 28, marks the happy completion of a massive effort in Indo-German collaboration which possesses certain distinct features of its own. The steel plant at Rourkela is the most "modern" of the three public sector units, and the only one in the whole of the Mainland of Asia to be operated by the L.D. process. It will provide key deficiencies in steel supplies—heavy plates for ship building, locomotives etc. and, when the cold rolling mill is completed in the middle of the current year, it will feed a very large number of industries with tin plate, which is in short supply currently. The plant is so designed as to make use of all its by-products in such a way that almost nothing goes to waste. Its fertiliser plant using hydrogen, freed when oxygen is used in the L.D. process, ensures one of the cheapest units in the world for fertilizers and a happy cost-reducing component for steel. For broad imagination in execution, both India and Germany can stake substantial claims.

No less than thirty-six German suppliers co-operated for this ambitious project, the leading part having been played by Krupp, Demag and Siemens. The plant is a model of German efficiency in planning and lay-out. It is to be conceded that co-ordinating the activities of no less than three dozen German companies was a difficult task; some confusion in the earlier stages was unavoidable but the final product bears testimony to the fine craftsmanship and engineering skill of the participants. A majority of the engineers who assisted in the erection of the plant are now planning to return to their country, though the services of nearly 200 technicians are being sought for maintenance purposes.

Shortfalls in production at Rourkela in relation to the installed capacity have come in for severe criticism in the thirty-fourth report of the Public Accounts Committee of the Lok Sabha. During April to August 1960, the output of pig iron and steel at Rourkela was less than fifty per cent of the rated capacity, mostly due to "the frequent break-downs in the dolomite calcining plant". The Director of Commercial Audit has also drawn attention to the loss in production while reviewing the accounts of the Rourkela plant for the fiscal year 1959-60. The critics, it

seems, have taken an unhelpful and petty view of the necessary preliminary troubles which are sure to be overcome within the next few months. The real danger in Rourkela is not any defect in the plant but the failure of Hindustan Steel to grapple with its own personnel problem. Even a casual visitor to Rourkela cannot fail to note the need for spontaneous, co-operative teamwork for the efficient working of the plant. Unfortunately, the "human factor" at Rourkela has been handled in an unimpressive manner, causing discontent amongst the Indian workers in almost every rank, from the unskilled worker upwards.

The decision to invite about 200 engineers for maintenance purposes is causing a little dismay amongst the Indian supervisory staff who seem unhappy over this decision. It needs to be impressed upon these Indian technicians—and it is here that the management of Hindustan Steel has failed—that the German technicians are not likely to stay here for ever and sooner they bend their shoulders to the task and take the responsibility of running the factory at an efficient level, the quicker would be the process of Indianisation of the plant.

A word needs to be said about the lack of spares which have from time to time hindered the smooth working of the plant. It has happened sometimes that a vital spare part has not arrived from Germany for days, necessitating closure of certain wings causing sizable losses in production. It is necessary for Hindustan Steel to keep its inventories of spares under constant check and adopt a judicious policy of keeping a comprehensive stock of essential spares.

And the German co-operation which started six years ago is not going to end here. Plans are now being laid in order to double the capacity of the plant during the Third Five-Year Plan so as to take its total capacity to 1.8 million tons. Rourkela is a living symbol of Indo-German co-operation and friendship and the country is indebted to the German Government and the German people who have rendered invaluable help in the erection of this unique plant. This is the time for a great broadening of Indo-German co-operation. Rourkela is a worthy base on which a much larger structure should be built.

A DELHI DIARY

TIME FOR TIMMY

DELHI is naturally divided hotly on personalities as I suppose it is divided on principles. We hear more, however, about personalities because somehow personalities are concrete while principles, in Delhi at least, are vague. However that may be, I am giving first place to Timmy—General K. S. Thimayya—because I feel that he has deserved (and even among those who disagree with him, he has captured) the spotlight this week. There are few soldiers in the Indian Union who will ever be able to attract respect, admiration and, in moderation, displeasure as Timmy did. His forceful utterances, his frank and open manner, and the image that he created of a typical Indian soldier, capable of doing every job from the jawan's right up to that of the Chief of the Army Staff, instilled in a very large number of people a feeling that he was something unique. Not being a soldier, I cannot speak of his basic military qualities which, everyone tells me, are superb, but I can say that his departure this week will leave a great gap in "colour" in the Indian military scene. Not even a Defence Minister who is the greatest controversialist of our time, or the new controversialists lower down in the Army will compensate in colour for the departure of Timmy. I bid him goodbye from these columns with a hopeful feeling that he will return to the Delhi scene in another capacity, in which his deep military knowledge and his great popular following will win more appreciation in official quarters than his current assignment has done. I hope no one will accuse me of having introduced a political note into high defence strategy!

RAP FOR THE CONGRESS

Part of the feeling of sadness at Timmy's departure is the belief that, on military matters, in particular in our current situation with China, his capacity to lead was greater than that of any Indian military officer before or since. Has this feeling flowed over a little into the political field? The pundits who now—unlike the astrologers of old—analyse events only after their occurrence, tell me that feeling on China has played a significant part in the election of Professor Balraj Madhok in place of the Congress candidate, Rana Jang Bahadur Singh, whose failure I mourn as becomes a good trade unionist concerned with the prestige of his profession rather than of the "larger" issues at stake. I avoided the hurly-burly last Sunday, and dreadful to relate, did not even record my vote. This was largely because I was attempting to keep the Sabbath holy, which means separate from politics. But in fact, the issues were so badly drawn on this occasion that it was impossible to know where to put a valuable cross.

CRICKET FOR DIPLOMATS

Another reason for my abstention—one for which I deserve ample forgiveness—is the fact that for the whole of this week I have been wrestling manfully with an official document described as the "Report of the Officials of the Governments of India and the People's Republic of China on the Boundary Question." It is priced deceptively at Rs. 3, but runs into well over 600 pages, though skillfully, after page 340 has been reached, there is a new numbering called 'CR' which leads one on for another 213 pages blissfully in the belief that they do not contain compulsory reading. In point of fact, references are so detailed that the authors of this splendid report compel one to read every line of the aforesaid addition—including some extraordinary notes such as these: "Ch'ien lung nei fu yu t'u map (1760)", "Chin ting hwang yu hsi yu t'u chih (1782)", "Chia ching chung hsiu ta ching yi tung chih (1820)", "Chin ting hsin chiah chih lueh (1821)"

I hope my Chinese has been somewhat improved in the process!

However, the ordeal has been made attractive by my setting the Indian and Chinese delegations on opposite sides of a cricket field. It is good to look upon diplomatic exercises of this kind as a game of chance (or is it skill?). In this particular case both the batting and bowling on the Indian side was markedly superior; largely, I suggest, because of the straight-bat technique which has not been practised in the People's Republic. So far as the documents are concerned, I am happy to note that India's batting average was higher than the Chinese in every sector—Legal Basis, Traditional Basis, Administration or Sectorwise. Thus on the Legal Basis we scored 114 runs against the Chinese 47; on the Western Sector we had 169 against 66; on the Middle Sector we scored 235 against 41; on the Eastern Sector 122 against 91. Our total score of 630 runs against the Chinese 245 would have entitled us to make them follow on. Happily for our side, which batted gallantly for six months in Rangoon, no follow on was proposed.

FOLLOWING ON

On the other hand, may I say that I am convinced that it is India and not China that needs to follow on? The great value of this report has been seemingly lost on the Indian public. I myself have not been able to obtain a copy of this scarce commodity until this week. I cannot see why such an important document was not printed in tens of thousands and distributed on, what is cheerfully described as a "global" basis, charity, of course, beginning at home. It is full of interesting sidelights on the Chinese character. There are cheerful contradictions on Tibet; for example, on page 247 it is pointed out that Tibet had, by Chinese admission, enjoyed treaty-making powers and the right of direct dealings with neighbouring States. On page 249 this is made more specific by the point that the "formalisation" of the McMahon Line was acknowledged by the Chinese Central Government of the time, yet the Chinese case is that the McMahon Line has never been "delimited". On page 274 the crooked bat has been exhibited perhaps more than anywhere else. The Chinese ask the extraordinary question: "Can it be said that a sovereign state has no right to reserve its position concerning question of its own sovereignty and to raise it on 'suitable' occasions?" This is great exercise called the art of timing. One waits for a long time to lull one's Panchsheelian friends into an appropriate sense of security; then one discharges a brigade or two in order to establish a claim which has never previously been made. This is not aggression; it is merely a border dispute, reserved for a 'suitable' occasion.

Thus it comes about that in the excellent principle in Panchsheel which refers to national integrity, silence "for the duration" is, for the Chinese, a golden rule. Amongst other things, Chinese diplomacy implies that boundaries are traditionally drawn as well as that they are non-traditional; that they are not delimited and that they are delimited; that maps in existence before the People's Republic of China are both correct and incorrect; in fact, that everything that a sovereign State does can be undone because of its sovereign right to act at any time considered suitable for the purpose. I have succeeded at long last, in persuading the Editor of 'The Eastern Economist' to examine this document which I have solemnly presented to him today on behalf of the External Affairs Ministry to do a Blue Supplement on Chinese Diplomacy which has now replaced that old version of Chinese torture by which a man was kept in two worlds by an extension between life and death indefinitely.

—ARGUS

THE WEEK'S NOTES

By-election

A MAJOR CONGRESS REVERSE

IN LAST Sunday's by-election for the Lok Sabha seat from the Capital city, caused by the resignation of Mrs. Sucheta Kripalani, the Jan Sangh candidate, Mr. Balraj Madhok, swept the polls, defeating his Congress rival by a solid majority of 9,581 votes and driving the remaining four candidates to the predicament of forfeiting their deposits. Mr. Madhok polled 47,184 votes as against the Congress nominee, Rana Jang Bahadur Singh, who got 37,603. Among the four to lose their deposits, the Hindu Mahasabha candidate polled a miserable 955. The Swatantra Party met this doom in its maiden contest, although its candidate made a better showing with 5,722. The fact that the Communist-supported independent candidate polled 10,479 votes indicates that party's relatively stronger hold.

The defeat of the Congress Party in what was regarded as a test by-election has several implications. When concession is made for the general low polls at by-elections, 44.7 per cent in a New Delhi constituency was a poor record. The victory of the Jan Sangh is primarily due to the energy and drive with which the party mobilised its election machinery. This could not have been possible without full enthusiasm at all levels from the leadership to the rank and file. But it must be recalled that in the general elections of 1952 Mrs. Kripalani, standing on the Congress ticket, defeated Mr. Madhok by a smashing majority of 54,000 votes. Factors other than organizational efficiency and enthusiasm of supporters also brought much accession of strength to the Jan Sangh. Central Government employees constitute a dominant force in the constituency and their resentment against the Government's relentless handling of their last year's strike as well as the subsequent withdrawal of recognition from their trade unions drove them into the Jan Sangh camp. If this was so, the sacrifice of votes on this specific score was a price well worth paying by the Party in power for pursuing a fearless policy in a grave national crisis, regardless of consequences to its own interests. The proximity of the general budget brought some casual advantage to the successful party.

But the deeper implications lie elsewhere. The fact that as high a proportion as 56.3 per cent of voters remained indifferent and did not cast their votes is significant. Obviously most of them were beyond the influence of the Jan Sangh. Many of them could have been drawn to the polling booths. The local leadership of the Congress and its organizers at the level below were lukewarm during the hustings. The choice of the candidate reduced their campaign to a mechanical activity and this was probably the major cause of the victory of the Jan Sangh. It speaks for a new threat. The tendency on the part of the High Command to impose decisions on the local leadership is hardening into a predominant trait. It is an unhealthy trait, highly injurious to the democratic base of the party on which its internal strength will always depend. Distribution of tickets at the elections ought to win overall approval of local leaders and workers. This warning has come at a propitious time when the general elections are not far off.

Sindri

SEARCHLIGHT

THE SEARCHLIGHT thrown on Sindri Fertilizers by the Estimates Committee in its hundred and twentieth

report to the Lok Sabha serves the purpose of analysing the snags in the working of this major plant which have caught public attention in recent months. Due allowance ought to be made for the fact that during the period covered by the Estimates Committee's report up to 1959-60 occasional shortage of coal was a contributory factor to the unsatisfactory level of output. But the fact remains that the noticeable decline from 1957-58 onwards cannot be explained away on the plea of coal shortage alone. In 1959-60 only 81 per cent of the rated capacity was used as reflected by the output of ammonium sulphate—the principal product of the factory. Production of ammonia, gas and coke also recorded declines from 1958-59.

The current difficulties of production at the plant at Sindri are attributed to requirements of overhaul of an unusual magnitude. The Estimates Committee could not avoid resorting to scathing criticism of both the management of the company as well as the Ministry for their silence on the report of the Zaheer Committee which investigated into the causes of the sharp decline in output. The principal finding of the Zaheer Committee to the effect that the generators were recklessly worked beyond permissible limits "to keep up flagging production" explains why the plant came up against the crisis of drastic overhaul.

The financial management of the plant reveals major spots of weakness. Depreciation raises the problem for hard thinking as regards revised appropriation of reserves. On March 31, 1959, the total value of the plant and machinery was Rs. 1,675.7 lakhs, as against which depreciation provided was Rs. 88.9 lakhs or half. This was after nine years had already run out as against the estimated life of the assets of 12 years, which may possibly be revised to 15 years. The Depreciation Fund has been utilized, curiously enough, in the expansion of the plant and there is hardly anything left to take care of replacement of the old plant. Hopes are pinned on raising enough reserves in the next six years. Net profits on the capital employed declined from 5.69 per cent in 1956-57 to 3.77 per cent and 3.79 per cent in the next two years. The last two figures strengthen the scepticism about the capacity of public sector enterprises to contribute impressive surpluses to finance outlay on public sector development—and fertilizer plants are ranked as pace-makers of surpluses.

Communalism

SUPPRESSION OR ERADICATION?

JABALPUR HAS forced an agonizing reappraisal of the strong roots which communalism continues to retain long after partition. In between there were some unfortunate incidents, and trends which gave a reminder that communalism was by no means a dead force in Indian political life. But it would appear that the Congress Party adopted an ostrich-like attitude to this question. Nevertheless, it has compensated for past lapses by reacting promptly to the latest resurgence of communalism in an ugly form.

Mr. Lal Bahadur Shastri carried the House with him, when, in the course of his reply to the debate on the Home Ministry's demands for grants, he asserted that the Preventive Detention Act would be used ruthlessly against mischief-makers and their sym-

thisers or patrons who capitalise on communalism. Currently the committee on communal harmony, appointed by the Congress Parliamentary Party, is seized of this problem and it is expected to make concrete proposals on Mr. Pahadia's resolution to put a legal ban on communal organisations. A legal ban on parties fostering communalism will require careful consideration at a high technical level. What exactly is intended to be banned is far from clear at this stage and it seems that there is not a little confused thinking about it as demonstrated by the shift in emphasis from organisations with communal or religious labels to communal activities of political organisations. In the case of the application of the Preventive Detention Act, in spite of Mr. Shastri's assurance of careful precautions against abuse of this power by the ruling party, the question of drawing up the list of potential mischief-makers and trouble-shooters cannot be left to the police or other administrative services alone. A workable judicial check seems desirable.

Mr Nehru put the correct emphasis when he stated that legal action either through preventive detention or a regular ban on communist organisations in contesting elections is not a sufficient answer to this deep-seated disease. Legal action will lead to suppression which may be useful and inevitable in the short run, but it may drive the forces of communalism underground and the question of their eradication would remain unresolved. Reorientation of thinking and of psychological attitudes on this issue is what is clearly called for. It ought to be brought about as an integral part of the drive to educate the public on political and social matters.

But the deplorable fact of Indian political life today is that expediency is a great ally of communalism. The Congress Party will have to do a good deal of real heart-searching. Its alliance with the Muslim League during the Kerala elections and current whispers about its feelers to enlist support of the revived Muslim League in Bombay to obtain a working majority in the Municipal Corporation after the recent election (if genuine) are deplorable lapses. Casteism is as much a threat to national solidarity as communalism is and in fact they are two facets of the same evil. Casteism is one of the powerful forces behind groupism in several State Congress organisations. Distribution of party tickets at elections on caste considerations is another grave surrender to expediency about which the Congress Party will have to do real hard thinking. This problem requires that correct psychological attitudes must be bolstered by conduct beyond reproach, regardless of some likely set-backs in the short run.

P & T

EXPANSION WITHOUT CONSOLIDATION?

NEWSPAPER HEADLINES have highlighted the recommendation made by the Estimates Committee that preferably loans from the World Bank and the Life Insurance Corporation should be obtained to provide adequate funds for the expansion of communications. The marginal allocation made in the Draft Third Plan for this purpose makes this course desirable. But it is equally important that attention should be paid to consolidating the expansion already achieved.

It is an undeniable fact that in the urban areas delays in delivery of telegrams and money orders have become chronic. The complaint procedure has little corrective value. Delivery of express letters has brought a bad name to the P & T Department. The fact of inordinate delays is admitted by the Minister

for Transport and Communications. But the attitude taken by him is curious. He said in the Lok Sabha in December last that if the express delivery system continued to involve deficits it would be closed down. This is certainly not the way of meeting a genuine public handicap. The Estimates Committee has rightly insisted that this essential facility ought not to be withdrawn on this score. The telephone service is still another indicator of P & T's standards of efficiency. In the capital city disturbances and simultaneous double conversations are quite common, while frequent connections with wrong members penalise the user who has to pay on the basis of number of calls.

It is understandable that in the rural areas difficulties of maintaining and disbursing cash should cause delays in the deliveries of money orders. But no such handicaps can be pleaded in respect of delivery of ordinary mail. At the present time about 43 per cent of India's 5.57 lakh villages enjoy the benefit of daily delivery service of mail on the basis of the criterion of receipt of 30 letters per week per village. This signifies the low volume of mail traffic. Even so, delays in delivery are inordinate in the fair weather season also when there are no handicaps of dislocation of road communications.

The services provided by the Communications Ministry are becoming increasingly indispensable appendages to normal business or professional activities. This lends urgency to a sustained drive for continuous improvement in standards of efficiency.

Lok Sabha

THIN ATTENDANCE

ON MARCH 29, the Minister for Works, Housing and Supply was caught napping. It was virtually the flag-end of the day's session, when, a little after 6 P.M. the Chair called upon him to reply to the debate on his Ministry's demands for grants. The Minister was taken unawares since he expected at least a moderate number of speakers to participate in the debate in which case his turn for reply would fall due the next day. He pleaded that his reply should be postponed to March 30 on the ground that the allotted time was meant to accommodate a sufficient number of speakers. Apparently, the reason was quite different. In deference to the Minister's wish the House was adjourned. Was it proper to insist on exhausting the allotted time when the House carries a very heavy agenda?

The report about this incident in the local press states that in the entire House there were only 10 members. This extreme degree of thinness speaks for the sense of duty and responsibility displayed by the people's representatives at the highest level. Members of the Lok Sabha who vie with each other in showing solicitude for the tax-payer during the general debate on the budget do not deem it necessary (in good conscience?) to keep vigilance on the disbursements of public funds to the spending authorities.

It is not merely the ordinary members of the House who lend support to its emptiness. This distinction is also shared at times by the occupants of the Treasury Benches. There have arisen some occasions when the Speaker was constrained to issue admonitions to erring Ministers for their failure to be in the House when their presence was required for business. Parliamentary standards may be judged by various tests. Among them attendance is an important index of members' earnestness.

The European Scene

TRADE WAR AND DISTORTION

From Our Special West European Correspondent

PARIS, April 2.

IF only all wars between blocs of nations were like the trade war between the Six and the Seven, into which West Europe is now divided! After three years of this famous war, no one has drawn blood and everyone is winning. With a little good management, this war could go on for ages yet, with victors, victors everywhere and no vanquished. All the 13 economies engaged in it are healthier than when it began, including even the British economy—the current speculative assault on sterling has nothing to do with cross-Channel trade losses. Participation in the struggle seems to be so invigorating that neutrals are eager to join the fray: Spain on the side of the Seven, Greece and Turkey on the side of the Six. The beauty of this curious war is that the real battle is done between allies on the same side, and a country that finds that it is strong enough to stand up to its allies is then able to deal more generously with its "enemies" in the other camp. For example, France who three years ago was too weak to face any outside competition has had to reform her affairs in order to live with her trade ally, West Germany, and is therefore able to deal at Britain and the USA such devastating blows as reducing her customs duties on British and American goods!

If things go on at this rate, each of the 13 countries will end up trading more freely with countries outside its own bloc than it did before the trade war started—while, of course, trading more freely still with countries that do belong to its own bloc. If that process be called the "economic division" of Europe, then the division has become more marked since the start of the year, and the building of a "bridge" between the two blocs has to that extent become more difficult. Admittedly, each bloc accompanied its recent decision to hasten its integration with protestations of its willingness to co-operate with the other bloc; formulae to that effect have become a ritual at all international conferences in West Europe. However the rival blocs now have a momentum of their own and it will take more than international conferences to impede their further, independent development. The vision of a 13-nation trading unit—a market of 300 million consumers, as it is called—remains lively in some quarters, inside the Common Market as well as among the Seven, but its chances of becoming reality are as remote as ever. Meantime, West Europe in practice is settling down to the regime of two separate trade blocs that must try to get along together with as little mutual damage as possible.

In that perspective, the series of Anglo-French trade talks which began last month and are to be continued next month are interesting, because they bring face to face the "extremists" of the two blocs; the country that thinks it has most to lose and the one that believes it has most to gain from the progress of the Common Market. At these meetings there is some general discussion of the possibility of fusing the trade blocs, but that is not very serious, since both know that it is too late or much too early to form plans in that sense. The main question concerns trade between Britain and France now that they belong to different trade blocs, and the way this issue is dealt with is watched by their partners as a test case. If the formation of rival blocs is really pernicious for Europe, its ill effects will show up first in Anglo-French trade. This is because Britain is by far the largest exporter of the Seven, while France is, if not the largest importer of the Six, the country whose retreat from high

tariffs is most discriminatory to outsiders and most favourable to her Common Market partners.

Once the British and French trade experts got down to facts and figures they discovered what the much talked of "discrimination, distortion and division" meant in actual practice. The figures are there. The Board of Trade has published Britain's 1960 export statistics which show that the island's sales to the Common Market increased by 10 per cent, or exactly the same as the increase in British exports to her partners in EFTA! That is, despite the advantage that British goods enjoyed in the seven-nation region because of discriminatory tariff cuts, and despite the disadvantage they suffered in the Common Market because of internal preferences between the Six, Britain did as well in one region as in the other. The discrimination was there, but the division did not appear. Equally important, Britain increased her trade with the Continent and that by the substantial proportion of one-tenth.

It must be admitted that the amount of discrimination was still moderate last year, because the two trade blocs were just beginning. Since then, the Six have increased their internal duty cuts by 10 per cent, and the Seven theirs by 20 per cent. It might be said that matters will worsen as each intensifies these internal preferences, but it would have to be confessed that there is no sign yet of disaster that was forecast three years ago. Moreover, other things have happened this year besides the internal duty cuts, and they are significant enough for me to hazard the prophecy at this early stage that British exports to the Common Market will increase this year again, and probably by more than 10 per cent. The first and most obvious is the upward revaluation of the currencies of two members of the Common Market, West Germany and Holland, which facilitates British sales to those countries. The second is the wholesale reduction of French import duties, by 7.14 per cent for most items and by 14.28 per cent for the rest. The next, just announced, is the total liberation (i.e. removal from the quota list) of a group of manufactures imported into France, many of them being British export specialities. This decision, which of course multiplies the significance of the duty cuts, will mean that from April 1 French imports have been liberalised to the extent of 95.75 per cent. (The balance that remains on quota relates to agricultural produce).

To these stimulating influences for British trade must be added the decision of the Common Market to move toward a common external tariff as though that tariff had been reduced by 20 per cent—which it will be officially when the Dillon negotiations in GATT succeed. Already this means, months before the GATT talks begin, that the rise of German tariffs made inevitable by a common external duty level is less severe, and the fall in the French and Italian tariffs more severe, than would have been the case. Finally, the level of business activity in the Common Market region has been maintained so far this year well above that of a year ago, even though the rate of expansion has slowed down. All of these factors added together suggest that British sales to the Common Market this year will be larger, despite the increase in internal preferences.

It is no answer to say that these stimulating influences could have been felt without the discrimination of the Common Market's internal duty cuts

and then Britain would have been better off still. On the contrary, all of them save the revaluation of the mark and the florin are direct consequences of the progress of the Common Market, and of the increased competitiveness of Continental industries that the Common Market made necessary. In other words, it is intensified trade within the region that is making possible intensified trade with countries outside that region, and in the first instance with the biggest and nearest, Britain. The same is true of the more active role that the Six, and notably West Germany, have consented to play in foreign development aid, which must have indirect but useful consequences for British overseas trade.

Another element in Britain's trade success in the Common Market is the fact that British exporters have been convinced by their own Government's propaganda that it is becoming much harder to sell in the six-nation region and much easier to sell in the seven-nation zone. So they have been making vigorous export-promotion efforts in this area, which have borne fruit. On the other hand, they have neglected export-promotion in the EFTA countries to the point where London is planning a campaign in favour of trade with Scandinavia, Austria and Switzerland. The fact is that business men everywhere overestimate the harmful effects of a tariff disadvantage and the beneficial effects of a tariff concession, and then, having made that error, do all they can to compensate for the former while leaving the latter to work "by itself." The upshot very often is that they lose nothing on the one hand and gain little on the other, because their own sales efforts are more important than the relative level of duties.

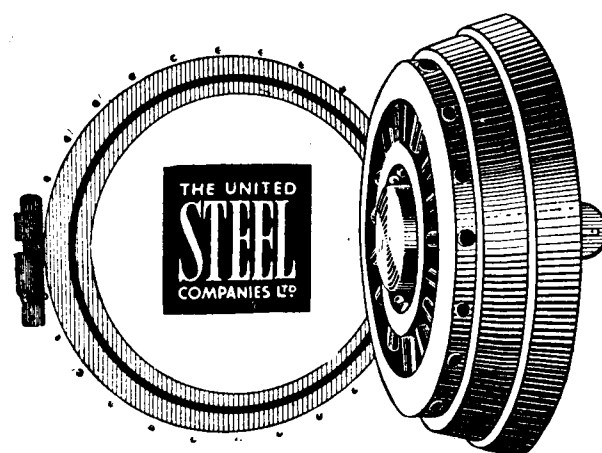
This is especially true of the sort of goods traded between Britain and the Continent. Granted that agriculture is everywhere solidly protected and that raw materials are duty-free or very lightly taxed, most of the dutiable commerce between advanced industrial nations is in manufactures and luxury foodstuffs, where quality, tradition, taste and snob-value are more im-

portant than the minor price discrepancies caused by differential duties. A certain type of Frenchman will drink Scotch, wear English suiting and ride in a Jaguar regardless of minor price changes, and certain type of Englishman will drink champagne and cognac (the real thing, not Spanish imitations) and insist that his wife follow Paris fashions similarly regardless of tariffs. (Though I was seeking only familiar examples, I have in fact just named some of the most important items in Anglo-French trade). This argument can of course be exaggerated: there must come a time when duty differentials affect trade, for otherwise free-trade areas, customs unions, common markets and the like would have no point. But that time comes later than is imagined, at least in the case of quality manufactures and characteristic foods and drinks, where trade channels show a resistance to change that surprises tariff commissioners.

Indeed, if discriminatory tariff manipulations go on while the absolute level of all duties is falling, as is now the case whether inside or outside the European trade blocs, and if they are accompanied by an abolition of the quota system and by sustained economic expansion in all the countries concerned, then the quantity of trade over all international frontiers can go on increasing and the most that can be complained of is "distortion" of traditional trade channels. On the much abused issue of "distortion" I shall quote the Basle economist, Professor Salin: "What else is the history of trade except one long series of distortions which have accompanied and caused the rise and fall of businesses, cities and trading states? To speak today of 'distortions' is to imagine that the trade channels of 1958 have become a norm. They have not, any more than the trade channels of any other year. Distortions of trade endanger only the fat and the lazy. For active business men they are an opportunity." This sort of language is welcome to developing countries, whose main ambition is to "distort" international trade very decisively in their favour, since its present "normal" course is grossly disadvantageous to them.

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Economic Report from the U.S.

UNEMPLOYMENT PROBLEM

WASHINGTON, March 29.

THE emphasis in Washington has shifted perceptibly in the past few weeks. It no longer seems to be a question of when the recession will end, but rather of how far and how fast the upturn will go. President Kennedy, the Chairman of his Council of Economic Advisers, his Secretary of Commerce, his Secretary of Labour, and his Budget Director are among the administration officials who are now on record, albeit still a little cautiously, as seeing an upturn in the making. And more and more private economists and businessmen are joining in the swelling chorus of confidence. Most estimates put the 1961 gross national product—the total output of goods and services—at a new peak of between \$510,000 million and \$520,000 million, compared with last year's \$503,000 million. To achieve a rate in that range, the GNP would have to rise by the fourth quarter to an annual rate of \$525,000 million or more, which would be about five per cent above the rate for the fourth quarter of 1960. Naturally, administration officials appear pleased that the recession seems to be ending only a bare 10 months after it began, that it has been held within clearly modest bounds, and that an upturn of some substance is in prospect. Nevertheless, one can still detect a note of dissatisfaction. There remains the vexing question of how close and how soon the recovery will come to achieving the goal of reasonably full employment.

At the last count, unemployment in the United States totalled 5.7 million, or 6.8 per cent of the labour force on a seasonally adjusted basis. President Kennedy's avowed aim is to bring that figure down eventually to four per cent, which would reduce the jobless total to three million or so, and would represent reasonable degree of full employment in the large, complex and highly mobile U.S. economy. The feeling is, however, that it would take a much higher recovery rate than is now anticipated to reach that goal this year. More likely, in the view of many experts, is a 1961 jobless rate closer to six per cent than four per cent, which would leave unemployment in the neighbourhood of four or five million. One of the problems is that unemployment in the United States is an amalgamation of several different influences. For instance, the economy must absorb about one million new entrants into the labour force every year. This means that joblessness can rise even when employment registers new monthly peaks—a paradox that has been evident on a number of occasions in recent months. Also, there are different kinds of unemployment. There is, for instance, a hard core of unemployables, generally unable or unwilling to work. There also is a more or less voluntary type of so-called frictional unemployment, which results from normal turnover and the movement of workers from one job to another. Just how much of the unemployment total these two types account for is a matter of debate, but it undoubtedly is considerable, running according to some estimates to upwards of two million.

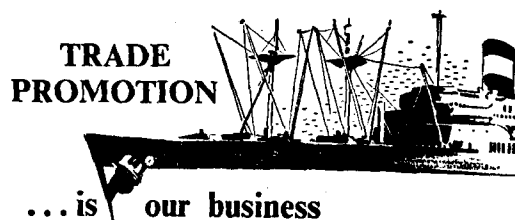
This brings us to the cyclical unemployment—the joblessness that rises and falls with turns in the business cycle. During recessions, workers are laid off and job opportunities contract, while during upturns, workers are recalled and job opportunities expand. As business conditions improve, this type of unemployment can be expected to decline markedly. That will not necessarily be the case, however, with the most stubborn of all joblessness—the so-called structural unemployment. This is the result of changes within the economy itself—obsolescence of skills and displacement of workers because of technological advances or shifts in industrial and consumer demand.

It is generally agreed that over the long run there economic changes make for new industrial development, rising living standards, and greatly expanded employment opportunities. But over the short run they can

tries affected. Statistically, over-all employment figures in the United States are based on a nation-wide sampling of all persons who appear to be in the market for jobs, no matter how seriously or effectively. Hence, the rare totals make no distinction as to type and tend to include many "marginal" cases which would not be included in the unemployment statistics of most other industrial nations. It is interesting to note, in this regard, that Canada, the only other major industrial nation which uses an unemployment reporting technique similar to that of the United States, also has been recording relatively high jobless totals. Furthermore, one West European nation that undertook, experimentally, to count its unemployed by the U.S. method found that it yielded a total for the country four times as high as the official published figure. None of this is meant to minimize, nor should it minimize, the interest of the American people—who more often than not are their own severest critics—in reducing the U.S. unemployment total.

Obviously, the faster the economy grows, the more job opportunities will be created. If the growth rate can be accelerated sufficiently, the belief is the economy could absorb workers in growing numbers in all categories—including those newly entering the labour force, those laid off because of the recession, and those victimized by technological progress and other basic economic changes. Nor is this the end of the matter as far as the administration is concerned. High on its priority list for Congressional action is a measure to bring not only relief, but also retraining and industrial diversification to those "distressed areas" of the country where structural unemployment has been a problem. In addition, President Kennedy has set up a new group to study this and related problems. It is the advisory committee on labour-management policy, made up of representatives from the public, labour, business and the Government. The President has stressed the necessity for this new group, which recently held its first meeting in the White House, to examine ways of dealing with the effects of structural shifts in the economy, and of giving direction to wage and price policies that best serve the general welfare.

TRADE PROMOTION



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WORLDGRAM

India

A New Industry in Mysore State: The Mysore Sugar Company Ltd., is sponsoring a new industry for undertaking the manufacture of cellulose acetate at Mandya. In this connection, Mr. V. Venugopal Naidu, Chairman and Managing Director of the Company, and Mr. T. Shamanna, Director of Industries and Commerce in Mysore, left Bangalore recently by air for U.S.A., U.K. and the Continent, to negotiate with the suppliers of the plant.

No Price Control in Southern Rice Zone: With the withdrawal of the price control order in Andhra Pradesh, there will be no price control on rice or paddy throughout the Southern Rice Zone comprising the States of Andhra Pradesh, Madras, Mysore and Kerala. The Government of India have rescinded from March 21, 1961, the Rice and Paddy (Andhra Pradesh) Price Control Order, 1960 which was in force in the districts of Krishna, West Godavari, East Godavari, Guntur, Warangal, Nizamabad, Chittoor, Srikakulam, and Nellore. In the other three States Madras, Mysore and Kerala the Price Control Orders were withdrawn towards the end of 1959.

United Kingdom

Automatic Garden Sprayer: An ingenious new automatic garden sprayer invented by a British entomologist has now been put into production by a London firm who hope, later this year, to produce a larger model suitable for agricultural use. First shown at the recent International Hardware Trades Fair, in London, the new sprayer has attracted inquiries and orders from 18 countries. It has been demonstrated in West Africa. The device is made of plastic and is therefore non-corrosive, and it can be attached to an ordinary garden hose. It includes a container, metrically calibrated, for any liquid chemical, and by centrifugal force the chemical is correctly diluted, whatever the water pressure. And, whether the three-position nozzle is set for jet or fine or coarse spray, the distribution is always uniform. The garden sprayer, it is claimed, simplifies and increases the efficiency of garden spraying. Work is now proceeding on an industrial model using the same principle. Such a spray, it is believed, would be of considerable value to farmers, market gardeners, and fruit growers in many parts of the world, and particularly where spraying from the air is not practical.

New Refractory Material for Radar Work: Development of an important new refractory material for radar work is going ahead at a factory in the North of England. The material called Termilode, enables a radar station to stand by or test on full power without transmitting a signal by which it can be detected and without causing interference to other stations. The manufacturers claim that the material represents a new break-through in the field of power absorbing loads. It combines the advantages of thermal shock resistance with chemical stability and controlled electrical properties. Loads are under development for a wide range of frequencies and Termilodes have been run successfully with a power dissipation of 8 kw (mean).

Vyon—A New Type of Plastic: A recently developed British plastic with valuable porous qualities is to be made more widely available for world export. Known as Vyon, its chief characteristic is its permeability—air, liquid, smoke or gas will pass freely through its surface. It also has the merit of being light in weight, is used for filtering acids it will not corrode. It can also be moulded. And it is hygienic—suitable for use with

food handling equipment,—and is inexpensive. It is made from high density polyethylene and the degree of permeability can be adjusted to the users' requirements. It has already been used for many industrial, scientific and medical purposes, but its potential range of uses is unlimited. Extensive tests for its use in orthopaedics were made at the Royal National Orthopaedic Hospital in Middlesex, England. One of the merits for Vyon in this field is that it permits the passage of water vapour and thus allows the evaporation of sweat—in other words a plastic that breathes! It is also used more successfully in the manufacture of nail arms for poliomyelitis patients.

U.S.S.R.

Soviet Union's Longest Gas Pipeline: The Soviet Union's longest and the world's most capacious gas pipeline will be laid between Gazli, Uzbekistan and the Urals under a plan which has been considered and approved by the Government. Work on the project is to start later this year, and the first stretch linking Gazli with Chelyabinsk is scheduled to come into service in 1963.

Thermic Drill for Glaciological Research: Electrically heated drill which will make it possible to bore a well 10 metres deep and up to 12 centimetres across in an hour in a glacier has been designed at the Kazakh Academy of Sciences. This instrument which can bore a well over 100 metres deep is designed to facilitate and accelerate glaciological research conducted by Kazakh scientists. For instance, the new drill is to be used this year for measuring the thickness of the glaciers in the northern Tien-shan. Labour consuming mechanical drilling is now used to measure the thickness of glaciers which involves the hauling of heavy drilling equipment to the mountains, besides electric and seismic surveys, based on wave reflection. However, the two latter methods do not allow the taking of samples from deep-lying ice strata. The thermic drill, designed by Nikolai Barvenko, is a brass tool containing an electric heating spiral. The tool altogether weighs 6 kilograms. It is fed by a portable electric station, which can be hauled to a height of 4 to 5 thousand metres by one horse power. The set is provided with a small pump to draw off the water appearing at the bore hole during drilling.

Czechoslovakia

International Trade Fair at Brno: The third International trade fair will be held at Brno from September 10 to 24. The Brno Trade Fair carries on the great tradition of the Prague Sample Fairs, one of the three Czechoslovak engineering exhibitions and of the two international trade fairs at Brno. The most important industrial branch of the Czechoslovak Socialist Republic and the basis of her national economy is the engineering industry, which assures her a prominent place also in the world economy. The main characteristic feature of the Brno Fair is its strict specialisation in engineering. The Brno Trade Fair is strictly specialised in products of the engineering and metallurgical industries, raw materials and semi-products allied to these branches, as well as consumer goods of an engineering character.

Canada

International Harvester Company's Achievement: International Harvester Company of Canada Ltd. is now producing two new light trucks which are completely flexible and tough, having considerable tensile strength. Canadian in design and which will compete directly and vigorously with vehicles now imported. The trucks

are the first of their type to be wholly designed and engineered in Canada for quantity production.

Norway

Royal Commission's Recommendations on Foreign Aid: A considerable increase in Norway's aid to underdeveloped countries will take place in the future if the recommendations of a Royal Commission on the subject are to be followed. The Commission headed by the Parliamentary Under Secretary of State for Foreign Affairs, Mr. Hans Engen, recommends that the final aim for Norway should be to spend one per cent of national income on aid to developing countries with an immediate starting contribution of $\frac{1}{4}$ per cent which in the present situation would be approximately \$3,750,000 annually, or more than 1 pound sterling per head of population. The development in the Congo has shown that in special situations one must be prepared to be required to contribute large sums of extra aid at short notice, says the Commission's report, which advises, therefore, that parts of the annual grants should be set aside in a reserve fund. The Commission suggests that a Board should be set up to co-ordinate all Norwegian aid to other countries. The Board should have a secretariat in Oslo and a Council of Representatives appointed by the Government. New contributions to various aid programmes since 1948 amount to £6,790,000.

Pakistan

Pak-Yugoslav Co-operation in Agricultural Development: The Yugoslav Agricultural Delegation arrived in Karachi on March 18. It is expected to remain in Pakistan up to April 8. During this period it has visited various stations in East and West Pakistan, where important agricultural development or research projects are located, including Peshawar and Warsak Dam, Lahore, Lyallpur, Multan and Khanewal and the Borewala and Tarnab agricultural farms.

Australia

Bigger Range in Stainless Steel: Probably no branch of industry has appreciated the advent of stainless steel more than the manufacturers of food-preparation and serving equipment. It has enabled them to make the modern kitchen clean, efficient and attractive. All types of kitchen service units, in stainless steel incorporating the most modern and ingenious labour saving devices, are now available to Australian and overseas buyers from G. H. Tallents Pty. Ltd. of Sydney. The range of units covers requirements for the home, catering establishments, and public institutions requiring storage cabinets and crockery dispensers. G. H. Tallents Pty. Ltd. have for some years been developing their own designs in serving units, and have supplied the requirements of a large number of hospitals in Australia and New Zealand.

NEWS IN BRIEF

FOREIGN

INDIAN

As a result of further review of the Export Trade Control Schedule, the Government of India have decontrolled 20 more commodities.

The Government of India have fixed the packing charges at Rs. 18 per metric ton of cement in 20 new as well as serviceable second hand DW heavy cess jute bags for the period commencing from April 1, 1961, up to June 30, 1961.

The Union Ministry of Education have initiated a project for the cheap publication in India of foreign scientific, technical and other works.

Foodgrains production prospects during the current year appear to be as bright as in 1958-59 (when the peak production of 75.5 million tons was obtained), according to the Annual Report of the Central Agriculture Department.

The stocks of foodgrains with the Government, which on March 31, 1960, amounted to 10.62 lakh metric tons; increased to 21.53 lakh metric tons on March 1, 1961.

The Labour Bureau of the Government of India has brought out the Indian Labour Year Book 1959—a standard work of reference on labour matters. The price of the publication is Rs. 18.50; copies can be had from the Manager of Publications, Civil Lines, Delhi-8.

A improved spin cooker has been designed at the Central Food Technological Research Institute at Mysore for the processing of semi-fluids and food production such as pulps, pastes, fruit juice, concentrates and soups.

The export of all logs from Ghana is to be the responsibility of the Timber Marketing Board from July 1, the Ministry of Trade announced recently. From that date the Board, which has been dealing with limited species only, will make all purchases for export.

British Overseas Airways Corporation has officially confirmed that it is considering the possibility of carrying at its own risk a proportion of its aircraft fleet insurance. Recent unofficial reports have suggested that discussions to this end have been held between the airline and various underwriters and insurance companies.

Shell Company of Qatar has struck oil during borings in the Persian Gulf some 80 kilometres off the coast of the Qatar Peninsula opposite the town of Doha. This was the third in the series of borings made with platform "Seashell" in water more than 30 metres deep.

Imperial Chemical Industries is to spend more than £6 million on modernising a large section of its Billingham factory during the last two years.

It is reported by the American Journal of Commerce that Congress is expected to move quickly to speed the progress of the Bill extending the current sugar Act until the end of 1962.

President Kennedy has signed US ratification of the treaty bringing into force the 20-nation Organisation for Economic Co-operation and Development. The new body, which will deal with aid to developing nations comprises the 18 members of the Organisation for European Economic Co-operation plus the US and Canada.

The Brazilian exchange reform, announced recently, is the first step towards the unification of the exchange rate structure that is scheduled to take place during the second half of the year.

Special Article

REVENUE FROM LIQUOR

By

P. KODANDA RAO

WITH a view to realising a sizable revenue from Excise taxes on alcoholic beverages to augment the internal resources for the Third Five-Year Plan the demand is being pressed for the repeal of Prohibition where it is in operation and for the abandonment of it as a national policy as provided in the Indian Constitution. It is sought to be justified by the assumption that prohibition "failed to prohibit." In this connection it is relevant to recall that the Prohibition Enquiry Committee of the Planning Commission of the Government of India of 1955 found that Prohibition had justified itself where it was in operation and recommended its universalization. On the other hand, the Madhya Pradesh Prohibition Enquiry Committee of 1952 and the subsequent Andhra Pradesh Prohibition Enquiry Committee were dead certain that Prohibition had failed and recommended its repeal. It is significant that none of the three Committees defined the criterion of success or failure. But what is even more significant is that the Committees, which were critical of Prohibition and asked for its repeal, were equally critical of the Excise policy and did not recommend a return to the status quo ante. They advocated a new Excise policy which, if implemented seriously and sincerely, would hardly yield any revenue, if it did not involve a subsidy from the general revenues. On the other hand, it would serve the purpose of discouraging the consumption of illicit liquor deleterious to health by the provision of rationed quantities of wholesome liquor at prices low enough to compete successfully with illicit liquor.

As long ago as 1905 the then British Government of India issued a Resolution which declared that the objective of Excise policy regarding intoxicants was the reduction of consumption, and to the furtherance of it all considerations of revenue should be absolutely subordinated. Government sought to reduce consumption by the method of raising the Excise tax on the analogy of the ordinary trade law by which increase in price would automatically reduce consumption, or of protective customs duties intended to reduce imports rather than produce revenue. But this policy failed to reduce consumption. Instead, as the tax rose in incidence, licit consumption rose, largely because of the auction system, and illicit consumption also rose because it was cheaper than the licit and some consumers took the risk. In fact, the policy of reduction of consumption was not effectively carried out. The Andhra Prohibition Enquiry Committee condemned the policy as having been vitiated by the objective of maximum revenue than of minimum consumption. It characterised consumption of alcoholic beverages as an "evil" and Excise revenue as "tainted money", and quoted with approval that in the Excise policy of Sweden "the profit motive was entirely eliminated" as the State should not profit by what was considered an "immoral trade."

It also noted with regret that in India the bulk of the Excise revenue from intoxicants was paid by the poorest class of people. In the opinion of the present writer, it is perhaps the most iniquitous, the most inequitable and the most anti-social impost. The great bulk of Excise revenue is derived from the consumption of arrack and toddy which are consumed by people who are poorest economically and weakest politically. The tax is unconscionably high in incidence; it is collected mostly not when the tax-payer is sober but inebriate; it is collected, not by a tradesman with a per-

manent tenure who can set off losses of one year by profits of the next, but by Excise contractors who buy the right to sell liquor for a year at a time in public auctions and have perforce to make maximum profits within the time limit and for the purpose maximise consumption and indulge in several malpractices, including adulteration with illicit liquor deleterious to the health of the consumers. The Madhya Pradesh Prohibition Enquiry Committee found that the vicious element of speculation which underlay the auction system was a prolific source of a variety of scandalous malpractices and was largely responsible for corrupting the Excise Administration, and asked for its immediate abolition. While increase in the revenue from, say Sales-tax, is a welcome index of desirable rise in the standard of living, increase in revenue from intoxicants is a lamentable index of unhealthy consumption, for which Governments have been apologetic.

As regards violations of the law, Excise is no better than Prohibition, if the official figures of detected offences be any indication of the extent of violation. The Madhya Pradesh Prohibition Enquiry Committee found that illicit distillation offences were consistently more in the Wet than in the Dry half of the State! It was estimated by the American magazine, 'Life' that in America, where there is no Prohibition, illicit consumption was about equal to the licit. According to the Reports of Judicial Administration (Criminal) of Madhya Pradesh, quoted in the Report of the Madhya Pradesh Prohibition Enquiry Committee, the Police Acts were violated even more than the Excise or the Prohibition Acts. If the extent of violation of a law is a justification or its repeal, the Police Acts would have to lead the way. As regards loss of revenue, illicit consumption in the Wet areas lost as much revenue as in the Dry areas.

After condemning the current Excise policy, the Madhya Pradesh and Andhra Pradesh Prohibition Committees recommended a new policy of individual rationing of licit liquor with the price scaled down to such an extent as to compete successfully with illicit liquor and eliminate it. This policy is not calculated to produce any revenue, if it does not involve a subsidy. The justification for it is health; if some people will drink in any event, it is better that they consume pure licit liquor instead of impure illicit liquor which is deleterious to health. To this end licit liquor must be less expensive than the illicit. That health was the main consideration is evidenced by the fact that Prohibition is included in Art. 47 of the Indian Constitution dealing with health. As long ago as 1904 the then Government of the Central Provinces and Berar published a Resolution to say that liquor of guaranteed purity should be made available at the cheapest economic price to make illicit traffic unremunerative.

Even the most stringent Prohibition Act in India has not contemplated complete Prohibition, but provided for exemptions in the case of "foreign liquor" like whisky, etc. for the legal consumption of which permits have been issued to individuals under certain conditions on the basis of individual ration. Consumption on the basis of individual rationing has thus been part of orthodox official prohibition. Foreigners, particularly tourists, have also been exempted from Prohibition. The moral imperative of Prohibition is lost by such exemptions. It is best, therefore, to universalise individual rationing in quantities which will not pro-

voke the consumer into anti-social conduct. The Government of Madras, which has been the pioneer in the introduction of State-wide Prohibition in India and is wedded to it, has advocated individual rationing in its evidence before the Prohibition Committee of the Planning Commission.

The argument that Prohibition caused loss of revenue is invalid inasmuch as the loss was more than made good by other taxes. The Sales-tax was imposed for the specific purpose. It is merely replacing one tax by another and more paying tax.

Opium was a source of appreciable revenue to India till recently. Its prohibition lost some revenue. But it has not been suggested that it should be revived even for the Five-Year Plan.

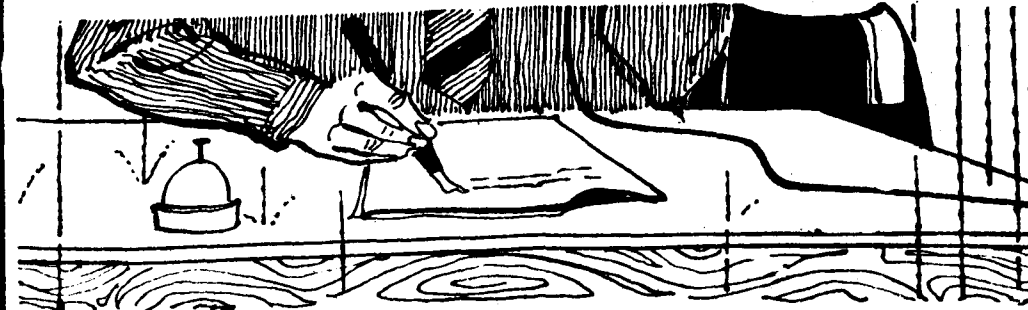
At all events, revenue should not be even an incidental objective of the commerce in intoxicants. The Excise taxes on articles like matches, kerosene, betelnuts, coffee, tea, etc. in the current Budget have been severely criticised as undue burdens on the poor. Compared to them, the Excise taxes on intoxicants, made worse by the method of collection, are infinitely more oppressive on the poorest section of the people who consume arrack and toddy. To levy such taxes on such people for augmenting the finances of the Third Five-Year Plan is unconscionable to a degree. It would be unspeakable shame if, instead of improving on the British Government's professed policy of reduction of consumption of intoxicants without reference to revenue, the present Congress Government of Independent India, inheriting the mantle of Mahatma Gandhi, should bank on Excise taxes on intoxicants for revenue.

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THE BUSINESS WORLD

Modernisation of Textile Industry

By CROESUS

COTTON textile circles have welcomed, both the unanimous report of the NIDC Working Group for the Cotton Textile Industry and the Government's broad agreement with the recommendations made therein. There was at no time any question about the vital need for modernisation of this industry and in regard to the wear and tear to which the industry has been subjected, especially since the Second World War. As early as eight years ago, the Ramaswamy Mudaliar Working Party appointed to go into this very question had reported that the machinery of most of the cotton mills in the country had become completely outmoded and required to be replaced urgently. Since then the position must certainly have deteriorated further, notwithstanding some replacement and modernisation that has taken place in the normal course. Unfortunately, the estimate of the cost of modernisation and rehabilitation of the industry, then and now, are not strictly comparable. Eight years ago, when the Working Party reported, not all the mills submitted returns; only 111 out of the four hundred and odd units did so. Furthermore, the Ramaswamy Mudaliar Working Party concerned itself only with the spinning and the weaving aspects and its report, accordingly, was not as comprehensive as that of the NIDC Working Group. Even the number of spindles and looms, for the rehabilitation and modernisation of which the 1952 Working Party had estimated an outlay of Rs. 49 crores, has gone up; the number of spindles and looms covered by the NIDC Working Group's report is 130 lakh spindles and two lakh looms, belonging to over 450 units.

It would be interesting to note as to who is responsible for the delay in implementing the recommendations of the 1952 Working Party. But considering the fact that the NIDC, the new organisation that was specially set up for the purpose, could do so much to modernise the jute mill industry, one cannot but draw the inference that either the cotton mill industry was not as quick as the jute mill industry to avail itself of the help of the NIDC or that the Government itself was stalling the whole question of modernisation of the cotton mill industry to appease labour interests, who then took the impossible and obstructive attitude that modernisation and rationalisation were intended only to throw out workers.

There is no use, however, at this stage to waste time over apportioning the blame as between the Government and the industry or for that matter the workers. But before the country can embark upon a really extensive programme of rehabilitation and modernisation which is bound to be a continuing process as we progress more and more industrially, the Government, the industry and the workers, no less than the consumers must regard timely and periodical rehabilitation and modernisation as a necessary national task. The Government must make it possible for the industry to plough back adequate resources to enable it to take up such work; industry and the workers must consider that they owe a duty to the community to keep intact and firm the fixed assets and hand them over to succeeding generation, and the consumers must be prepared to submit themselves to a degree of

sacrifice in the form of reasonable higher prices to make this possible. Unless these pre-requisites can be taken for granted, it is idle to talk in terms of even a minimum, let alone an ambitious, programme of modernisation.

On the face of it, the Working Group's estimate of the minimum overall outlay for rehabilitation and modernisation of Rs. 180 crores is a very large sum and not even the recent fairly satisfactory response to new issues by the cotton textile industry warrants the assumption that the industry can garner this amount through its resources or effort. Unless the Government is prepared to allow the industry to charge higher prices and make sufficient profits, which it may not be willing to do partly out of fear of inflation and partly out of deference to the clamour of the community, one cannot visualise how the industry can raise even Rs. 80 crores which it is expected to raise from its own resources, according to the Working Group. Similarly, one is at a loss to feel so optimistic as to expect a sum of Rs. 100 crores from the NIDC and other financial institutions when there are so many calls on these institutions and when there is a demand in certain quarters actually to wind up the NIDC itself. If, unfortunately, the latter clamour gains momentum and the existence of the Corporation is itself at stake, it is difficult to see how the important role assigned to the Corporation can be effectively fulfilled.

One of the tasks assigned to the Corporation is that along with other public financing agencies, the Corporation should try and issue sizable amounts by way of equity capital to mills which are in need of modernisation. While the Government has not made known its decisions on this recommendation, it may be suggested that there is an alternative approach that is worthy of careful examination. Some time ago, a leading industrialist had suggested provision of "Suppliers' Credit" as one of the solutions to the problem of inadequate internal resources for the industry. If the NIDC, or any other agency that may be entrusted with the role and responsibility proposed in respect of the Corporation, were backed up and empowered by the Government to guarantee such credit, it might be possible to expedite the programme of modernisation. This aspect of the question may well be examined by the proposed Textile Mills' Standing Advisory Committee which the Working Group has recommended and the Government has also agreed to set up.

As regards setting up of new units, Government's decision to allow installation of 1,25,000 spindles and 2,500 looms equipped with the latest type equipment, including the processing equipment, is to be welcomed; all the more, because the production of these units is proposed to be earmarked for export. It is needless to say, however comparable in quality, unless, our textiles can also compete in the world market as regards price, much headway cannot be made in pushing up our exports. It is as essential to ensure an economic price as it is to improve quality.

Perhaps, the most knotty problem that will be faced by those responsible for implementing the recommendations of the Working Group will be the

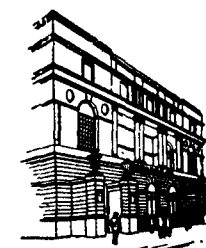
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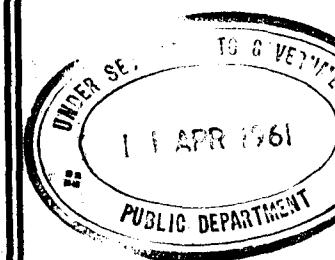
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question of providing work for the surplus labour and of compensating the managements of the units that need to be scrapped. The Working Group has, no doubt, suggested the creation of a "closure fund" out of which compensation payments can be made to the scrapped units. But as regards providing employment for even 15 per cent of the workers expected to be rendered surplus over the next five years, one feels the Working Group is somewhat over-optimistic even after allowing for three-shift working by some more units of the industry than now. In other words, it is neither the unanimous recommendations of the Working Group nor their acceptance by the Government, not even the willingness of the industry to implement them, that can really help matters in this regard so much as the attitude of labour. In view of this, it may not be out of place to suggest that

both the textile workers and Government of India would do well to take a leaf out of the experience of the British textile industry in order successfully to meet the situation. Also the authorities should now begin to think seriously in terms of freeing the industry from the shackles of control so as to enable it to give of its best. Equally essential to consider is the question of a suitable agency for implementing the recommendations of the Working Group. There is an understandable disposition in certain quarters, evidently, arising from what happened to the recommendations of the Ramaswamy Mudaliar Working Party, that, unless a special agency is created for implementing the recommendations of the NIDC Working Group, the same story will be repeated.

Business Notes

Foreign Aid

HUNGARY'S OFFER

WITH THE offer of Rs. 8 crores credit, announced by Mr. Antal Apro, First Deputy Prime Minister of the Hungarian People's Republic, on the eve of his departure from New Delhi last week after an eight days' stay in this country as a guest of the Union Government, Hungary becomes the fourth (fifth if account is taken of the suppliers' credit made available by Rumania during the Second Plan period) Communist country to offer financial aid to India for her economic development. As is the case with the assistance made available by the other Eastern Bloc countries—Soviet Russia, Poland and Czechoslovakia—the Hungarian credit will carry interest at the rate of 2½% per annum and shall be repayable in Indian products, such as vegetable oils, tea, coffee, jute manufactures, shellac, iron ore, cotton textiles and engineering goods, over a period of eight to nine years. It can be utilised for financing exploration of bauxite reserves and for setting up projects, both in the public and the private sectors, for the production of alumina, aluminium, flour mills, pharmaceuticals, sheet glass, electric metres, seamless steel tubes and machinery for hydro-electric power stations. Hungary will finance with this credit not only supply of capital goods required for these projects but also the much-needed technical know-how. Details about the utilisation of the credit will be finalised in course of time through talks between the two countries at expert level.

The credit, though a modest one, is welcome; it will go some way to fill the gap in foreign exchange resources required for the Third Plan. Equally welcome is the textile testing laboratory gift made by Hungary.

With the assistance offered by Hungary, the total foreign aid promised by friendly countries for the Third Plan amounts to about Rs. 1,058 crores, including the PL 480 loan of Rs. 635.6 crores. Assistance promised by Communist countries totals Rs. 283.51 crores.

The picture of economic assistance that might be made available by friendly countries for the Third Five-Year Plan will become clear after the Aid-India Club, headed by the United States, meets in Washington towards the close of the current month.

Foreign Trade

NEW IMPORT POLICY

THE IMPORT policy announced this week for the period April-September, 1961, it seems, has been formulated to fall in line with the first half-year of the Third Five-Year Plan. The change-over from the Second Plan to the Third naturally necessitates a preparedness to meet growing requirements of raw materials and spares on account of the increased tempo of industrial activity. It also means an added effort to conserve foreign exchange in the light of the fact that

sterling reserves today are lower than they were at the start of the Second Plan.

The first important step taken to ensure sustained industrial production is the expansion of the list of items the import of which is allowed under the Export Promotion Scheme. This linking of imports of raw materials and spares to export performance of manufactures is apparently a step in the right direction. It is all the more reasonable that the manufacturers who cannot do well in the export market owing to factors beyond their control, will not be allowed to suffer. Moreover, the manufacturers producing items which are of importance to the domestic economy will not be affected adversely. Another gesture of some significance in the new policy is the stepping up of provision for licensing of "emergency spare parts", required to overcome an emergency breakdown of any production machinery, from Rs. 750 to Rs. 2,500 in an individual case.

An important step proposed in the new import policy as an end to conserve more foreign exchange is the banning or curtailing of imports of various items of consumption, many of which are produced in the country. The selection of these items has been made after an assessment of the performance of indigenous industries, the stocks position and the availability of goods against rupee resources and loans. It is expected that a saving of the order of Rs. 3 crores may be affected by this step. This saving, however, is not the only positive gain resulting from this measure; this step is also likely to provide a certain amount of filip to the indigenous manufacturers of these products.

I.F.C.

PARTICIPATION IN PROFITS OF BORROWING COMPANIES

THE BOARD of the Industrial Finance Corporation of India—I.F.C. (India) for short—which met in Bombay last week, discussed, *inter alia*, the question of the Corporation's participation in the profits of borrowing companies. This question, it may be recalled, had come up before the Board as early as in 1959, when its Chairman, Mr. K. R. K. Menon, had said: "...the Corporation's participation in equity capital should also be possible through the exercise of the right to convert loans into equities. Besides these facilities for profitably employing its funds, the Corporation should, in future, be able to share the profits of a concern financed by it—the method of sharing being negotiated along with the terms of a loan."

It is not clear whether the I.F.C. (India) or the International Finance Corporation was the first to moot this idea. Be that as it may, when the International Finance Corporation decided to participate in future profits and growth of business in the form of (a) a right to convert the loan or some part of it into some type of share capital or (b) a right to some addi-

tional income related to earnings, or (c) both, it will be remembered, there was a hue and cry in a section of the Press which strongly criticised the proposal. In view of this, the latest move of the I.F.C. (India) is bound to evoke comments and criticism. Meanwhile, the important question to decide is whether, as a sequel to this move, the financing agency will also try to secure a representation on the board of directors of the borrowing company and/or impose conditions in regard to distribution of dividends by it, as it well might. Whatever may be the justification, from a financial point of view, the proposal amounts to a certain encroachment on the inherent rights of shareholders of borrowing companies, who, after all, are the owners. Moreover, the I.F.C. (India) was meant only for providing loan capital and for underwriting new issues.

However, if the I.F.C. (India) and the world body with the same initial letters were to decide on such a course, borrowing companies would be left with only a Hobson's choice, unless, of course, they choose to raise their equity capital in preference to this move, so as to conform to the new directive of the Company Law Administration.

Paper

IMPORTS BY TRADERS

MR. B. M. CHOKSI in his presidential address at the annual general meeting of the Paper Traders' Association highlighted the fact that though output of indigenous paper was increasing significantly, it was still not sufficient to meet the rising demand. From the very fact that annual per capita consumption of paper in India is 2 lbs, as against 440 lbs in the USA, it is clear that consumption is bound to grow in the next few years at a much faster rate as a result of increasing prosperity and spread of education. Considering this trend, it can be observed that shortages are likely to persist and at least certain varieties of paper will have to be imported. Mr. Choksi complained that established importers of paper had been neglected as nearly three-fourths of the total quantity was imported by the State Trading Corporation and actual users or on the basis of barter or export promotion schemes. It may not be unwise to allow the established dealers to import and distribute a little more. This has one specific advantage in that, within the quota, they can import the precise quantities in measured quantities, thus eliminating a lot of waste. As Mr. Choksi pointed out, the State Trading Corporation had many times wasted the country's rupee resources and "often wrong imports were made" because the "personnel of the State Trading Corporation have no experience whatsoever regarding paper trade." This anomaly may not be as glaring as has been portrayed by Mr. Choksi, but the policy of paper imports certainly needs to be reviewed carefully in view of persistent complaints about imports of wrong types of paper.

Sugar

PERILS OF SURPLUSES

THE SPEECHES of two chairmen of sugar companies from the South, namely, Mr. C. R. Srinivasan of the East India Distilleries and Sugar Factories Limited and Mr. V. Venugopal Naidu of the Mysore Sugar Company Limited, dilate upon the same subject of the demand for sugar not being able to catch up with production. The closing stocks of sugar with all the factories on January 31, 1961 were reported to be around 13.57 lakh tons as against 8.10 lakh tons on the same date last season. This rising trend in stocks has created concern not only for the factories in the South but for all the factories in the country. The Indian Sugar Mills Association, with the active assistance of Ministry of Food and Agriculture, is endeavouring hard to export sugar to countries abroad and

especially to the U.S.A., though progress in this regard has been very slow and hesitant. The question that is being asked in the industry is whether the factories would be forced by sheer accumulation of stocks to slow down their production. If that happens, it would be an unfortunate event.

Both the factories have earned sizable profits which, however, are subject to the verdict of the Tariff Commission in regard to the profit-sharing formula. The Mysore Sugar Company has already set apart a substantial sum to meet this contingency. But it is not known whether the sum would be sufficient to cover the demands of the sugarcane growers under the new formula. Similar is the case with the East India Distilleries and Sugar Factories.

The factories in the South have enjoyed a special benefit in higher sale prices in relation to the prices fixed for the North Indian factories as they enjoy the benefit of the freight differential between the two areas. Now it seems that the production of the South Indian factories is gradually nearing the total demand of the Southern Zone, and the day is not far when demand will match the output of these factories. At that stage, it is sure that there will be no justification for providing a differential in any price fixation for the factories in the South. While the efficient units in this Zone will certainly be able to put up with this reduction in their selling price, some of the smaller inefficient units may have to undergo losses.

Banking

INCREASE IN PROFITS

FROM THE balance sheets of the Central Bank of India, the United Commercial Bank and the Indian Overseas Bank, it is obvious that there has been a considerable increase in the profits of these three banks in 1960.

The net profit for the year in the case of the United Commercial Bank, after providing for taxes and for all known and anticipated charges, and including Rs. 1,04,096 brought forward from the previous account, amounts to Rs. 68,46,870.98 nP. A sum of Rs. 13,00,000 has been provided for bonus to the staff and Rs. 30,00,000 have been transferred to the Reserve Fund which now exceeds the paid-up capital and stands at Rs. 2,05,00,000. Subject to deduction of tax, the Directors have recommended payment of dividend at the rate of Rs. 6 per share. The branch expansion programme of the bank has also proceeded satisfactorily; in 1960 branches were opened at Bhopal, Durgapur, Kota, Maligaon (Gauhati), Mandvi (Bombay), Nagapattinam, Pipri and Ranchi.

The Indian Overseas Bank reports a net profit of Rs. 44,66,422.74 nP. for the year under review. Provision for bonus to the staff is Rs. 5,50,000. Payment of dividend at the rate of 14 per cent per annum, subject to tax, is recommended. The bank has opened during the year branches at Amritsar, Ludhiana, Madras, Triplicane, New Delhi-Karol Bagh and Willingdon Island (Cochin).

The Central Bank of India have shown a net profit of Rs. 133 lakhs. In view of the high profits, a higher dividend has been proposed to the shareholders. For the year under review, the dividend works out to 12.88 per cent. With record profits, it is no wonder that the Chairman, Sir Homi Mody, had an encouraging and optimistic note to present to the shareholders. Dealing with the economy as such, Sir Homi Mody stated that the most disturbing element was the increase in prices. Since price stability is a pre-requisite for the success of any plan, one would agree with Sir Homi Mody that a more realistic fiscal and economic policy should be evolved to set the state of affairs right. Short-cut measures, however well meaning, will not suffice.

Machine Tools

PRAGA TOOLS EXPANSION PROGRAMME

AT THE sixteenth annual general meeting of the Praga Tools Corporation Ltd., Mr. S. Ranganathan, Chairman of the Board of Directors, stated that it had been decided that the Corporation should increase its output of machine tools from the present level of about Rs. 12 lakhs per annum to Rs. 120 lakhs per annum. The Polish Government would be supplying, on credit basis, a major portion of the plant required for this expansion programme. Of the Rs. 14.3 crores credit made available by Poland recently, Rs. 1 crore would be utilised for the Corporation for the purpose of setting up a complete new machine tools plant. A Polish organisation of machine tools manufacturers, CEKOP, has been entrusted with the task of preparing a project

report for this plant at a cost of Rs. 2.5 lakhs. The project report is expected to be ready by September, 1961.

The Corporation has entered into technical collaboration agreements with three British firms—Messrs. Kearney and Trecker C.V.A. Ltd. of Hove, Sussex, Messrs. F. Pratt & Co. Ltd., Halifax, and Messrs. A. A. Jones & Shipman of Leicester—for its expansion programme, costing Rs. 1.23 crores. As a result of these agreements, the Corporation will undertake manufacture of some new items like lathe chucks, drill chucks, tool and cutter grinders.

So far as the Balance Sheet of the Company is concerned, it is encouraging to find that after making the necessary adjustments for depreciation, development rebate, etc., there is a surplus of Rs. 3,72,667.

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The Stock Market opened on a steady note. Although operators were reluctant to make big commitments either way due to the proximity of the Budget, the tone in a few selected wings tended to tighten on replacement buying and modest speculative cum investment support, which, in turn, imparted fair steadiness to many others.

The announcement of an increase by Rs. 45/- per ton in the retention prices, failed to create any price flutter in stocks, presumably due to the fact that those who had purchased at them at lower levels on expectations of an increase in the retention prices were inclined to take quick profits at every upward.

The movements on the whole were irregular due to professional technical speculations and some operators' decisions to seek short-term profits. Neighbors maintaining sales were...

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FROM THE CAPITAL'S CORRIDORS

TEXTILE INDUSTRY: JOSHI WORKING GROUP'S REPORT

The report of the NIDC Working Group for Textile Industry, which was set up in August, 1959, under the Chairmanship of Mr. D. S. Joshi, and Government's decisions on this report were placed in both the Houses of Parliament this week.

The Working Group has come to the conclusion that the position of the cotton textile industry has worsened progressively since 1952; the unit labour cost in the industry today is on the high side compared with many other countries.

The Working Group has called for a massive programme of rehabilitation and modernisation of the industry costing about Rs. 180 crores. The foreign exchange component of this expenditure is estimated at Rs. 83 crores, besides the expenditure to be incurred on importing spare parts for the existing machinery. The Working Group is of the view that exclusive attention in the matter of rehabilitation and modernisation to exporting units would not be practical or desirable in the long-term interests of the industry or the internal consumers. It says there should be some minimum modernisation of all the units of the industry.

The Working Group has expressed the opinion that since there has been lately a greater awareness on the part of the industry for a larger ploughback of profits, a sum of Rs. 80 crores would be found by the industry from its own resources for this modernisation and rehabilitation programme. The rest of the amount will have to be provided by lending institutions "at very reasonable rates with liberal concession in the matter of instalments and repayment." The National Industrial Development Corporation and other public financing agencies, the Group recommends, should issue sizable amounts to the industry by way of equity capital for rehabilitation and modernisation purposes. To augment industry's resources, restoration of third shift depreciation allowance has also been favoured by the Group. The industry has been advised not to hesitate to accept the remedial steps suggested by the lending institutions.

SURPLUS LABOUR

The Group has estimated that as a result of rationalisation through rehabilitation and modernisation of the industry, about 15 per cent of the total labour force employed in it will be rendered surplus. The Group says it will reduce the size of the problem of surplus labour if a provision is made for suitable gratuity on superannuation. Compensation by agreement may also be provided to achieve a further measure of rationalisation. The Group is of the opinion that it is time to cry a halt to any further recruitment of textile workers in the different centres as far as possible. A rigid badi list should be maintained in each area and persons should be put on this list only through employment exchanges where they exist. Simultaneously, the de-casualisation scheme should be applied to these workers to ensure that workers who are found surplus are made available alternative jobs. The Working Group adds that if third shift is resorted to to absorb this surplus labour force, workers should be offered continuity of service in the third shift and if the third shift is discontinued, the obvious course should be to restore status quo ante. The Working Group suggests that as far as possible three-shift working should be encouraged to enable speedy rehabilitation and modernisation of at least some of the sections of the industry which require such a measure as a matter of urgency. It recommends that some machinery should be devised, as proposed by the Textile Enquiry Committee (1958), to settle questions of rationalisation unit by unit.

Noting that there have been some cases of deliberate mismanagement in the industry, the Working Group recommends that people who are responsible for this mismanagement should be weeded out so that the industry can be built on strong and stable foundations. It suggests that the industry itself should remodel its managerial standards and improve them by collective thinking and pooling of knowledge. In cases where industrial units cannot afford the services of good technicians, a group of mills in one locality should employ a technician of high calibre as a common technical adviser. Similarly, in cases of mills where it is not possible to have independent technicians of high calibre, a panel of technicians in various branches of the industry should be prepared so that all mills should be able to draw upon their services when necessary.

SCRAPPING OF OLD UNITS

Where rehabilitation of any unit is not worthwhile the Group has recommended its compulsory scrapping. For payment of compensation to the units to be scrapped, the Group has suggested building up of a "closure fund" by levying some kind of licence fee or premium on new licences or expansions; payment of compensation has been recommended at the rate of Rs. 10 per spindle and Rs. 400 per loom. The Working Group considers it necessary that a continued examination of the cases of closure and sickness of textile units should be made by a small representative group (to be known as Textile Mills Standing Advisory Group or Committee) consisting of top level management, top-level technicians and representatives of labour and Government.

On principle, the Working Group does not consider that allocation of additional capacity should be governed by the volume of labour rendered surplus on account of rehabilitation and modernisation in each part of the country. As far as possible, licences for new capacity issued on the ground of closure of units which would be scrapped voluntarily or compulsorily should be allowed at the same place or in the same centre or in the alternative in the same State in any other centre, with the consent of the State Government concerned. All the new units to be set up should not be permitted to install outmoded machinery.

The Group is of the view that the minimum economic and workable unit of a textile mill in the present conditions should have 12,000 spindles and 300 looms. Gradually, this absolute minimum capacity can be raised to 18,000 spindles and 400 looms and ultimately to 25,000 spindles and 500 looms.

FIVE NEW UNITS TO BE SET UP

To step up exports, the Group has recommended setting up of five new units with a capacity of 25,000 spindles and 500 looms each and equipped with up-to-date types of machinery, including processing equipment. These units would produce faultless quality cloth woven on automatic looms; their entire output should be compulsorily exported.

The Working Group considers that in the national interests, textile industry should be regulated so that its expansion does not take place haphazardly. The Group has criticized the Company Law Administration for not enforcing rigorously the relevant provisions of the Companies Act to avoid delays in the publication of balance sheets and annual accounts. It considers that it would be desirable for NIDC to have a small strength of selected persons who could form into a recognised cadre in due course for being employed as resident directors and controllers of mills, wherever such appointments are necessary.

The Government is broadly in agreement with the recommendations of the Working Group. In its resolution, it has appreciated the need for modernisation and rehabilitation of the industry. It proposes to review the position during the Third Plan period so as to expedite the pace of modernisation, rehabilitation and diversification of the industry. A suitable machinery is being set up to analyse and help in resolving the problems of each individual mill as a result of rationalisation through rehabilitation and modernisation. About compulsory closure of mills, the Government has expressed the opinion that the problem bristles with practical difficulties and will need comprehensive examination.

The Government has also accepted the Working Group's proposal that five new units, with a capacity of 25,000 spindles and 500 looms each and equipped with most up-to-date machinery, should be allowed to be set up for production of faultless quality cloth for export purposes.

TEXTILE MACHINERY

During the year 1960-61, a number of schemes for the manufacture of several items of textile machinery were sanctioned. These include the manufacture of automatic looms, textiles pirms, knitting machinery, various Augusta systems, mercerising range, electric yarb baling presses, warping machines, battle bobbin-winders, high speed sizing machines, automatic reaching machines, jet air stenters, hot flue and stender clips. The manufacture of new items of textile machinery such as blowroom lines, soapers, calendar, bowls, continuous washing machines, ring travellers, pneumatic mangles, inspection machines, dyeing sleeves, etc. has also been taken up.

IMPORT POLICY

While continuing to be restrictive in various directions, the import policy for the half year April-September, 1961, announced last week-end, seeks to sustain industrial activity within the limitations of foreign exchange available and to ensure adequate utilisation of the country's industrial potential.

The new policy envisages more and more linking of raw material and machinery imports to exports of finished products. Import requirements of each industry and of each unit in an industry would be reviewed. On the basis of this review, each unit would be allotted a basic quota. Imports above this basic quota by any unit in an industry would depend on its capacity and willingness to export a certain percentage of its production. If an industry or a unit which is in a position to export but does not do so because of a sellers' market in the country, it would render itself liable for discrimination in the issue of import licences for raw materials over and above the basic quota. The import needs of industries which are not in a position at present to export their goods, e.g. pharmaceutical industry, will, however, be catered to fully.

Another important feature of the new policy is the removal of distinction between dollar and soft currency areas for purposes of grant of import licences. Licences, in future, will be issued as valid for "general area" covering all countries. Certain licences issued for the import of capital goods and heavy electrical products and for items covered by Export Promotion Schemes will, however, continue to be restricted to specific countries. No licences will be valid for import of goods from South Africa and South-West Africa as hitherto.

IMPORTS BANNED OR CUT

Import of 20 items by established importers has been banned. They include: German and nickle silver scrap; Wood working band saws; Leather belting; Jute bobbins; Transformers of rating not covered by S. No.

42(a)/II; Metal clad (or otherwise) switches and switch fuse units etc.; Air and oil circuit breakers upto 660 volts and cubicles and panels incorporating these; Air and oil circuit breakers above 660 volts and upto 11 KV and cubicles and panels incorporating these; Air and oil circuit breakers above 11 KV and cubicles and panels incorporating these; Cortisone and hydro-cortisone excluding preparations thereof; Iodides excluding their preparations; Prednisone and prednisolone excluding preparations thereof; Stoves and their parts (made of aluminium); Acetic acid; Case hardening compounds; Cuprous and copper suboxide; Mono-sodium phosphate; Nickel salts and sulphates; Lenses including focal blanks; Reversible level, Dumphy level and Indian pattern level machines under S. No. 92(g) (1) complete with stands.

Quotas for another 127 items have been reduced. They include: Bright MS and free cutting quality (high sulphur and/or Landloy) bars, rounds etc.; Iron/steel pipe fittings; Bifurcated rivots; Boot and shoe grinder; Files and rasps; Graphite crucibles; Fractional horse power motors; Pneumatic plants; Electric insulations; Cable accessories; Electric motor starters; High tension insulators; certain items of chemicals such as hydrosulphite of soda; Cation active finishing agents; Carboxy methyl cellulose and its salts; Sodium bicarbonate; Nickel salts; Barium chloride etc.; Coal-tar dyes; Card clothing and card accessories; Powdered milk, milk food for infants and farinaceous patent foods; Cutch; Gambier; Gum arabic; Dammer including unrefined Batu, certain items of drugs and medicines such as Oxytetracycline; Acid Salicylic excluding preparations thereof; Packing and Wrapping paper; Cotton fabrics; Garage tools; Miscellaneous hardware; certain items of motor vehicle parts such as Cylinder liners; Fitter/cleaner assembly; Piston rings; Radiator assembly and thin walled bearings, Time-pieces; Artists' brushes; Water meters.

Quotas for raw films, photographic sensitized material and electric carbons have also been slightly reduced. Newsprint imports, however, have been slightly liberalized.

LICENCES FOR ACTUAL USERS

The list of items for the import of which actual users will be granted licences has been expanded to include steel wire mesh and stainless steel wire mesh, German silver/nickel silver scrap, Zincon for use in ceramic industry and Rutile for use in ceramic and electric welding industries, film strips of scientific and educational character, Monosodium Glutamate, electro-medical apparatus, industrial sewing machines and their parts and pressure gauges. Face value provisions of such licences have also been liberalised in some cases.

The list of items the import of which is allowed under the Export Promotion Scheme has also been expanded. The new items brought under this scheme are ivory unmanufactured, stamping foils, pigment dye-stuffs, ferrules, China clay, paint raw materials, red phosphorous, refined sulphur, yellow poster paper and phodamine dyes. Imports of these commodities will be allowed against exports of manufactures of ivory, pencils and safety matches.

The provision for licensing of "emergency spare parts," i.e. spare parts required on immediate basis to overcome an emergency breakdown of any production machinery, has been increased from Rs. 750 to Rs. 2,500 in an individual case.

The basic period for a number of items has been extended. The more important items for which the basic period has been extended are tools and cutters, milling cutters, industrial exhaust fans and blowers, component parts of textile machinery, parts of domes-

tic refrigerators, parts of musical instruments, artists' brushes, rubber contraceptives, giant motors, motor cycle and bicycle tyres, tubes and flaps, tractor and off-the-road tyres, tubes and flaps, hearing aids, and parts thereof, pressure gauges etc.

Suitable increases have also been made in the validity period of a few items such as bright MS and free cutting quality (high sulphur and/or landloy) bars, rounds etc., ball bearings, roller bearings, tape bearings, special pumps for fused caustic soda or acids, vacuum pumps, paste boards and newsprint.

Licensing of paper has been decentralised. To avoid procedural delays in the issue of import licences, it is proposed to continue the scheme of "repeat" licensing introduced during the period October 1959—March 1960.

Import policy in regard to cardamoms, cassia, cinnamon, cloves, nutmegs, mace and betelnuts will be announced later.

EXPORT TARGET

The total saving in foreign exchange likely to result from the cuts in import quotas of established importers and by banning of import of some items is estimated to be around Rs. 3 crores. This saving may, however, be offset by higher imports by actual users and due to imports on rupee account.

The adverse balance of trade in 1960 is put at Rs. 376 crores; imports totalled Rs. 1,011 crores and exports, including re-exports, amounted to Rs. 635 crores. The target of exports during the current year remains unchanged at Rs 650 crores. Official circles, however, are of the view that this target may be exceeded by about Rs. 10 crores.

IMPORT OF TRACTORS

The Government has decided to consider applications during the licensing period April-September, 1961, for the import of agricultural tractors and garage tools under the U.S. Development Loan Fund. Two public notices have been issued stating the terms and conditions under which these licences would be granted.

Agricultural tractors below 50 H.P. would only be considered for licensing of imports on the condition that these tractors are purchased from the United States and a minimum of 15 per cent of the licences would be utilised by the licence-holders for the import of spare parts and components of the tractors sought to be imported against these licences.

Applications for the import of garage tools would be entertained not only from established importers, but also from transport authorities and other fleet owners and automobile manufacturers. Licences to established importers for this item would be granted on the basis of 50 per cent of half of their best year's imports. Applications from other categories of importers would be considered on ad hoc basis.

TOOLS AND ALLOY STEELS

Estimates of requirements have so far been made only of alloy steel sections with a minimum of chromium, nickel, molybdenum and other alloying elements which require special plants. Capacity already existing, or for installing of which licences have already been issued, is about 10,000 tons. It is estimated that the requirements of these steels at the end of the Third Five-Year Plan would be of the order of about 2 lakh tons per annum. As it takes some time for production to come up to capacity, it is proposed to licence adequate capacity to produce initially two lakh tons a year. The Central alloy steels plant will contribute about 50,000 tons. The ordnance factories will make available an-

other about 35,000 tons. A number of applications have been received for grant of additional capacity necessary to produce the balance of about one lakh tons. Decisions on these applications are expected to be taken in the near future.

For the manufacture of alloy steel castings and such alloy steels as do not need special rolling equipment, there is already a capacity of about 50,000 tons per annum installed in the country. A further capacity of 50,000 tons has been licensed upto now. The Government of India is considering the question of licensing an additional capacity of about one lakh tons for this category of steel.

CREDIT FROM HUNGARY

Hungary has offered a credit of Rs. 8 crores for economic development of India under the Third Five-Year Plan. This was disclosed by the First Deputy Prime Minister of the Hungarian People's Republic, Mr. Antal Apro, on the eve of his departure after eight days' stay in this country.

The credit, a bilateral one available for spending in Hungary alone, will carry 2½ per cent per annum interest and will be repayable in Indian products, such as vegetable oils, tea, coffee, jute goods, shellac, iron ore, textiles and engineering goods, in eight to nine years. It can be used for exploration of bauxite reserves and for setting up plants to manufacture aluminium, seamless tubes, pharmaceuticals, sheet glass, flour mills, electric meters and machinery for power stations. The projects which would be financed with this credit and technical assistance from Hungary can be both in the public and the private sectors.

Hungary has also made a gift of a textile testing laboratory. The gift has been accepted by the Government of India.

Mr. Antal Apro had discussions with the Union Minister for Commerce and Industry on prospects of increasing trade between India and Hungary. At present, the total volume of trade between the two countries is worth about Rs. 10 crores.

UTILISATION OF BRITISH CREDIT

Negotiations, it is understood, are in progress at present between the Governments of India and of the United Kingdom for the utilisation of the £30 million credit made available by the latter a few weeks ago for the former's Third Plan.

According to the tentative list of the projects to be financed with this credit, prepared by the Government of India, it is proposed to make use of this credit for (a) expansion for the Heavy Electricals Factory at Bhopal, (b) setting up of a fertiliser factory at Nabor-katiya, (c) putting up of the security paper mill (with Portal as technical consultants) and (d) establishment of a heavy plates and vessels plant. Some power schemes and expansion of Hindustan Cables are also envisaged to be financed with this credit. Part of the credit may also be utilised for import of capital equipment for some private sector undertakings—equipment for Leyland buses, textile machinery etc. The possibility of making use of a portion of the credit for constructing a ropeway in Jharia coalfields is also not ruled out.

The credit is meant to be utilised over a period of three years. The U.K. Government, it is understood, prefers utilisation of this credit to be evenly spread over the three years. Government of India, however, would like most of the credit to be made available in the second and the third year.

WAGE BOARD FOR IRON AND STEEL INDUSTRY

Behind the disclosure by the Union Labour Minister, Mr. G. L. Nanda, at the last meeting of the Informal Labour Consultative Committee of Parliament,

that the Government of India proposed to set up a Wage Board for the Iron and Steel Industry and that the Central Government was pursuing with the States concerned the transference of responsibility for industrial relations in the iron and steel industry to the Centre lies a prolonged tussle between the Union Government and the Bihar and West Bengal State Governments.

Control of labour-management relations in the iron and steel industry—a responsibility of the States under the Industrial Disputes Act, 1957—has been a source of immense power and influence which the State Governments are naturally unwilling to part with. In the latest communication from the Central Government to the two States on the subject, emphasis has shifted from gentle persuasion to firmness with reason. Apart from reiterating that in the context of planning, the iron and steel industry is vital to the development of the economy as a whole, the Central Government has impressed upon the States that a stage has come when there has to be some uniformity of policy and approach in regard to industrial relations in this vital sector of the economy. Only the Central Government can ensure this uniformity of policy. The case of the Central Government has been reinforced by almost unanimous stand taken by the employers and the workers in the industry.

This Wage Board is likely to be set up in the near future. Meanwhile, it has been decided that it would have a technical wing to apprise the work-load per man, as is the case with wage fixation in the steel industry in the United States.

COAL WASHERIES

The capacity of the Dugda and Bhojudih coal washeries, now under construction, is proposed to be expanded. The extent of expansion and the nature of additional facilities to be provided at these washeries will, however, be known only when the programme for additional production of coal at various collieries has been finalised and the washability characteristics of these coals determined.

MANUFACTURE OF SOLVENT EXTRACTION PLANTS

The Government of India, it is learnt, has approved manufacture of continuous type solvent extraction plants by the following seven manufacturers:

1. Messrs. Walchandnagar Industries Ltd., Bombay.
2. Messrs. Larsen & Toubro & Engineering Ltd., Bombay.
3. Messrs. Vasant Industrial & Engineering Works, Bombay.
4. Messrs. Associated Cement Companies Ltd., Bombay.
5. Messrs. Oil Corporation of India Private Ltd., Kanpur.
6. Messrs. Schantung Agencies, Calcutta.
7. Messrs. Scindia Workshop (Private) Ltd., Bombay.

The first five firms have already gone into production. The remaining two are likely to start manufacture by the end of the current year.

DEVELOPMENT OF SHIPPING

British shipping interests, it is understood, have shown some inclination to build the second shipyard proposed to be established during the Third Plan period. The possibility of British consultants preparing the project report for this shipyard is not ruled out.

Yugoslavia has offered a credit of Rs. 4.7 crores for supplying ships to India. Some Indian shipping companies, it is learnt, have started negotiations for placing orders on Yugoslav shipyards on rupee payment basis.

MINOR IRRIGATION SCHEMES

Good progress is said to have been made under the Second Plan in respect of minor irrigation projects in

various States. The importance attached to these projects by State Governments is revealed by the progressively increasing expenditure incurred by them under this head. Starting from a level of Rs. 14.6 crores in 1956-57, the expenditure on these projects went up to Rs. 19.11 crores in 1958-59 and to about Rs. 21.7 crores in 1959-60. Most of the State Governments are understood to have accelerated the tempo of execution of minor irrigation schemes. The following table gives the area brought under minor irrigation system in various States during the first four years of the Second Plan:

State	(Lakh acres)	
	Second Plan Target	Achievement of First Four Years of 2nd Plan
Andhra Pradesh	4.5	4.3
Assam	12.1	8.1
Bihar	17.4	18.8
Bombay	10.3	6.1
Madhya Pradesh	7.8	3.4
Madras	5.0	2.3
Orissa	3.0	1.2
Punjab	2.7	4.1
Uttar Pradesh	12.9	19.2
West Bengal	3.9	3.1
Jammu & Kashmir	1.2	Not available
Mysore	3.2	1.3
Rajasthan	2.0	3.7
Kerala	2.9	0.9
Union Territories	1.1	0.5
TOTAL	90.0	77.0

N.B.: The figures of achievement in the above statement are based on available estimates of achievement reported by the States. They are provisional and are subject to revision.

BRIEFS

The Government of India has licensed upto now production of all kinds of basic bricks, including magnesite bricks required by iron and steel industry, to the extent of 2,55,400 tons per annum. It is open to manufacturers to adjust their production of various types of these bricks according to demand.

Standard Motors Products of India Ltd., Madras, have applied for a licence for increasing their existing installed capacity for the manufacture of Standard '10'/ Standard Herald cars to 6,000 units per annum and for undertaking the manufacture of Standard (1-ton) trucks upto 1,500 units per year.

A World Bank team recently visited some States in the Indian Union with a view to examine the possibility of grant of loans by the International Development Association for construction of some roads and bridges. The views of this team are expected to be known in the near future.

A sum of Rs. 18.20 crores has been spent to set up at the three public sector steel plants units to produce by-products, such as crude tar, ammonium sulphate, naphthalene, sulphuric acid, benzene, benzol and crude anthracene. It is expected that by-products worth about Rs. 4.3 crores would be produced annually when these units go into full production.

The Union Government has decided to set up a high-power Control Board, on the pattern of the Chamber of Commerce, for expeditious execution of the Farakka Barage Scheme. The Board will consist of a representative each of the West Bengal Government and the Union Ministries of Transport and Communications, Railways, Finance and Irrigation and Power.

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AGA TOOLS CORPORATION LTD.

i S. Ranganathan, I.C.S., Secretary, Ministry of Commerce & Industry, Govt. of India

Member of the Board of Directors at the Sixteenth Annual General Meeting of the Shareholders held on March 27, 1961, at Hyderabad.

Gentlemen,

Since we met last on September 19, 1960, another year—really 9 months—of the Company's working is now ready for review. This period ended on 31st March, 1960. Under the amended Company Law the Annual General Meeting of the Shareholders of the Company should be held within a period of 6 months from the close of the accounting period. Our office will have to be strengthened to meet this new situation and this is being done. As a Government Company our accounts have also to be audited by the Auditor General and this again requires to be done within this short period. We are suggesting to the Auditor-General as well as to the Company's Statutory Auditors that they should consider undertaking concurrent audit in order to save time.

2. The audited statement of accounts together with the Directors' Report thereon have been with you for some time. This year, as suggested by the Government of India, we have also sent you a simplified Balance Sheet and Profit and Loss Account, so that those who are very busy and cannot find the time to go through the complete balance sheet could gain a clear picture of the Company from the simplified data we have given. With your permission I shall take the accounts and the report as read.

3. When I addressed you on the occasion of the last Annual General Meeting held on September 19, 1960, I referred briefly to the details of the expansion scheme which your Company was planning. We are glad to report that technical collaboration agreements have been signed with three British firms. The first is with Messrs. Kearney & Trecker-C.V.A. Ltd., of Hove, Sussex, for the manufacture of their well-known range of drill chucks in India. The second is with Messrs. F. Pratt & Co., Ltd., Halifax, for the manufacture in India of their range of lathe chucks, pneumatic chucks, magnetic chucks and pneumatic vices. This is a range which should prove very useful to the steel processing industry, as without these appliances the machine tools by themselves would not be adequately useful. The third agreement is with Messrs. A. A. Jones & Shipman of Leicester, for the manufacture of their Cutter and Tool Grinders in India by your Company. This is a new item to be taken up by the machine tool industry in India and your Company would be the first in the field.

4. As you may have read in the Press, the Polish Government have offered a credit to the Indian Government of Rs. 14.3 crores and out of this the Government of India has earmarked one crore for your Company for the purpose of equipping a complete machine tool plant. You would have seen from statistics given that only 20% of our production relates to machine tools; it is the Government of India's intention that our Company should increase the output of machine tools from its present level of about Rs. 12 lacs per annum to Rs. 120 lacs per annum. For this huge expansion, the Polish Government would be supplying a major portion of the plant on credit.

5. As a first step in this collaboration with the Poles, they have been asked to prepare a complete Project Report for a machine tool plant, capable of turning

out a certain quantum of machine tools per annum. Negotiations have been going on with CEKOP, an organisation in Poland which undertakes the design and supply of complete plants, and I am glad to report that on 24th March 1961, i.e., last Friday, our General Manager signed on behalf of our Company an agreement with CEKOP for the supply of this Project Report at a cost of Rs. 2.5 lacs. We expect the Project Report to be in our hands by about September next, but in the meanwhile discussions are going on between the respective technicians to enable your Company to book firm capacity in Poland against their 1962 production for the supply of certain general purpose machine tools required for the machine tool plant.

6. The Working Results for the 9 months period ending March 31, 1960, have not been as encouraging as we had expected. The average production per month does not measure up to last year's performance. As indicated in the Directors' Report this is largely due to the unsettled labour conditions that prevailed in the factory. I had mentioned on the last occasion, the rioting which took place inside the factory on 27th November 1959 and again in May 1960. In May 1960, some officers of the Company were actually assaulted. I would have preferred not to bring back to memory these unpleasant occurrences. I do so, however, as I feel that the labour has not yet quite settled down and there is still talk of strikes etc. I shall be the last person to say that labour should not ask for, in an appropriate manner, or be given what is their legitimate due, having regard to all relevant factors. But to create a state of uncertainty in regard to continued and increasing production or about peaceful conditions being available to work in, is not the best way of setting about this business. I do hope that labour will pay heed to this advice and recognise that in this Board of a Govt. Company, there is really no interest which would wish to deny them their fair share, out of their own production. Having said this, I shall not go into the details of the demands that have been pressed for from time to time, some times, in open flouting of previously mutually accepted settlements, the methods adopted to capture power by rival Unions etc. I shall mention only that your Board has appointed a Sub-Committee to go into certain demands now made. This Sub-Committee has met several times and is now currently discussing this subject with the Union. I hope the Board will soon have proposals that will be acceptable to labour, that will be within the Company's means and finally that the proposals will ensure a fairly long period of settled conditions which could be utilised to maximise production and take in hand the large expansion schemes with confidence.

7. After making the necessary adjustments for depreciation, development rebate, etc., the Balance Sheet shows a surplus of Rs. 3,72,667/-. Your Directors have proposed that this surplus should be carried forward and I feel sure you would find this proposal acceptable.

8. The Comptroller and Auditor-General in his comments has again invited our attention to the necessity to revise the method of evaluating the stock of finished goods. This has not been possible in the year under review but the revised method is being adopted in the accounts of 1960-61 and consequent on this a certain

amount of write-off is expected. In the circumstances your Board of Directors feel that it would be a prudent step not to distribute the very small surplus the present Balance Sheet discloses; it would be more appropriate to get the revaluation of finished goods done on the proper basis in 1960-61 before considering any distribution of dividends. Although, the financial position is thus only of a marginal balance having been reached, I feel optimistic about the trends and given the whole hearted support by labour, the Company should be able to register a leap forward in the next year or two.

9. Before I conclude, I wish to thank my colleagues on the Board for their active co-operation and guidance in all our deliberations. I also wish to express my appreciation to the officers and staff of the Corporation particularly those loyal workers who strove to restore a sense of responsibility in the organisation during a difficult period.

N.B.: The above does not purport to be the report of the proceedings of the 16th Annual General Meeting of the Company held on March 27, 1961.

THE MYSORE SUGAR COMPANY, LIMITED

BANGALORE.

Speech by Sri V. Venugopal Naidu, Chairman and Managing Director, at the Twenty-seventh Annual General Meeting of the Shareholders of the Company, held at Bangalore on Thursday the 30th March 1961.

Gentlemen,

I have great pleasure in welcoming you to this the Twenty-seventh Annual General Meeting of the Shareholders of the Mysore Sugar Company, Limited, and in placing before you for adoption the Report of the Directors and the Audited Statements of Accounts for the year ended 30th June 1960. Copies of these have been in your hands for some time and, with your permission, I shall take them as read.

Sri B. M. Krishnan, who was the Chairman and Managing Director of your Company for the last three years laid down his office on the 5th February 1961 on completion of his term and I have taken over from him. The Board of Directors have placed on record their appreciation of Sri Krishnan's services to the Company. I am happy to report on this occasion that Sri H. K. Veeranna Gowdh, one of your Directors, has been appointed as a Minister in the Mysore Government and I am sure you will all join me in wishing him a happy and successful term of office as a Minister. I earnestly hope that his rich experience and guidance will be available to the Company whenever they are needed.

The year 1959-60 was a notable one for the sugar industry and witnessed a significant rise in sugar production. As against 19.13 lakh tons of sugar produced in the country during the year 1958-59, the production during 1959-60 touched a record level of 24.24 lakh tons, representing an increase of 5 lakh tons in the course of one year. The demand for sugar has not, however, kept pace with the rising trend in production. The result is that there is heavy accumulation of sugar stocks with the factories and it is apprehended that the industry will be burdened with a carry-over of more than ten lakh tons at the end of this season, unless indigenous demand goes up appreciably or exports take place in sizeable quantities. It may be mentioned, in this connection, that export of sugar under the existing conditions is proving to be a costly affair involving loss both to the industry and the State Exchequer though exports have their advantage, in earning foreign exchange for the country.

The target of sugar production for the Third Plan is therefore tentatively fixed at 30 lakh tons, though there are indications of this figure being revised to 35 lakh tons. Towards this end, new factories are being licensed and set up and several existing units are also being permitted to expand. Our application for rehabilitation and expansion is also now before the

Central Government who will, I trust, consider our request very favourably.

A matter that has been agitating the sugar industry for some years past has been the Price Linking Formula designed to ensure payment of a deferred price for sugarcane by passing on to the growers a share of the sugar price. Although such a payment has become a statutory liability from the 1958-59 season, it has not been an easy matter to notify the formula in its complete form, for various reasons. The Government of India have now referred the formula to the Tariff Commission for examination with a view to modifying the existing formula or suggesting an alternative and simpler formula and at the same time to go into the claim of the industry for including a rehabilitation allowance in the sugar price, before it can be shared. After deep consideration, the industry has submitted to the Tariff Commission an alternative proposal. It is hoped that the Tariff Commission will soon evolve a fair and simple formula acceptable to all.

Another event of great significance to the sugar industry has been the publication in recent months of the report of the Central Wage Board for the sugar industry which was constituted in 1957 to go into the question of evolving a wage structure for the workers in the industry. The Board has examined the problem of wage fixation in great detail and has made a number of recommendations which have the effect of increasing the emoluments of the several categories of employees with retrospective effect from 1st November 1960. These recommendations have a vital bearing on the finances of the industry and their effect would be an immediate increase in the cost of production of sugar, as the Board itself has admitted. The recommendations have since been accepted by the Government of India, who have requested the employers, workers and the State Governments to take immediate steps to implement them. The Indian Sugar Mills Association has subsequently taken up this question with the Government.

As you would have seen from the Report of the Directors in your hands, our factory at Mandya had a normal season during 1959-60. The factory commenced crushing operations on the 2nd July 1959 and continued up to 7th February 1960, crushing 3,11,524 tons of cane and producing 31,550 tons of sugar. The corresponding figures for the previous season were 3,48,814 tons and 35,771 tons respectively. The production of sugar would have been higher but for the

fact that we did not receive the entire quantity of cane contracted for due to competitive price of jaggery. In spite of lower output, the quantity of sugar actually sold was higher than in the previous year and the receipts from sugar sales rose to a record figure of Rs. 430 lakhs. Control over distribution of sugar continues to be exercised by the State Government and with the improvement in the supply position, the public are now assured of plentiful supply of sugar at fair price.

At a time when our crushing season had well advanced, the Government of India increased the statutory minimum price of sugarcane by Rs. 5 per ton with effect from the 25th October 1959. This step, intended to give incentive to the cane growers and to maximise production has, however, affected us adversely. Having paid the usual cane price for cane purchased till 25th October 1959 it was rather inexpedient for us to increase the price for subsequent purchase and thus pay two different prices for one and the same crop. It was the intention of your Directors to pay an uniform average price for all purchases during the entire season. The suppliers insisted upon payment at the enhanced price from the commencement of the season and your Company had to pay this extra price to cane purchased prior to 25th October 1959. Though the selling price of sugar was increased, this increase in respect of stocks held on 25th October 1959 did not accrue to us due to the levy by the Government of India of a special Excise Duty. Thus, in the result, we had to pay higher price for cane from July 1959, while we lost the benefit of higher sugar price on stocks held, as special excise duty was levied on these stocks. Our representations for refund of excise duty in the peculiar circumstances of our case have not so far been fruitful. Your Directors are, however, hopeful that appropriate relief would be forthcoming and that we would not stand to suffer on this account.

Reflecting the higher tonnage of sugar sold and the higher price realised for sugar and despite the adverse factors referred to above, I am glad to say that the working of the Company during the year under report has yielded a gross profit of Rs. 42.31 lakhs, representing a sizable increase over the profit of Rs. 31.90 lakhs earned during the preceding year. This year too, the exact liability on account of deferred price for sugarcane, has not been clearly indicated. Pending determination of the actual amount as a result of the examination of the price linking formula by the Tariff Commission, your Directors have set apart a sum of Rs. 14,22,450, which would allow payment at an interim rate of Rs. 4.50 per ton of cane. Here I may say that the provisional additional price of Rs. 5 per ton for the year 1958-59 did not satisfy the cane growers and consequent on their resorting to a sudden strike and withholding cane supply to the factory, it became necessary to make payment at an increased rate of Rs. 6 per ton. The burden of this additional price, as also that on account of additional bonus paid to employees in respect of the year 1957-58, has fallen on the accounts for the year under review.

After meeting the above charges relating to previous years and providing Rs. 6,92,253 for depreciation and Rs. 13,50,000 for taxation, and after transferring Rs. 5 lakhs to the reserve for rehabilitation of Plant and Machinery, we are left with a net profit of Rs. 8,23,840 as against Rs. 6,54,699 in the previous year. Adding the balance brought forward from last year's account, the amount available for distribution comes to Rs. 8,69,012. As in the last year, your Directors recommend payment of dividend at 30%, subject to deduction of tax, so as to ensure for shareholders the same rate of net return that they have been accustomed to receive in the past.

The proposal for capitalisation of a part of our reserves by the issue of Bonus Shares is also pending

for some time and the recent reduction in the rate of tax on bonus shares should make this easier of implementation. It should therefore be, possible for your Directors to persuade Government of Mysore who are the major shareholders of this Government Company to agree to this proposal. Allied to the question of capitalisation of reserves is also the question of writing off the value of certain items of obsolete and un-serviceable stores and spares which may tend to inflate the real value of our assets. A solution of this problem is now engaging the earnest consideration of your Directors.

The scheme for expansion of the capacity of our factory to 3,000 tons of cane per day, of which you were informed last year, has not yet taken a definite shape, as we have not yet received the requisite licence from the Central Government. In consultation with experts, we have finalised the requirements of additional machinery to be installed for serving the three-fold objective of rehabilitation, modernisation and expansion. The whole scheme is estimated to cost about Rs. 115 lakhs and orders for machinery are expected to be placed with one of the approved sugar machinery manufacturers in India as soon as the licence is received. The programme is intended to be implemented in a phased manner over a period of three years. By far the greater portion of the expenditure would be on account of rehabilitation of old and overworked machinery, some of which have been in continuous service for over 20 years and are in immediate need of replacement in the interests of continued smooth operation of the factory. Apart from stepping up sugar output to as much as 50,000 tons per annum, the expansion programme would promote efficiency and economy in operation and thus bring about a reduction in the cost of production which is of paramount importance if we are to face the future with confidence.

We have succeeded in securing a licence from the Government of India for the manufacture of Cellulose Acetate at Mandya based on our alcohol. Considerable preliminary work in regard to this scheme had been covered by my predecessor, Sri B. M. Krishnan, including delicate negotiations with representatives of certain leading foreign firms and also financial institutions in the matter of securing suitable technical know-how and collaboration and foreign exchange resources. These had reached a crucial stage when I assumed office last month. I have now taken up the threads of the negotiations and active steps are now being taken for concluding satisfactory arrangements. While, at this stage, it may not be possible to disclose the nature of the arrangements or the details of the scheme, I may broadly say that the project envisages production of Cellulose Acetate Flakes suitable for manufacture of raw-film leaving a portion of the flakes to be processed into moulding powders. The capital cost of the project would be of the order of Rs. 3.5 crores and, as at present, a separate company is proposed to be sponsored for this enterprise.

Our relationship with our employees continued to be satisfactory and cordial, during the year under report and your Directors have no doubt that the employees will continue to extend their wholehearted co-operation at all times.

It only remains for me in conclusion to express my sincere thanks to my colleagues on the Board for their valuable guidance and co-operation. The Government of Mysore, and particularly the Chief Minister, have been very sympathetic towards the Company and we are grateful to them. The employees from the General Manager downwards, have served the Company in a loyal and efficient manner, under trying conditions, and they deserve to be complimented. Our thanks are also due to the cane growers who form an essential link in our industry."

THE EAST INDIA DISTILLERIES AND SUGAR FACTORIES LTD.

(Incorporated in England — The Liability of Members is Limited)

SIXTY-THIRD ANNUAL GENERAL MEETING

MR. C. R. SRINIVASAN'S REVIEW

Presiding over the Sixty-third Annual General Meeting of the Shareholders of The East India Distilleries and Sugar Factories Limited held at Madras on Thursday the 30th March, 1961, Mr. C. R. Srinivasan, Chairman, said:

"Gentlemen,

It is with much pleasure that I welcome you to this the Sixty-third Annual General Meeting of the Shareholders of this Company. The Accounts for the year ended 30th September, 1960, together with the Directors Report thereon, have been in your hands for the statutory period, and with your permission I will take then as read. You will have observed that during the year under review there have been no spectacular advances, but steady progress has been maintained on all fronts. Equally, during the year in which we now are, 1960-61, and in 1961-62 I do not foresee more than steady and sustained progress. In effect it may well be reckoned as a period of consolidation if it is borne in mind that we shall be paying interest on the loans raised to finance our Ammonium Phosphate factory at Ennore and it will only be in the latter part of 1961-62 that we may expect to start receiving compensating revenue coming in from this project.

2. I think it would be appropriate if I take this opportunity of reviewing the progress your Company has made since the war, and more particularly since 1956. Over this period, the Company's growth has certainly been considerable. In 1948, the year in which the management and control were transferred to India, our capital and reserves totalled £706,736 and our total assets were £1.6 million. At the end of the financial year 1955-56, during which the purchase of the Ordinary Shares of Parry & Company Ltd. took place, the consolidated capital and reserves of the Group rose to £1.8 million and the total assets to £5.2 million. On the 30th of September last these figures were £3.28 million and £7.4 million respectively. During the same period the Group excess of current assets over current liabilities has risen from £304,000 in 1948 to £1.56 million on the 30th of September, 1960.

3. These figures tell their own story of expansion and needless to say that shareholders' interests have benefited accordingly. Bonus issues have been made and the dividend has been maintained at a satisfactory level. Progressively the emphasis on the Group's expansion has been on the industrial sector and, more and more, the pattern of our business is changing. As a result of this policy, we have been forced with great regret to dispense with some of our agency representations in order to concentrate more of our finance and management resources on the administrative problems which are tied to the Group's industrial progress.

4. Today we own a large and efficient sugar factory at Nellikuppam, crushing over 2,000 tons of cane per crop day and producing, over a season, more than 30,000 tons of white sugar. I am proud to say that the factory is as efficient as any other in India, and continues to show us a satisfactory return on our capital employed there. It is perhaps desirable to draw your attention to the problems which face the sugar industry in this country and South India in particular. The Government of India in its present phase of expanding economy is naturally most concerned about the exchange earning potentials of every indus-

try. The potentials of this industry have not been overlooked, especially after our experiences in 1956 and 1957 under fortuitous conditions. Today, we have an excess of production over consumption of the order of 500,000 tons per annum. Many of you, I expect, will be familiar with the economics of exporting this surplus to foreign countries willing to pay only current world prices; in other words, to pay prices that will yield about Rs. 400 per ton ex-factory. I hope the representatives of the industry currently negotiating for the sale on favoured terms to the United States of America will be able to report some success. Whatever the measure of success, let it be remembered that it involves a large measure of sacrifice also — sacrifice to Government revenues, to factory profit and to consumer prices.

5. Despite the surplus of sugar available, we have the anomaly that control over price and distribution continues. To the extent that this control restricts sales, this continuation is bad, but one must, in fairness, recognize that the complete removal of control will increase the problems of arranging export of the surplus stocks and might well lead to forced sales at low prices by the financially weak units.

6. Government's task is to retain control without allowing it to restrict offtake in any way. Furthermore, for the exports even under adverse conditions to be maintained to the extent of 5,00,000 tons per annum, some control of production will have to be exercised. It may not generally be realised that the cane for the 1961-62 season is already in the ground. The earliest that action taken this year can be effective will be in 1962-63 season and delay beyond the end of this calendar year would mean one more year's delay with heavily increasing stocks. That the internal offtake may well catch up during the course of the Third Five-Year Plan is not beyond the bounds of reason, but until it does, the industry will have this difficulty to face.

7. Sugar producers in the South have benefited from the fact that their total production has been less than the demand and the price has been generally fixed by the cost of the sugar procured from North India; in other words, there has been a freight advantage which must inevitably disappear when the production in the South equals consumption. In common with other factories in South India, this Company has shared the freight advantage with the cane growers so that it is only a relatively small part of the reduction in price that I anticipate will fall on this Company. The balance, I am afraid, will fall on the cane growers in terms of a reduced bonus on the cane price.

8. Finally, the whole question of sugar price is at present before the Tariff Commission. A report was published in April 1960 which divided the country into four regions, the Southern region comprising the States of Andhra Pradesh, Madras, Mysore and Kerala. The Tariff Commission states that a fair return for the industry is 12 per cent on employed capital within which to meet commitments under bonus and gratuity, interest on borrowed capital, dividend on Preference

Shares, Managing Agents' commission and income-tax and, to quote the Commission's words, "finally leave a residue to a large majority of the units in all the regions to declare reasonable dividends". Obviously there is no margin with which Directors of sugar companies can rehabilitate their plant at costs which will absorb depreciation allowances four or five times over. It is precisely this point, namely the refusal of the Tariff Commission to take this in, that urged manufacturers to prevail on Government to make a second reference. I can only hope that the Tariff Commission will see facts as they are. Meantime, dependent on the price fixed, we have a contingent liability on the cane crushed since November 1958 under the Price Linking Formula announced earlier and still hanging in mid-air. For this, provision has been made in the accounts, but there is no means of knowing if this provision is adequate, for we do not know the extent of the ultimate liability, should it eventuate.

9. Our Pottery & Chemical Works at Ranipet which represent the other part of our old established industrial business continues to expand and, in pottery particularly, expansion has been considerable over the last few years. Development has been particularly significant in the case of sanitaryware for which, against the background of India's constantly improving standard of living, there is a growing — and I believe — stable market. We are now in the process of arranging for the installation of yet a third kiln in our Pottery Works involving an outlay of about Rs. 22 lakhs and I hope shortly to be able to announce to you also the conclusion of an agreement for technical co-operation with a British manufacturer of sanitaryware, whose name enjoys world-wide repute.

10. But our largest expansion in recent years has undoubtedly been in the field of fertilisers. Up-to-date, the bulk of our trade has been the preparation and selling of conventional mixtures suited to particular soils and crops, and of straight superphosphate, and while I believe our business in these lines will continue, we have, in order to keep abreast of the times and maintain our leading position, to ensure the availability of compound fertilisers which, in the more advanced countries, have virtually replaced the ordinary mixtures.

11. As I told you last year, with these thoughts in mind, we ordered a complete Ammonium Phosphate Factory from Messrs. Simon-Carves of Stockport, England, and this is now under construction at Ennore, about 8 miles north of Madras. The situation is excellent, work is progressing according to plan, and I have every reason to believe that, subject to no unforeseen obstacles cropping up, the factory will be in production by the middle of 1962. In its first stage it will produce about 50,000 tons of fertilisers. By modern standards this is a relatively small output but it would be as well to compare it with our present annual turnover in fertilisers of all description, including Superphosphate from our subsidiary, Andhra Fertilisers Private Ltd., which is in the neighbourhood of 160,000 tons per year. From this you will see that the Ennore Factory will make quite a substantial contribution to our turnover but there is no doubt that it would be in the best interests of the Company if the size of this plant, and its output, could be doubled. With this object in mind, the plant has been laid out in such a way that the additional equipment required to double the capacity can be installed with the minimum inconvenience and your Directors have already started to consider ways and means by which this expansion may be undertaken.

12. Additionally, we have just been advised, along with two very well-known American collaborators, of

the issue of a licence from the Government of India to erect a fertiliser factory at Visakhapatnam in the State of Andhra Pradesh, to produce more than 300,000 tons of fertiliser per year. In this case, a substantial part of the capital is being found by our American friends, International Minerals & Chemical Corporation of Skokie, Illinois, and California Chemical Co. of San Francisco so that our own contribution, although considerable to us, will be small relative to the total capital required. A new Company will be promoted in India for the purpose and the public will be invited to participate in the issue in ample measure. Our association in the new Company will be clear cut and we bring to the consortium a readymade fertiliser sales organisation which, suitably expanded, will be available to market the new factory's output. Negotiations with our American friends — to whom I would like to pay this tribute, that they have been most co-operative and understanding — have also been based on our having adequate representation on the Board of the new Company. The new Company will be Director managed. This new enterprise marks a great step forward, and I am sure Shareholders will share the satisfaction of the Board that we have, in these various ways, been able to consolidate our leading position, in the private sector, in the manufacture and sale of fertilisers.

13. All these items of expansion have required, or will require, further finance and as you know a successful 'Rights' issue of Ordinary Shares was made last September and is reflected in the Balance Sheet now before you. In addition we have arranged the following loans which are being drawn upon as required:-

The Commonwealth Development Finance Co. Ltd.	£ 600,000 = Rs. 50,00,000/-
The State Bank of India	= Rs. 180,00,000/-
Simon-Carves Limited	£ 275,157 = Rs. 36,68,760/-

These four items of finance were required specifically for our own new fertiliser factory at Ennore and we are confident that the contribution of equity capital which we have to make to the new Visakhapatnam Fertiliser Factory to which I have referred to above, will be provided from our own resources.

14. To complete the picture of our fertiliser activities, I would mention that the acid and superphosphate plant of our subsidiary, Andhra Fertilisers Private Ltd., at Tadepalle in Andhra State, came into production in November, 1960. This plant is designed to produce 50,000 tons of superphosphate per year, for which there is a ready sale in Andhra. While we have experienced the usual teething troubles, the plant can stand comparison, for design and efficiency, with any other similar plant in India. I have been surprised recently to note that remarks have been made in some quarters to the effect that Andhra is being neglected by industrial companies whose Head Offices may be in other States and, in particular, we appear to be regarded almost as if we were foreigners! I very much deprecate these examples of parochialism. I would remind our good friends in Andhra that this Company and its subsidiary, Parry & Company Ltd., were established with a Head Office in Madras long before Andhra and Madras became separate States. We have always regarded Andhra, Madras, Kerala and Mysore as the main areas of our operation and the fact that Parry & Co. Ltd. has for many years managed a sugar factory at Samalkot, the fact that we have now established a superphosphate factory at Tadepalle, and finally the fact that we are partners in the enter-

prise to set up a very much larger fertiliser factory at Visakhapatnam should, apart from the existence for very many years of branch offices in the main cities in Andhra, convince any reasonable person that we are very far from failing to play our part in the industrial development of Andhra.

15. It is customary for me to include in this speech some remarks regarding the Budget. I am happy to note the Budget has generally been well received and while necessarily austere, has on the whole distributed the burden of additional taxation in even measure. The real test is its reaction on the price level and a lapse of time is necessary to be reassured on this point. Meanwhile, I welcome the adjustments made in taxation of inter-Company dividends and the reduction of the tax on royalties payable to foreigners, which will surely encourage the inflow of outside capital which is sorely needed if we are to achieve the targets of the Third Five Year Plan. The tax concession to short term technical personnel is also welcome. I further welcome the reduction of the rate of tax on Bonus Shares and express the hope that next year it may be possible for the Finance Minister the targets of the Third Five-Year Plan. The tax altogether.

16. The industrial pace in India today is faster than anything we have previously experienced. We shall, however, always strive to keep in step and, if possible, one step ahead. It follows, therefore—and here I am looking well into the future—that as soon

as we have achieved some measure of consolidation after our two recent fertiliser developments, we shall almost certainly have to consider further programmes of expansion which will again require additional capital and one of which I have already mentioned, namely, the doubling of the capacity of the Ennore Factory and when that time comes I am confident that the goodwill and co-operation of Shareholders will be forthcoming in ample measure.

17. I conclude these remarks by expressing the sincerest appreciation of the Board of Directors of the excellent work put in during the year under review by all members of the staff and labour, and I personally wish to add to this my thanks to my Co-Directors who have sustained me with excellent advice and co-operation."

The Directors' Report and the Accounts for the year ended 30th September, 1960, were adopted and a Final Dividend on the increased Ordinary Share Capital of the Company at the rate of 14-2/7% subject to deduction of Indian Tax was declared for the year ended 30th September 1960 payable on 30th March, 1961.

Messrs. C. R. Srinivasan, T. S. Krishna and A. M. M. Murugappa Chettiar were re-elected to the Board and the Auditors, Messrs. Lovelock & Lewes were reappointed.

N.B.—This does not purport to be a report of the proceedings of the General Meeting.

The United Commercial Bank Limited

HEAD OFFICE : CALCUTTA-1.

AUTHORISED CAPITAL	..	Rs. 8,00,00,000
ISSUED AND SUBSCRIBED CAPITAL	..	Rs. 4,00,00,000
PAID-UP CAPITAL	..	Rs. 2,00,00,000
RESERVE FUND	..	Rs. 2,05,00,000

BRANCHES :

IN INDIA :	In all Cities and Towns of Commercial and Industrial importance.
IN PAKISTAN :	Chittagong, Karachi.
IN BURMA :	Rangoon, Moulmain, Mandalay.
IN MALAYA :	Penang, Kuala Lumpur, Klang.
IN SINGAPORE :	Collyer Quay, Serangoon Road,
IN UNITED KINGDOM :	London.
ALSO AT :	Hong Kong and Kowloon.
AGENTS :	Throughout the World.

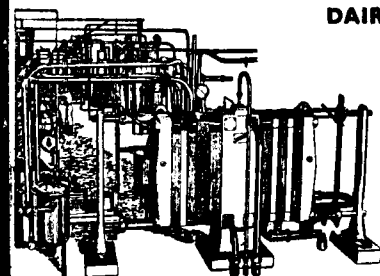
BUSINESS AND SERVICE

The Bank receives deposits, gives advances against approved securities, purchases bills, sells drafts and telegraphic transfers and transacts all types of Foreign Exchange business. Through its internal network of branches and world-wide business arrangements it provides every kind of banking service.

G. D. BIRLA
Chairman

S. T. SADASIVAN
General Manager

IN SERVICE LIES SUCCESS...



DAIRY & REFRIGERATION

Pioneers in dairy engineering, L & T have installed 44 modern dairies all over India, and now manufacture various items of plant and equipment.

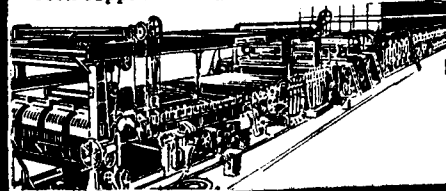
EARTHMOVING & AGRICULTURAL EQUIPMENT



L & T have supplied to various projects earthmoving, land-clearing, excavation, logging and dredging machinery.

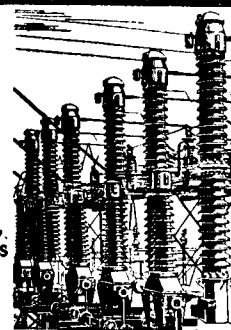
HEAVY PLANT

Paper machines, spray drying installations, sulphuric acid and solven extraction plants, and flour mills have been supplied to a number of industries.



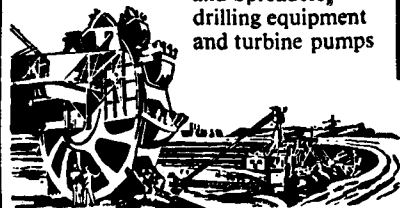
ELECTRICAL EQUIPMENT & SWITCHGEAR

For hydro-electric and thermal power stations, L & T supply high quality electrical equipment, including substations and distribution installations.



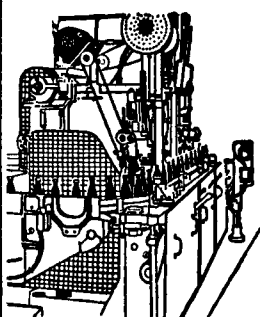
DRILLING & MINING

To the Neyveli Lignite Project and other mining schemes L & T have supplied Bucket Wheel Excavators and Spreaders, drilling equipment and turbine pumps.



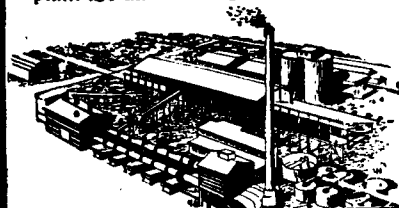
INDUSTRIAL APPLIANCES

Pharmaceutical machinery, automatic refrigeration controls, process control instruments, power saws, welding alloys and up-to-date bottling installations supplied to numerous concerns.



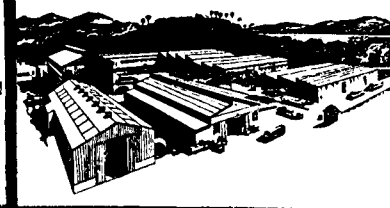
CIVIL ENGINEERING

L & T undertake various civil engineering works including designs. 'Turn-key' jobs, involving supply and erection of machinery and plant are an L & T speciality.



MANUFACTURE

At Powai Works, L & T manufacture various types of plant and equipment—Dairy, Chemical and Pharmaceutical machinery, Switchgear, Petrol Pumps, Cooling Towers, etc.



SERVICING

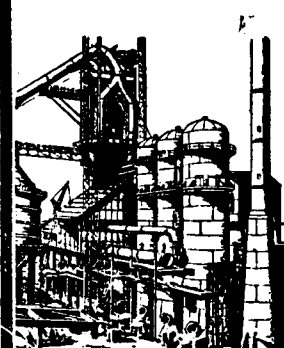
IN SERVICE LIES SUCCESS

The slogan sums up our view of the function we perform. In the world of commerce, lasting success comes only to those who are willing and competent to give service, as well as goods, to their customers. Every piece of equipment we supply is backed by a service organisation designed to keep it working at highest efficiency.

LARSEN & TOUBRO LIMITED

ENGINEERS

Bombay-Calcutta-Madras-New Delhi-Bangalore-Cochin-Ahmedabad



ERECTION

At Rourkela, L & T have erected 3 Blast Furnaces, a 'Pig' Casting machine, and the Rolling Mill Buildings—the more recent of the many erection contracts executed.

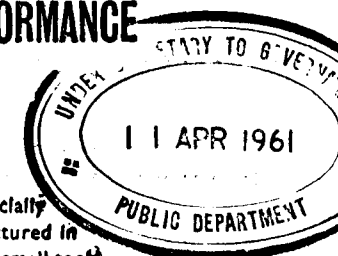


DAGGER BRAND DRILLS FOR LASTING PRECISION PERFORMANCE

BACKED BY YEARS OF TRADITION and rigid control at every stage of production **DAGGER BRAND DRILLS** (available in inch and metric sizes) assure precision performance.

They are made of superior quality steel, specially heat-treated to ensure long life and manufactured in India's biggest and most modern factory for small tools.

THE INDIAN TOOL Mfrs. Ltd.
101 Sion Road, Bombay 22



THE INDIAN OVERSEAS BANK LIMITED

Registered Office: 151, Mount Road, Madras-2.

(To be submitted to the shareholders at the Twenty-Fourth Annual General Meeting to be held at the Registered Office of the Company, 151, Mount Road, Madras-2, on Monday the 17th April, 1961 at 3-30 P.M.)

Directors' Report for the year ended 31st December, 1960.

The Directors have pleasure in submitting herewith the Balance Sheet and Profit and Loss Account of the Bank for the year ended 31st December, 1960 together with the Auditors' Report.

1959	PROFITS AND THEIR DISTRIBUTION	1960
Rs. 33,60,870 72	Net Profit for the year	Rs. 44,66,422 74
Rs. 2,03,141 06	Brought forward from last year	Rs. 1,26,011.78
	Less further amount transferred to	Rs. 45,92,434 52
	Reserve Fund	Rs. 18,50,000 00
		Rs. 9,00,000 00
Rs. 35,64,011 78	Transfer to Development Rebate Reserve	Rs. 50,000 00
	Provision for Bonus	Rs. 5,50,000 00
		Rs. 33,50,000 00
	The Directors have made the following appropriations:	
Rs. 12,50,000 00	Provision for taxation	Rs. 10,50,000 00
Rs. 6,25,000 00	Transfer to Reserve Fund	Rs. 1,92,434 52
		Rs. 45,92,434 52
Rs. 75,000 00	Transfer to Development Rebate Reserve	
Rs. 5,00,000 00	Provision for Bonus	
Rs. 24,50,000 00		
	The Directors recommend that the balance be disposed of as under:	
	Payment of dividend at the rate of 14% per annum	
Rs. 9,38,000 00	subject to tax	
Rs. 1,76,011 78	Carry forward to next year	
Rs. 35,64,011 78		

2. The Bank's business and profits continue to show good progress. During the year, four branches were opened at Amritsar, Ludhiana, Madras-Triplicane and New Delhi-Karol Bagh. Subsequent to the date of the Balance Sheet, a branch has been opened at Willingdon Island-Cochin.

3. In terms of Section 256 of the Companies Act, 1956 Messrs. V. S. Nataraja Mudaliar, O. Rm. Sp. Sv. M. Meyyappa Chettiar and M. Ct. Pethachi retire and being eligible offer themselves for re-election.

4. The Shareholders are requested to appoint Auditors for the ensuing year and to fix their remuneration. Messrs. Suri & Co., the retiring Auditors are eligible for re-appointment.

BY ORDER OF THE BOARD,

MADRAS,
6th March, 1961

M. Ct. Muthiah,
Chairman

THE INDIAN OVERSEAS

Balance Sheet as at:

Corresponding figures for 1959		CAPITAL AND LIABILITIES				
Rs.	Rs.		Rs.	nP.	Rs.	nP.
	1,00,00,000	1. CAPITAL :				
		Authorised Capital :				
		1,00,000 Shares of Rs. 100 each	1,00,00,000	00		
	75,00,000	Issued and Subscribed Capital :				
		75,000 Shares of Rs. 100 each	75,00,000	00		
	75,00,000	Amount Called up :				
		75,000 Shares of Rs. 100 each	75,00,000	00		
74,53,000	47,000	Less: Calls unpaid	Nil		75,00,000	00
		2. RESERVE FUND AND OTHER RESERVES :				
		Reserve Fund :				
	44,50,000	As per last Balance Sheet	50,75,000	00		
	6,25,000	Transfer from Profit and Loss Account	9,50,000	00		
	50,75,000			60,25,000	00	
		Share Premium :				
	7,86,659	As per last Balance Sheet	7,86,659	50		
	Nil	Development Rebate Reserve :				
		As per last Balance Sheet	75,000	00		
		Transfer from Profit and Loss Account	50,000	00	1,25,000	00
59,36,659	75,000				69,36,659	50
		3. DEPOSITS AND OTHER ACCOUNTS :				
	17,20,24,307	Fixed, Time and Staff Security Deposits	15,63,14,535	01		
	3,99,95,354	Savings Bank Deposits	4,17,69,399	22		
30,48,64,901	9,28,45,240	Current Accounts, Contingency Accounts etc. ..	9,48,29,204	72	29,29,13,138	95
		4. BORROWINGS FROM OTHER BANKING COMPANIES, AGENTS Etc. :				
	1,72,50,000	(i) In India	3,58,00,000	00		
1,86,00,347	13,50,347	(ii) Outside India	29,42,108	66	3,87,42,108	66
		Particulars :				
	1,72,50,000	(i) Secured by part of Investments per Contra ..	3,13,99,337	00		
	13,50,347	(ii) Unsecured	73,42,771	66		
	1,86,00,347		3,87,42,108	66		
44,93,914					39,58,580	17
		5. BILLS PAYABLE :				
		6. BILLS FOR COLLECTION BEING BILLS RECEIVABLE—AS PER CONTRA :				
	80,27,410	(i) Payable in India	97,88,343	30		
5,09,08,073	4,28,80,663	(ii) Payable outside India	5,21,04,838	37	6,18,93,181	67
		7. OTHER LIABILITIES :				
	8,13,014	(a) Pension and Gratuity Funds	8,73,991	12		
	75,201	(b) Unclaimed Dividends	76,878	21		
	85,100	(c) Unexpired Discounts	1,50,518	24		
	26,67,572	(d) Sundries	8,40,271	41		
84,18,465	47,77,578	(e) Branch Adjustments	72,11,813	61	91,53,472	59
		8. ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS—PER CONTRA :			7,19,74,200	78
7,24,67,906		9. PROFIT AND LOSS ACCOUNT:				
		Profit as per Balance Sheet as at 31st December, 1959	11,14,011	78		
	7,91,683	Less: Appropriations:				
	5,88,542	Dividends declared	Rs. 9,38,000	00		
	Nil	Further Transfer to Reserve Fund	50,000	00	9,88,000	00
	2,03,141			1,26,011	78	
	33,60,871	Add: Profit for the year brought from Profit and Loss Account	44,66,422	74		
	35,64,012		45,92,434	52		
		Less: Appropriations:				
	5,00,000	Provision for Bonus to Staff	Rs. 5,50,000	00		
	12,50,000	Provision for Taxation	18,50,000	00		
	6,25,000	Transfer to Reserve Fund	9,00,000	00		
	75,000	Transfer to Development Rebate Reserve	50,000	00	33,50,000	00
11,14,012	24,50,000				12,42,434	52
		10. CONTINGENT LIABILITIES:				
		(i) Claim against the Banking Company not acknowledged as debts	1,79,705	22		
	1,30,716	(ii) Money for which the Banking Company is contingently liable (Guarantees issued by the Banking Company — includes Rs. 14,750/- Guarantees issued on behalf of the Directors and Officers of the Company)	2,53,32,791	02		
2,69,86,068		(iii) Liability on Bills of Exchange Rediscounted	Nil			
	Nil.					
47,42,57,277		Carried forward			49,43,13,776	84

BANK LIMITED, MADRAS

31st December, 1960

Corresponding figures for 1959		PROPERTY AND ASSETS			
Rs.	Rs.			Rs.	nP.
1,74,78,297		1. CASH :			
		In hand and with Reserve Bank of India and State Bank (including Foreign Currency Notes)			1,84,85,907 39
		2. BALANCES WITH OTHER BANKS :			
		In Deposit Account :			
	Nil	(i) In India	Nil		
	Nil	(ii) Outside India	Nil		
		In Current Account :			
	9,72,339	(i) In India	13,93,560 57		
1,99,42,910	1,89,70,571	(ii) Outside India	1,46,93,427 93	1,60,86,988 50	
7,00,000		3. MONEY AT CALL AND SHORT NOTICE :		57,00,000 00	
		4. INVESTMENTS AT OR BELOW MARKET VALUE			
		(i) Securities of the Central and State Governments and other Trustee Securities including Treasury Bills of the Central and State Governments	9,26,22,774 14		
9,54,90,997		(ii) (a) Shares fully paid :			
	11,75,857	Equity Shares	11,99,800 00		
	15,000	(b) Shares partly paid :			
25,00,000		Equity Shares	91,244.00		
		(iii) Debentures or Bonds	25,00,000 00		
	19,22,800	(iv) Other Investments :			
		(a) Ceylon Government Securities	19,06,100 00		
35,69,421		(b) United Kingdom Government Securities	35,46,000 00		
7,78,000		(c) Singapore Loan	7,74,000 00		
		(d) Federation of Malaya Security Loan	66,56,000 00		
43,06,800		(e) Treasury Bills of the Government of Burma & 12 years' Postal Savings Certificates of Government of Burma	60,20,000.00		
	40,20,000	(f) Thailand Government Bonds	1,14,500 00	1,90,16,600 00	
11,37,78,875	Nil	(v) Gold	Nil	11,54,30,418 14	
		5. ADVANCES:			
		(Other than bad and doubtful debts for which provision has been made to the satisfaction of Auditors)			
		I. Loans, Cash Credits, Overdrafts etc.			
	7,22,03,158	(i) In India	6,74,28,066 89		
	1,89,47,147	(ii) Outside India	2,34,15,993 87	9,08,44,680 76	
	9,11,50,305	II. Bills discounted and purchased (Excluding Treasury Bills of the Central and State Governments):			
	2,11,53,363	(i) Payable in India	2,53,20,723 18		
	7,81,02,555	(ii) Payable outside India	7,70,85,984 20	10,24,06,707 38	
19,04,06,223	9,92,55,918	(Particulars of advances as per separate statement).		19,32,51,388 14	
		6. BILLS RECEIVABLE BEING BILLS FOR COLLECTION—AS PER CONTRA			
	80,27,410	(i) Payable in India	97,88,343 30		
5,09,08,073	4,28,80,663	(ii) Payable outside India	5,21,04,838 37	6,18,93,181 67	
		7. CONSTITUENTS' LIABILITIES FOR ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS — PER CONTRA:		7,19,74,200 78	
7,24,67,906		8. PREMISES: Less Depreciation:			
	19,22,786	At cost as at 31st December, 1959	21,97,160 93		
	3,03,719	Additions during the year	15,99,620 81		
	22,26,505		37,96,781 74		
	29,345	Less: Deductions during the year	Nil		
	21,97,160		37,96,781.74		
19,63,600	2,33,560	Less: Depreciation to-date	3,09,413 04	34,87,368 70	
		9. FURNITURE AND FIXTURES:			
		Less Depreciation:			
	29,48,964	At cost at 31st December, 1959	37,35,958 38		
	8,01,885	Additions during the year	6,37,586 05		
	37,50,849		43,73,544 43		
46,76,45,884		Carried forward		48,63,09,453 32	

THE INDIAN OVERSEAS

Balance Sheet as at

Corresponding figures for 1959		CAPITAL AND LIABILITIES (Contd.)			
Rs.	Rs.	Rs.	nP.	Rs.	nP.
47,42,57,277		Brought forward ..		49,43,13,776	84
	6,75,94,334	(iv) Liability on account of outstanding Forward Exchange Contracts		7,18,59,084	86
	1,06,211	(v) Liability on account of Documentary Bills for collection released on Trust Receipts ..		1,18,769	14
	35,000	(vi) Liability on account of partly paid shares		1,76,596	00
47,42,57,277	9,48,52,329			9,76,66,946	24
				49,43,13,776	84

PROFIT AND LOSS ACCOUNT FOR THE

Corresponding figures for 1959		EXPENDITURE	
Rs.		Rs.	nP.
86,31,127	1. Interest paid on Deposits, Borrowing etc.	87,01,719	19
56,18,449	2. Salaries and Allowances, Bonus Provident Fund and Gratuity	65,29,328	42
	(Salaries and allowances paid to General Manager Rs. 46,870.97)		
26,649	3. Directors' and Local Committee Members' Fees and Allowances ..	24,388	40
7,76,009	4. Rent, Taxes, Insurance, Lighting etc.	9,12,575	80
22,277	5. Law Charges	61,140	27
1,95,107	6. Postages, Telegrams and Stamps	1,83,945	81
15,444	7. Auditors' Fees and Expenses	42,465	93
	(Inclusive of Fees and Expenses to Overseas Branches Auditors)		
4,53,042	8. Depreciation on the Repairs to the Banking Company's properties ..	5,71,424	19
4,77,568	9. Stationery, Printing, Advertisement etc.	5,13,752	59
Nil.	10. Loss from sale of or dealing with non-banking assets	Nil.	
5,35,300	11. Other Expenditure	6,56,281	86
33,60,871	12. Balance of Profit, Subject to Income-tax	44,66,422	74
2,01,11,843		2,26,63,445	20

THE INDIAN OVERSEAS BANK LIMITED, MADRAS

BALANCE SHEET AS AT 31ST DECEMBER, 1960
PARTICULARS OF ADVANCES

Corresponding figures for 1959		Rs. nP.	
Rs.		Rs.	nP.
13,28,06,877	(i) Debts considered good in respect of which the Banking Company is fully secured	13,13,15,238	94
3,82,33,610	(ii) Debts considered good for which the Banking Company holds no other security than the debtors' personal security.	4,12,56,205	12
1,93,65,736	(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors ..	2,06,79,944	08
Nil.	(iv) Debts considered doubtful or bad not provided for.	Nil	
19,04,06,223		19,32,51,388	14
6,24,311	(v) Debts due by Directors or Officers of the Banking Company or any of them either severally or jointly with any other persons	7,26,331	91
23,07,249	(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 the case of private companies as Members.	23,34,522	66
12,84,766	(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.	7,26,311	91
42,66,192	(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.	32,98,635	76
5,64,576	(ix) Due from Banking Companies	5,95,363	51

S. R. V. Arasu,
G. Lakshminarayanan,
Assistant General Managers.
O. Rm. M. Sp. Sv. M. Meyyapa Chettiar,
S. Nataraja Mudaliar.

C. P. Doraikannu,
General Manager.

M. Ct. Pethachi,
V. T. Padmanaban,

M. Ct. Muthiah,
Chairman

BANK LIMITED, MADRAS

31st December, 1960

Corresponding figures for 1959		PROPERTY AND ASSETS—Contd.			
Rs.	Rs.	Rs.	nP.	Rs.	nP.
46,76,45,884		Brought forward		48,63,09,453	32
	14,891	Less: Deductions during the year	5,655	94	
	37,35,958			43,67,888	49
19,19,659	18,16,299	Less: Depreciation to-date	22,42,963	71	21,24,924
		10. OTHER ASSETS, INCLUDING SILVER:			
	17,21,514	(a) Interest, Exchange etc. Receivable on Investments, Bills and Contracts	19,74,533	30	
	5,95,939	(b) Books, Stationery and Stamps	7,37,510	96	
	17,13,498	(c) Income-tax Account	18,90,435	40	
	2,24,275	(d) Building under construction and moneys paid for purchase of properties	5,32,472	06	
	4,36,508	(e) Sundries	7,44,447	02	
46,91,734				58,79,398	74
	Nil.	11. NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS:		Nil	
	Nil.	12. PROFIT AND LOSS ACCOUNT:		Nil	
47,42,57,277				49,43,13,776	84

YEAR ENDED 31ST DECEMBER, 1960

Corresponding figures for 1959		INCOME	
Rs.		Rs.	nP.
	(Less: Provision made during the year for Bad and Doubtful Debts and other usual or necessary provisions.)		
1,41,93,118	1. Interest and Discount	1,59,61,466	88
58,66,862	2. Commission, Exchange and Brokerage	66,06,744	92
Nil.	3. Rents	50,657	30
	4. Net Profit on sale of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserve or any particular Fund or Account)	27,881	91
36,747	5. Net profit on revaluation of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserve or any particular Fund or Account)	Nil	
Nil.	6. Income from non-banking assets or profit from sale of or dealing with non-banking assets.	Nil	
Nil.	7. Other Receipts	16,664	19
15,116	8. Loss, if any	Nil	
Nil.			
2,01,11,843		2,26,63,445	20

Auditors' Report

We have audited the annexed Balance Sheet of The INDIAN OVERSEAS BANK LIMITED, MADRAS, as at 31st December, 1960, and the Profit and Loss Account for the year ended that date with the books of accounts at the Central Office and the Indian Branches and the certified returns received from the Foreign Branches and we report that:

- we have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit, and have found them to be satisfactory;
- the transactions of the Bank, which have come to our notice, have been within the powers of the Bank;
- in our opinion proper books of account as required by Law have been kept by the Bank so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches of the Bank;
- the reports on the accounts of the foreign branches of the Bank audited by the respective qualified auditors have been taken into consideration together with such other particulars and information thereon made available at Central Office;
- the Bank's Balance Sheet and Profit and Loss account dealt with by this Report are in agreement with the books of account and returns;
- in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required for Banking Companies, and on such basis the said Balance Sheet gives a true and fair view of the state of the affairs of the Bank, as at 31st December, 1960, and the Profit and Loss account gives a true and fair view of the profit for the year ended that date.

MADRAS,
6th March, 1961

SURI & CO.
Chartered Accountants

COMMODITY NEWS AND NOTES

PLANNED INDENTS FOR IRON AND STEEL

It has come to the notice of the Iron & Steel Controller that a large number of indents that have already been planned by the Iron and Steel Control are still outstanding on producers and re-rollers. In order to examine the position and expedite action, the Iron & Steel Controller desires that all consumers, including Government, semi-Government and other quota-holders and stockists, should submit to the Iron and Steel Controller (Statistical Section), 33, Netaji Subhas Road, Calcutta-1, statements showing category-wise outstanding position on producers/re-rollers as on April 1, 1961, indicating the name of the producer/re-roller, on whom indents have been planned, numbers and dates of works orders, and tonnage outstanding against each category. If consumers fail to give this information by April 30, 1961, there is likelihood of future indents of such consumers not being considered for planning.

IMPORT POLICY FOR NEWSPRINT

The policy regarding import of newsprint during April-Sept., 1961 is set out in the Import Trade Control Policy Book (Red Book) published recently.

Under the Policy, Actual User licences will be issued to publishers and/or printers of newspapers and of periodicals only for meeting part of their entitlement of newsprint on ad hoc basis and balance will be made available from stocks arranged through canalised imports and Nepa newsprint. The entitlement for newsprint for 12 months will be determined in consultation with the Registrar of Newspapers for India, Ministry of Information & Broadcasting, on the basis of page area, average number of pages published during 1957, regularity of publication and the circulation during 1959. On the entitlement thus worked out, a cut of 10 per cent will be imposed. Newspapers will be allowed to make good this cut from indigenous newsprint manufactured by Nepa Mills. This cut will not, however, apply to newspapers whose entitlement during the period (one year) is less than 100 tons. Separate applications for allocation of Nepa newsprint should be addressed to the Registrar of Newspapers for India, Ministry of I. & B., Udyog Bhavan, New Delhi. Those actual users whose entitlement would be 100 tons or above will be licensed to the extent of approximately 33-1/3 per cent for import from free resources and the balance of 66-2/3 per cent from rupee payment countries against contracts entered into by S.T.C. with various suppliers. Newsprint would be available under these contracts from U.S.S.R. and East European countries as well as from Scandinavian countries. The applicants should indicate the country or countries from which in order of preference, they would like to import newsprint against their entitlement. Licences thus issued would be allowed to be cashed to the extent of 50 per cent during April-September, 1961. The balance 50 per cent would be allowed to be operated only after 30th September, 1961. Requests for additional newsprint on account of increase in circulation during October, 1960 to 31st March, 1961 or after April, 1961 compared with the circulation of 1959, on which the basic quota is being determined, will be considered on ad hoc basis. Requests for such allotments should be made to the Registrar of Newspapers for India supported by a certificate from a Chartered Accountant showing the increase in circulation.

IMPORT LICENCES FOR STEEL ITEMS

The Iron and Steel Controller has announced in a public notice the import licensing policy for the period

April-September, 1961, for items licensable by him.

According to the notice, import licences during the period April-September, 1961, will be issued to established importers for the following items to the extent of the percentage of the base quota indicated against each:

- | | |
|---|-----|
| (1) Industrial scrap | 7½% |
| (2) Tool and Alloy Steel including stainless steel sheets thicker than 18 gauge | 10% |
| (3) Wire of all types excluding H.B. wire up to 14 gauge | 7½% |
| (4) Box trappings | 7½% |

Licences may also be granted to established importers for import of these categories, as well as categories licensable to actual users, provided the payment is made in rupees, under any of the trade agreements in force which provide for such rupee payment. Applications for such licences may be made to the Iron and Steel Controller in the form prescribed by him. Licences when granted will be subject to such conditions relating to price and distribution as the Iron and Steel Controller may impose. The applications should reach the appropriate licensing authorities by May 31, 1961.

PLENTY OF FERTILIZERS FOR JUTE

The fibre yield in jute plants is highly responsive to nitrogenous fertilizers, use of 1 md. 35 srs. of ammonium sulphate per acre giving 5 mds. of jute as additional yield and in many cases, more. There is plenty of fertilizer going round this year. It is time the jute growers obtained their requirements for use either as basal dressing where the crop is yet to be sown or for top dressing where the young plants are already coming up. The land in most jute growing areas is poor in soil-nitrogen as also in organic matter content. The best possible manuring of jute is a combination of 50 to 80 mds. of town compost, farmyard manure and cowdung used as basal dressing with 1 md. 35 srs. of ammonium sulphate top dressed (preferably in two applications) as plants become about one month old. Addition of organic manures will retain the tilth and optimum fertility of soil while the inorganic fertilizers will make available to the crop all the ready forms of nitrogen. The soil in certain parts of the jute growing States, particularly Cachar and Nowgong districts in Assam, North Saharsa, North Purnea and Kishanganj-Islampur in Bihar, the Dooars, West Burdwan, Bankura and Birbhum in West Bengal, Salepur (Cuttack) in Orissa, and Tripura, is acidic for which the use of lime is an essential corrective. Organic manures such as cowdung, farmyard manure, compost, etc., are to be put about a fortnight after the soil has been limed. Application of potash (25 srs. per acre) immediately before sowing will help increase the fibre yield. Use of potash before sowing is strongly recommended in areas where the stem-rot disease of jute is prevalent. For jute growing tracts in North Bihar application of super-phosphate at the rate of 1 md. and 35 srs. per acre in addition to potash before sowing will give the highest yield of fibre. Potash along with phosphate is a very effective balancing factor in the intake of nitrogen by jute plants. It prevents lodging of the crop and gives it resistance to diseases and drought through the development of sturdier tissue. A good fertilizer mixture for jute will supply nitrogen 30 lbs, phosphoric acid 20 lbs. and potash 30 lbs. The nitrogen content in the mixture may go up to 40 lbs. if the variety to be sown is White Jute (*Capsularis*), depending on the soil.

A glorious past, a striving present and a future bright with hope—this is India's destiny. As the sands run out and run out again, there is a new India emerging.

To help achieve this transformation, the A.C.C. now provides India with 35,00,000 tonnes of cement per annum and is stepping up production still further.

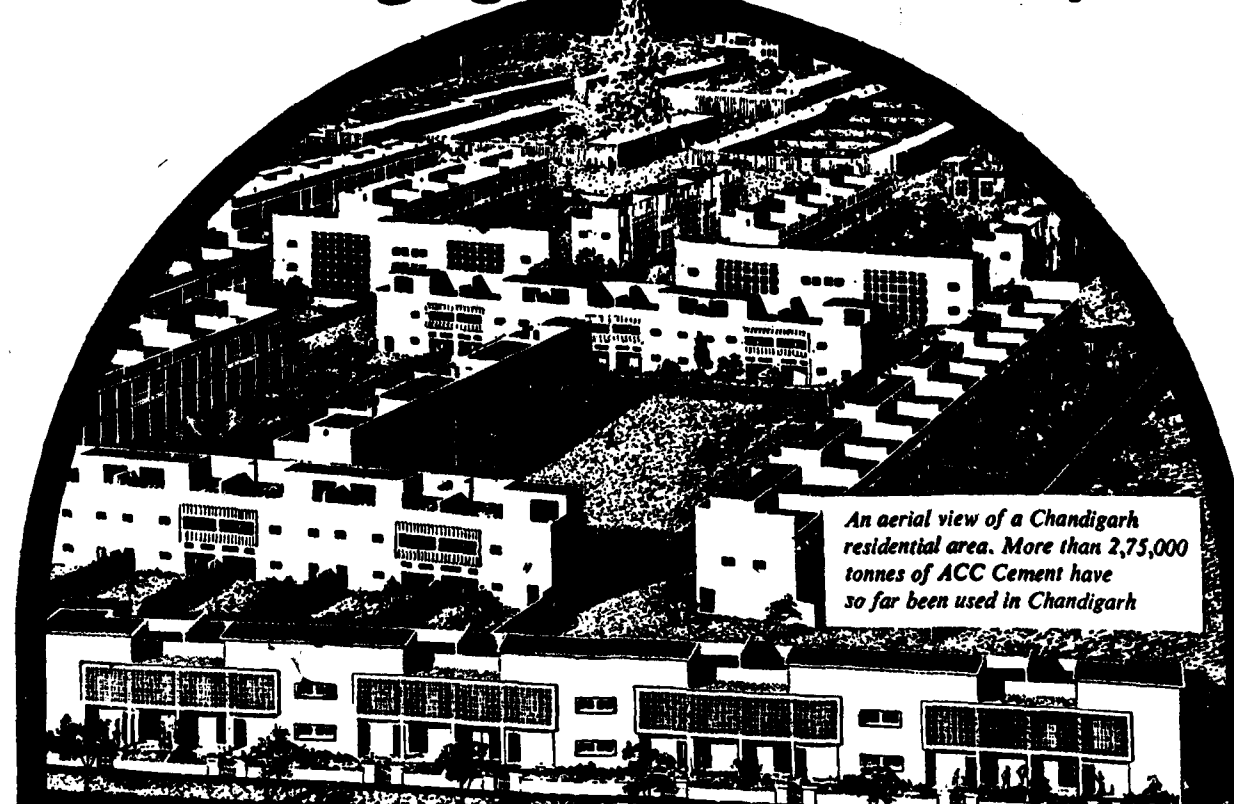


The Associated Cement Companies Limited

The Cement Marketing Company of India Limited

The changing

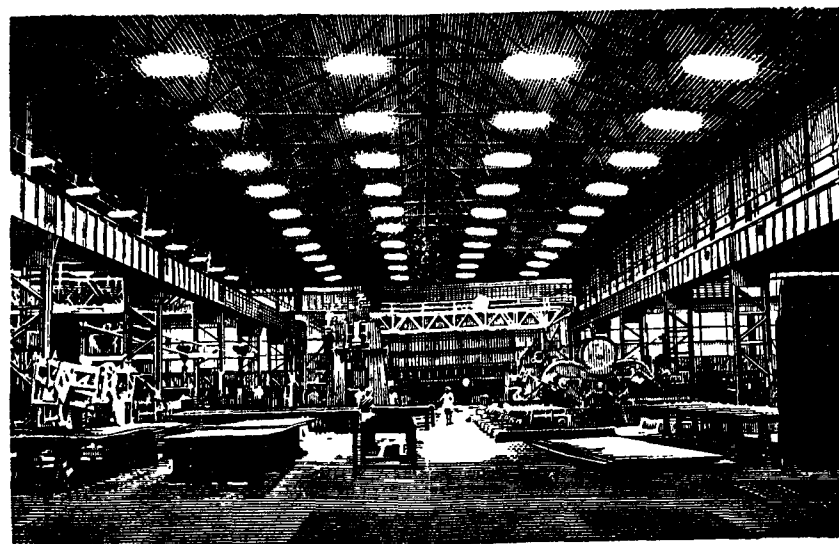
landscape



An aerial view of a Chandigarh residential area. More than 2,75,000 tonnes of ACC Cement have so far been used in Chandigarh

M.A. ACC. 3084

HINDUSTAN SHIPYARD AT VISAKHAPATNAM



LIGHTING BY PHILIPS

An area covering more than 67,000 sq. ft. in India's only shipbuilding yard at Visakhapatnam, a project of national importance, has been installed with Philips lighting to ensure round-the-clock, working efficiently and speedily. And, this has been found so satisfactory that Philips fluorescent lighting will shortly be introduced in the rest of the establishment.

Philips' exclusive lighting consisting of lamps, fittings and accessories ensures ultimate economy by providing the maximum illumination level at lowest running cost and

gives longer, trouble-free performance. Philips' scientifically designed equipment is the result of experience as well as research and development aimed to meet the ever-growing demands of better lighting. And hand-in-hand with Philips' unrivalled quality goes the invisible *plus* of Philips' international experience and know-how.

FREE: For planned lighting, designed economically to suit your specific need—whether it is industrial, commercial or any other specialised application—consult Philips Lighting Service Bureau.



PHILIPS

quality lighting

for ultimate economy



PHILIPS INDIA LIMITED

JWTP 4442A

The United Commercial Bank, Limited

Report of the Directors

The Directors have pleasure in submitting their Eighteenth Annual Report together with the Accounts of the Bank for the year ended 31st December, 1960.

The net profit for the year, after providing for taxes and for all known and anticipated charges, and including Rs. 1,04,096-00 brought forward from the previous accounts, amounts to

Rs. 68,46,870-98

The Directors have transferred Rs. 30,00,000 to the Reserve Fund and provided Rs. 13,00,000 for bonus to staff. They now recommend the payment of a dividend at Rs. 6-00 per share, subject to deduction of tax, which will absorb Rs. 24,00,000, leaving an unappropriated balance of Rs. 1,46,870-98 to be carried forward.

The Reserve Fund of the Bank now exceeds the paid-up capital and stands at Rs. 2,05,00,000.

The working of the Bank during the year was satisfactory and profit showed an improvement over the previous year's figure.

Stringent conditions prevailed in the money market almost throughout the year.

During the year branches of the Bank were opened at Bhopal, Durgapur, Kota, Maligaon (Gauhati), Mandvi (Bombay), Nagapattinam, Pipri and Ranchi.

The Directors are thankful to the Shareholders and the clients of the Bank for their continued support. They also express their gratitude to the Bank's Advisers and Advisory Committees for their able help and guidance.

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.

The Directors retiring by rotation under Article 92 of the Bank's Articles of Association are Mr. I. P. Goenka, Mr. Y. N. Mafatlal, Mr. R. L. Nopany and Mr. M. L. Tapuria, who offer themselves for re-appointment.

The Shareholders are requested to appoint auditors for the current year and to fix their remuneration.

Calcutta,
1st March, 1961.

On behalf of the Board,
G. D. BIRLA,
Chairman.

Report of the Auditors

TO THE MEMBERS OF THE UNITED COMMERCIAL BANK, LIMITED.

We have audited the attached Balance-sheet of The United Commercial Bank, Limited, as at 31st December, 1960, and the annexed Profit and Loss Account of the Bank for the year ended upon that date, in which are incorporated the Branch returns audited by the Statutory or other Auditors. The reports on the accounts of the Branches audited by other Auditors have been dealt with in preparing our report in the manner considered necessary by us.

We report that:

- we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
- the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- in our opinion, proper books of account, as required by law, have been kept by the Bank so far as appears from our examination of those books, and proper returns adequate for the purpose of our audit have been received from the Branches of the Bank;
- the Bank's Balance and Profit and Loss Account, dealt with by this report, are in agreement with the books of account and the returns;
- in our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required for banking companies and, on such basis, the said Balance-sheet gives a true and fair view of the state of the affairs of the Bank as at 31st December, 1960, and the Profit and Loss Account gives a true and fair view of the profit for the year ended upon that date.

Calcutta,
1st March, 1961.

G. P. KAPADIA & CO.
K. N. GUTGUTIA & CO.
RAY & RAY
Chartered Accountants.

The United Commercial Bank, Limited

Balance Sheet as at

CAPITAL AND LIABILITIES

Dec. 31, 1960

Dec. 31, 1959

	Rs.	nP.	Rs.	nP.	Rs.	Rs.
1. CAPITAL :						
Authorised Capital: 8,00,000 shares of Rs. 100 each	8,00,00,000	00			8,00,00,000	
Issued and Subscribed Capital: 4,00,000 shares of Rs. 100 each	4,00,00,000	00			4,00,00,000	
Amount Called up: 4,00,000 shares at Rs. 50 per share			2,00,00,000	00		2,00,00,000
2. RESERVE FUND AND OTHER RESERVES :						
Reserve Fund (including that under Sec. 17 of the Banking Companies Act)			2,05,00,000	00		1,75,00,000
3. DEPOSITS AND OTHER ACCOUNTS :						
Fixed Deposits	49,23,76,841	92			56,10,56,224	
Savings Bank Deposits	9,25,54,088	30			7,89,64,048	
Current Accounts, Contingency Accounts, etc.	30,44,56,522	88	88,93,87,453	10	32,67,68,160	96,67,88,432
4. BORROWING FROM OTHER BANKING COMPANIES, AGENTS, ETC. :						
(i) In India [Includes an amount of Rs. 70,00,000 (Previous Year—Nil) borrowed from Refinance Corporation for Industry (Private) Ltd. and an amount of Rs. 72,00,000 (Previous Year—Nil) borrowed from Reserve Bank of India under Section 17(4) (c) as per contra.]	9,12,75,000	00			4,55,75,000	
(ii) Outside India	19,53,110	68	9,32,28,110	68	4,32,552	4,60,07,552
PARTICULARS :						
(i) Secured by part of Investments and Advances per contra	9,20,14,422	79			4,57,23,339	
(ii) Unsecured	12,13,687	89			2,84,213	
	9,32,28,110	68			4,60,07,552	
Carried over ..	1,02,31,15,563	78			1,05,02,95,984	

Bank, Limited

31st December, 1960

PROPERTY AND ASSETS

Dec. 31, 1960

Dec. 31, 1959

	Rs.	nP.	Rs.	nP.	Rs.	Rs.
1. CASH :						
In hand and with Reserve Bank of India and State Bank of India (including foreign currency notes)			6,25,63,147	85		6,14,23,967
2. BALANCES WITH OTHER BANKS : (including Foreign Government Treasuries)						
On current account :						
(i) In India	Rs. 18,58,325	79			25,65,978	
(ii) Outside India	Rs. 2,08,69,896	14	2,27,28,221	93	3,26,01,692	3,51,67,670
On deposit account :						
In India (Staff Security)	6,80,000	00	2,34,08,221	93		6,80,000
3. MONEY AT CALL AND SHORT NOTICE					97,00,000	37,00,000
4. INVESTMENTS : (at below market value)					9,56,71,369	10,09,71,637
(i) Securities of the Central and State Governments and other Trustee Securities, including Treasury Bills of the Central and State Governments	30,92,64,550	76			37,22,62,126	
(ii) Shares :						
(a) Fully Paid Preference Shares	16,85,910	00			29,65,149	
(b) Partly Paid Preference Shares	6,74,000	00			25,57,825	
(c) Fully Paid Ordinary Shares	25,57,825	00			12,32,523	
(d) Partly Paid Ordinary Shares	13,08,472	56			54,56,295	
(iii) Debentures or Bonds	11,96,900	00				
(iv) Securities of the USA, Burma, Malaya, Singapore and Pakistan Governments and Foreign Trustee Securities	2,21,40,872	62			2,33,79,562	
(v) Gold			33,88,28,530	94		40,78,53,480
5. 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 [Includes an amount of Rs. 70,00,000 (Previous Year—Nil) relating to medium-term advances in respect of which finance has been obtained from Refinance Corporation for Industry (Private) Ltd.]	Rs. 33,62,73,756	07			28,25,70,957	
(ii) Outside India	Rs. 8,84,59,382	33	42,47,33,138	40		8,31,67,780
(II) Bills Discounted and Purchased (excluding Treasury Bills of the Central and State Governments)						
(i) Payable in India [Includes an amount of Rs. 72,00,000 (Previous Year—Nil) of Usance Promissory Notes lodged with Reserve Bank of India for advances under Section 17(4) (c)]	Rs. 8,55,57,553	25			7,62,35,011	
(ii) Payable outside India	Rs. 10,35,59,331	45	18,91,16,884	70	61,38,50,023	10,05,53,868
						56,25,27,616
Carried over ..	1,04,83,49,923	82			1,07,13,52,733	

The United Commercial Balance Sheet as at

CAPITAL AND LIABILITIES	Dec. 31, 1960		Dec. 31, 1959	
	Rs.	nP.	Rs.	nP.
Brought forward			1,02,31,15,563	78
5. BILLS PAYABLE			1,23,50,998	18
6. BILLS FOR COLLECTION BEING BILLS RECEIVABLE as per contra :				
(i) Payable in India	5,99,88,460	45	5,43,23,925	
(ii) Payable outside India	4,83,01,314	62	10,82,89,775	07
7. OTHER LIABILITIES :				
(i) Branch adjustments	3,44,84,942	29	2,89,13,253	
(ii) Unclaimed Dividends etc.	3,52,887	98	3,48,37,830	27
8. ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS per contra			31,24,40,159	47
9. PROFIT AND LOSS :				
Profit as per last balance-sheet	23,04,096	00	15,62,098	
Less Dividend	22,00,000	00	15,00,000	
	1,04,096	00	62,098	
Add Profit for the year	67,42,774	98	60,41,998	
	68,46,870	98	61,04,096	
Less Appropriations made :				
To Reserve Fund	Rs. 30,00,000		27,00,000	
To Bonus to staff	Rs. 13,00,000	43,00,000 00	25,46,870 98	11,00,000
			23,04,096	
Carried over			1,49,35,81,197	75
			1,45,44,58,154	

Bank, Limited 31st December, 1960

PROPERTY AND ASSETS	Dec. 31, 1960		Dec. 31, 1959	
	Rs.	nP.	Rs.	nP.
Brought forward			1,04,83,49,923	82
1,07,13,52,733				
PARTICULARS OF ADVANCES :				
(i) Debts considered good in respect of which the banking company is fully secured	48,94,32,983	41	44,25,99,429	
(ii) Debts considered good for which the banking company holds no other security than the debtors' personal security	6,17,99,018	84	5,51,85,491	
(iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	6,26,18,020	85	6,47,42,696	
(iv) Debts considered doubtful or bad, not provided for	Nil		Nil	
	61,38,50,023	10	56,25,27,616	
(v) Debts due by directors or officers of the banking company or any of them either severally or jointly with any other persons	12,10,224	01	12,68,288	
(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 the case of private companies, as members	5,69,53,200	89	4,29,52,926	
(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	13,65,240	10	12,68,288	
(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	6,44,81,458	07	5,11,45,845	
(ix) Due from banking companies	34,42,102	90	41,12,187	
6. BILLS RECEIVABLE BEING BILLS FOR COLLECTION as per contra :				
(i) Payable in India	5,99,88,460	45	5,43,23,925	
(ii) Payable outside India	4,83,01,314	62	10,82,89,775	07
			3,91,76,617	93,50,547
Carried over			1,15,66,39,698	89
			1,16,48,53,275	

The United Commercial

Balance Sheet as at

CAPITAL AND LIABILITIES

Dec. 31, 1960

Dec. 31, 1959

	Rs.	nP.	Rs.	nP.	Rs.	Rs.
Brought forward ..			1,49,35,81,197	75		1,45,44,58,154
10. CONTINGENT LIABILITIES :						
(i) On Partly Paid shares Rs.	39,93,050	00				
(ii) Claims against the bank- ing company not acknow- ledged as debts Rs.	4,46,772	19				
(iii) Guarantees given on be- half of customers and Correspondent Banks Rs.	14,22,11,760	41				
(iv) On Foreign Bills Re- discounted of which upto 25-2-61 Rs. 17,80,575= 63 have run off Rs.	92,29,987	53				
(v) Forward Exchange Con- tracts outstanding for the purchase and sale of Bills and Telegraphic Transfers of which upto 25-2-61 Rs. 6,77,83,241=49 have been delivered Rs.	18,79,06,203	76				
(vi) There is a liability for standing bills, not certi- fied by the architects, in respect of the Bank's buildings.						
(vii) Additional demands of Rs. 2,61,316 = 77, Rs. 2,68,451 = 05 and Rs. 1,46,265 = 70 were rais- ed for assessment years 1953-54, 1954-55 and 1955-56 respectively by the Income-tax Officer assessing the Bank in India by adopting a totally new method. Appeals have been filed against these assessments. A similar issue for the previous year (viz., assess- ment year 1952-53) where a demand of Rs. 25,75,850= 29 was raised has been decided in favour of the Bank by the Income-tax Appellate Tribunal up- holding the method adopted all along which issue has not been agitated further by the Depart- ment. Accordingly, no pro- vision has been made for the demands referred to above and provision for all years to date has been made on the basis adopted all along in the past and accepted by the Depart- ment.						
Total Rs. ..			1,49,35,81,197	75		1,45,44,58,154

Bank, Limited

31st December, 1960

PROPERTY AND ASSETS

Dec. 31, 1960

Dec. 31, 1959

	Rs.	nP.	Rs.	nP.	Rs.	Rs.
Brought forward ..			1,15,66,39,698	89		1,16,48,53,275
7. CONSTITUENTS' LIABILITIES FOR ACCEPT- ANCES, ENDORSEMENTS AND OTHER OBLIGATIONS per contra			31,24,40,159	47		26,53,17,067
8. PREMISES LESS DEPRECIATION :						
Cost as per last balance-sheet	60,93,082	27			56,37,933	
Additions (Rs. 37,66,501=23) Less deductions (Rs. Nil) during the year	37,66,501	23			4,55,149	
	98,59,583	50			60,93,082	
Less depreciation written off to date	13,67,429	36	84,92,154	14	9,65,481	51,27,601
9. FURNITURE AND FIXTURES LESS DEPRECIATION: (including vehicles and equip- ment)						
Cost as per last balance-sheet	1,01,59,320	69			82,82,150	
Additions (Rs. 12,11,810 = 33) Less deductions (Rs. 1,87,337=14) during the year	10,24,473	19			18,77,171	
	1,11,83,793	88			1,01,59,321	
Less depreciation written off to date	61,54,722	40	50,29,071	48	51,13,703	50,45,618
10. OTHER ASSETS, INCLUDING SILVER:						
(i) Land and Buildings:						
Cost as per last balance- sheet Rs.	42,83,467	54			21,04,866	
Additions during the year Rs.	7,51,624	42			21,78,601	
	50,35,091	96			42,83,467	
Less Transfer to Premises account Rs.	14,78,090	35			...	
Less depreciation written off to date Rs.	...		35,57,001	61	16,470	
					42,66,997	
(ii) Interest accrued on Investments	29,12,832	34			31,40,662	
(iii) Estimated amount of refund of Income-tax and Advance payment of Tax (Income-tax assessment for six years 1955 to 1960 not yet completed)	36,15,515	84			57,57,114	
(iv) Stamps and Stationery	48,463	98			40,350	
(v) Silver	...		1,01,33,813	77	...	1,32,05,123
11. NON-BANKING ASSETS ACQUIRED IN SATIS- FACTION OF CLAIMS:						
Land and Buildings (at below cost)			8,46,300	00		9,09,470
12. PROFIT AND LOSS			...		...	...
Total Rs. ...			1,49,35,81,197	75		1,45,44,58,154

April 7, 1961

The United Commercial

Profit and Loss Account for the Year

EXPENDITURE	Year ended Dec. 31, 1960		Year ended Dec. 31, 1959	
	Rs.	nP.	Rs.	
1. Interest paid on deposits, borrowings, etc. ...	2,52,33,901	45	2,46,93,165	
2. Salaries and allowances and Provident Fund (Salary and allowances of General Manager Rs. 84,000) ...	1,40,85,124	98	1,22,95,891	
3. Directors' (Rs. 78,000) and Local Committee members' fees and allowances	87,638	00	88,428	
4. Rent, Taxes, Insurance, Lighting, etc. ...	17,44,328	88	15,45,149	
5. Law charges ...	1,31,713	89	65,516	
6. Postage, Telegrams and Stamps ...	7,94,639	81	6,89,146	
7. Auditors' fees for statutory and periodical audits	1,41,794	50	1,20,143	
8. Depreciation on, and repairs to, the Banking Company's property	15,12,866	03	11,45,813	
9. Stationery, Printing, Advertisement, etc. ...	12,56,476	51	12,91,662	
10. Loss from sale of, or dealing with, non-banking assets	...	...	...	
11. Other Expenditure ...	11,67,010	60	10,83,936	
12. Balance of Profit ...	67,42,774	98	60,41,998	
Total Rs.	5,28,98,269	63	4,90,60,847	

The above Accounts have been drawn up in accordance with the provisions of Section 29 of the Banking Companies Act, 1949.

G. D. BIRLA
Chairman

I. P. GOENKA

R. L. NOPANY

M. L. TAPURIAH

A. C. LAW

M. L. SHAH

Y. N. MAFATLAL

G. L. BANGUR

M. R. RUIA

G. D. KOTHARI

P. D. HIMATSINGKA

M. L. DAHANUKAR

T. S. RAJAM

Directors

Directors

Directors

April 7, 1961

THE EASTERN ECONOMIST

Bank, Limited

Ended 31st December, 1960

INCOME	(Less provision made during the year for bad and doubtful debts and other usual or necessary provisions)		Year ended Dec. 31, 1960		Year ended Dec. 31, 1959	
	Rs.	nP.	Rs.		Rs.	
1. Interest and Discount ...	3,79,00,091	73	3,62,39,181			
2. Commission, Exchange and Brokerage ...	1,41,72,721	75	1,20,94,399			
3. Rents ...	8,08,390	22	7,26,001			
4. Net profit on sale of investments, gold and silver, land, premises and other assets (not credited to Reserves or any particular Fund or Account) ...	...	...	...		...	
5. Net profit on revaluation of investments, gold and silver, land, premises and other assets (not credited to Reserves or any particular Fund or Account) ...	...	...	...		...	
6. Income from non-banking assets, and profit from sale of, or dealing with, such assets ...	15,479	93	...		...	
7. Other receipts ...	1,586	00	1,266		...	
8. Loss ...	...	...	...		...	
Total Rs.	5,28,98,269	63	4,90,60,847			

V. R. DESAI

Chief Accountant

S. T. SADASIVAN

General Manager

As per our report annexed.

G. P. KAPADIA & CO.

K. N. GUTGUTIA & CO.

RAY & RAY

Chartered Accountants.

Calcutta,
1st March, 1961.

COMPANY AFFAIRS

CAWNPORE SUGAR: HIGHER OUTPUT

Cawnpore Sugar Works Ltd. registered an improvement in its working during the year to October 31, 1960. This was chiefly due to larger quantities of cane crushed at the three factories in U.P. belonging to the Company. The recovery, however, was not as good as that during the last year, primarily due to poorer qualities of cane available. The following figures indicate the cane crushed and yield during the last two years in various factories of the Company:

1958-59		1959-60	
Cane Crushed	Yield	Cane Crushed	Yield
24,58,381	10.39	21,64,607	10.13
26,10,426	10.45	27,41,394	10.37
32,28,729	9.28	40,23,926	9.11
22,91,761	9.69	30,07,414	9.40

This improvement was reflected in profits which during the year under review increased to 13.37 lakhs as against 6.78 lakhs during the previous year. The Directors have proposed to provide Rs. 1.60 lakhs for development rebate reserve. The balance of Rs. 12.68 lakhs is set off against the loss of Rs. 16.86 lakhs carried forward from the previous year. There still remains a debit balance of Rs. 4.18 lakhs in the profit and loss account. The depreciation provided by the Company on its fixed assets in the previous year was in excess of the statutory scale by over Rs. 10 lakhs. This amount has accordingly been written back and transferred to capital reserve.

The Directors have pointed out that the cane crop for the season 1960-61 and the supplies thereof so far have been quite satisfactory, and it is expected that the production will be at an increased scale at all the four factories.

Due to lack of funds the schemes for raising efficiency of two factories were not carried out. A sum of Rs. 11.08 lakhs was, however, spent towards additions and overhaul at these factories which is likely to improve their efficiency. Moreover a major part of the proposed expansion at the Marhowrah Distillery was completed.

ASSOCIATED BATTERY MAKERS: A NEW STATUS

The year to August 31, 1960, marks a distinct change in the production pattern of Associated Battery Makers (Eastern) Limited, inasmuch as there has been considerable progress towards completion of indigenous manufacture of articles which previously had to be imported. Exide, Dagenite and the other Automotive Batteries manufactured by the Company continued to enjoy, widespread confidence and patronage. The Company has continued with its policy of introducing improvements in design and production. This will enable it to meet the increasing demands resulting from the expansion of transport, electrification and industrialisation throughout the country. Implementation of this programme brought certain initial technical problems but results began to be seen towards the end of the year. Therefore, although the total sales of Rs. 2.06 crores are down by 9 per cent on those of the previous year the Directors consider that this is not discouraging in view of the basis which has been laid for the future.

In January 1960, the Company's legal status was altered to that of a public company. The issued capital was increased by Rs. 68 lakhs by the issue of 6,80,000 equity shares of a nominal value of Rs. 10 each at the issue price of Rs. 15 each. Out of this issue the existing shareholders took up 2,00,000 shares, of which 65,000 shares were in part payment of the Company's indebtedness on loan account to the existing shareholders, and 1,35,000 shares were in settlement of the purchase price of the entire issued share capital of Chloride & Exide Batteries (Eastern) Private Ltd., whereby that Company has become the wholly owned subsidiary of this Company.

The profit during the year came to Rs. 52.07 lakhs. After making provisions for taxation, etc., there was a balance of Rs. 33.7 lakhs. The Directors have transferred Rs. 4.07 lakhs towards fixed asset replacement reserves and Rs. 1.51 lakhs towards development rebate reserve. An interim dividend of 15 per cent less tax paid on the issued capital of Rs. 50 lakhs absorbed Rs. 7.50 lakhs. The Directors have now recommended the payment of a dividend on equity shares of Rs. 10 each at the rate of 10 per cent which will absorb Rs. 11.80 lakhs.

SEN-RALEIGH PREPARES FOR EXPANSION

The Directors have reported that during the year to September 30, 1960, the sales of Sen-Raleigh Industries of India Ltd., were recorded at Rs. 3.58 crores, showing an increase of 22 per cent over the previous year. The Directors have added that the production of the company might have been better but for difficulties in obtaining adequate supplies of raw materials. There was an increase in material costs mainly due to the imposition of excise duty on some bought-out cycle components. The company has received industrial sanctions from the Union Government for manufacture of House Service Meters and Bicycle Dynamo Lamps and expand the manufacture of chains. The Company may soon approach the shareholders for additional finances to execute these schemes.

The profit during the year came to Rs. 24.46 lakhs. The Directors transferred Rs. 1.18 lakhs towards development rebate reserve, Rs. 2.75 lakhs towards reserve for repayment of loans, Rs. 10 lakhs towards taxation equalisation reserve and Rs. 3 lakhs towards general reserve. A dividend at the rate of 8 per cent on ordinary shares has been proposed to be paid.

To give your
TEXTILES
Distinctive Finish
USE



Quality Yarn

(Prop. The Century
Spg. & Mfg. Co. Ltd.)
Bombay - 1

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Notes + Coins)	Balances with Reserve Bank	(5+6) as percentage 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)
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	54.66	60.68	339.74
1955-56	608.64	407.95	1,016.59	34.64	52.52	8.69	514.37	118.08	63.02	370.71
1956-57	653.34	453.92	1,107.26	36.94	50.23	7.96	626.08	156.66†	71.39	359.35
1957-58	723.89	619.19	1,343.08	39.34	77.55	8.72	723.79	187.32†	66.77	385.64
1958-59	735.93	860.33	1,596.26	40.30	83.99	7.74	766.56	133.27†	56.37	565.14
1959-60	745.83	1086.79	1,832.62	44.84	75.81	6.58	842.75	144.49†	53.87	725.20
Average of Fridays										
September 1960	779.24	1188.44	1,967.68	46.46	102.63	7.57	980.18	146.48†	57.26	734.02
October	791.28	1155.68	1,946.95	48.26	101.04	7.67	965.97	150.43†	57.34	703.55
November	790.80	1141.27	1,932.07	46.65	97.66	7.46	964.21	153.78†	57.32	688.21
December	794.20	1128.10	1,922.30	45.61	91.21	7.12	991.46	155.21†	59.65	662.44
January 1961	793.54	1103.32	1,896.85	44.79	78.39	6.49	1042.22	169.59	63.89	621.24
February	803.25	1092.13	1,895.38	45.46	71.07	6.15	1071.18	183.27	66.19	593.27
Week Ending										
17-2-1961	805.01	1088.65	1,893.66	46.03	67.53	6.00	1074.36	185.80	66.55	585.57
24-2-1961	812.66	1086.36	1,899.02	45.20	72.91	6.22	1075.11	188.36	66.54	584.42
3-3-1961	810.51	1083.80	1,894.31	44.91	69.92	6.06	1086.14	191.76	67.46	581.40
10-3-1961	817.89	1084.26	1,902.15	47.07	70.38	6.18	1110.78	196.38	68.73	573.87
17-3-1961	810.92	1066.53	1,877.45	44.39	66.80	5.92	1100.18	192.47	68.85	558.89

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Lakhs of rupees.)

Last Friday	Money supply with the public	Total currency with the public	Deposit money with the public			Total variations in money supply
			Total	Demand liabi- lities of banks	Other deposits with Reserve Bank†	
(1)	(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1953-54	1,793.97	1,229.43	564.54	549.83	14.71	+ 29.26
1954-55	1,929.63	1,311.77	608.86	599.16	9.71	+ 126.65
1955-56	2,184.32	1,595.09	679.23	667.22	12.01	+ 263.69
1956-57	2,312.89	1,556.50	756.39	744.74	11.65	+ 128.57
1957-58	2,384.83	1,606.60	782.22	762.36	19.87	+ 75.94
1958-59	2,498.75	1,724.53	774.23	754.98	19.25	+ 109.92
1959-60	2,703.13	1,862.72	840.41	818.62	21.79	+ 264.38
August 1960	2,658.96	1,806.99	851.97	819.33	32.63	- 11.83
September	2,630.61	1,809.61	811.01	791.73	19.28	- 28.26
October	2,660.69	1,823.80	836.89	812.18	24.71	+ 30.08
November	2,576.02*	1,843.52*	732.51	711.42	21.09	+ 8.66*
December	2,643.98*	1,898.75*	745.08*	719.57*	25.50	+ 67.96*
January 1961	2,699.54*	1,945.195*	763.80*	727.85*	25.94	+ 55.66*

* Provisional.

* Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

UNDERWRITING OF NEW ISSUES

(Amount in Rs. lakhs)

Type of issue	No. of issues underwritten	Amount of issue	Amount to be taken up by			Amount underwritten*
			Promoters, Directors, etc.	Foreign Collaborators	offered to the public	
1956						
Ordinary	5	220	85	16	120	92
Preference	6	174	30	2	141	117
Debenture	1	2	Nil	Nil	2	2
All issues	12	396	115	18	263	211
1957						
Ordinary	6	418	32	52	334	334
Preference	3	33	2	Nil	31	31
Debenture	Nil	Nil	Nil	Nil	Nil	Nil
All issues	9	451	34	52	365	365
1958						
Ordinary	4	276	38	72	166	149
Preference	4	178	Nil	Nil	178	163
Debenture	5	458	Nil	Nil	458	458
All issues	13	912	38	72	802	775
1959						
Ordinary	6	569	167	27	375	260
Preference	10	443	33	Nil	411	405
Debenture	4	398	15	Nil	383	392
All issues	20	1,410	215	27	1,169	1,057
1960 (Jan.-June)						
Ordinary	8	984	304	218	463	463
Preference	3	316	18	Nil	298	273
Debenture	3	376	Nil	Nil	376	376
All issues	14	1,676	322	218	1,137	1,112
1956-60						
Ordinary	29	2,467	626	385	1,458	1,298
Preference	26	1,144	83	2	1,059	994
Debenture	13	1,234	15	Nil	1,219	1,228
All issues	68	4,845	724	387	3,736	3,520

* Including in some cases, amounts agreed to be taken up by Promoters.

AMOUNT UNDERWRITTEN: INSTITUTION-WISE

(Rs. Lakhs)

Year	Total amount underwritten	Underwritten by					Others (mainly brokers)
		I.C.I.C.I.	L.I.C.	I.F.C.	Banks	Investment Trusts	
1956	211	77	20	...	73	5	36
	(100)	(36)	(9)	...	(35)	(2)	(17)
1957	365	85	10	...	...	12	258
	(100)	(23)	(3)	...	...	(3)	(71)
1958	775	213	110	75	186	71	120
	(100)	(27)	(14)	(10)	(24)	(9)	(16)
1959	1057	155	47	88	225	189	354
	(100)	(15)	(4)	(8)	(21)	(18)	(34)
1960 Jan.-June	1112	162	175	...	387	128	261
	(100)	(15)	(16)	...	(35)	(12)	(23)
Total	3520	692	362	163	871	405	1029
	(100)	(19)	(10)	(5)	(25)	(12)	(29)

Note: Figures in brackets are percentages to total.

Source: Reserve Bank of India Bulletin.

UNEMPLOYMENT STATISTICS

NUMBER OF APPLICANTS ON THE LIVE REGISTER OF EMPLOYMENT EXCHANGES

(By Broad Occupational Groups)

(As on December 31, 1960)

State	Profes- sional, Techni- cal and Related Work- ers	Adminis- trative Execu- tive and Manage- rial Workers	Cleri- cal, Sales and Related Work- ers	Agri- cultural, Dairy and Related Work- ers	Miners, Quarry- men and Related Work- ers	Workers in Transport and Commu- nication Occupa- tions	Crafts- men and Pro- duction Process Workers	Service Workers (e.g. cooks, chowki- dars and sweep- ers, etc.)	Labour- ers with Work Experi- ence not Else- where Classi- fied	Persons without Profes- sional or Voca- tional Training or Previous Work Experience	Total	
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Andhra Pradesh	4,994	86	3,613	591	27	2,437	4,396	4,343	1,513	84,155	1,06,155	
2. Assam	635	103	1,764	153	12	846	2,837	747	3,541	19,178	29,816	
3. Bihar	1,648	22	2,534	159	535	1,246	8,768	2,320	5,695	72,475	95,402	
4. Delhi	6,899	206	5,037	593	5	1,373	5,165	7,141	1,027	31,928	59,374	
5. Gujarat	1,277	309	2,253	158	67	1,282	1,769	2,234	1,788	49,805	60,942	
6. Himachal Pradesh	183	47	109	60	2	137	357	142	297	4,006	5,340	
7. Kerala	11,065	139	11,275	1,524	110	3,509	11,176	8,320	13,383	90,968	1,51,469	
8. Madhya Pradesh	1,672	84	2,795	170	1,677	1,185	5,110	2,277	5,529	38,592	59,091	
9. Madras	11,185	207	15,128	933	28	3,842	6,452	7,412	8,074	75,278	1,28,639	
10. Maharashtra	4,887	328	13,985	681	34	4,095	9,873	6,389	6,882	1,20,851	1,68,005	
11. Jammu and Kashmir	157	45	451	14	4	148	96	120	921	555	2,511	
12. Manipur	1,043	109	2,621	37	—	809	611	574	—	3,609	9,413	
13. Mysore	3,824	91	2,060	297	10	1,631	3,434	2,218	9,478	45,611	68,654	
14. Orissa	1,799	91	4,605	268	161	1,546	5,144	1,939	10,740	12,733	39,026	
15. Pondicherry	165	—	14	2	—	65	70	8	4	1,659	1,987	
16. Punjab	5,573	347	1,687	629	33	1,528	3,745	5,612	6,246	33,111	58,511	
17. Rajasthan	1,751	118	1,085	284	35	1,647	1,209	1,749	134	33,184	41,196	
18. Tripura	116	24	108	20	—	171	217	178	63	2,600	3,497	
19. Uttar Pradesh	5,325	435	9,921	1,068	55	3,125	15,084	9,786	8,357	1,75,781	2,28,937	
20. West Bengal	6,180	384	11,792	1,081	234	5,395	27,211	6,898	7,557	2,21,545	2,88,277	
All India Total	70,378	3,175	92,837	8,722	3,029	36,017	1,12,724	70,407	91,229	11,17,724	16,06,242	

Source: Ministry of Labour and Employment.

INDIAN UNION

PROGRESS OF CHEMICAL INDUSTRIES IN THE SECOND PLAN

Industry	Unit	No. of Factories			Installed Capacity			Actual Production		
		1956	1959	1960	1956	1959	1960*	1956	1959	1960*
1. Acids										
Chromic Acid	metric tons	Nil	4	4	Nil	596	596	Nil	139	220
Hydrochloric Acid	000 tons	27	27	26	19.8	17.3	14.7	10.6	10.5	10.5
Nitric Acid	000 tons	23	21	22	4.3	3.7	7.0	1.4	1.7	5.2
Oleic Acid	tons	4	4	4	1,140	1,140	1,140	204	259	267
Phosphoric Acid	tons	2	2	2	726	726	1,949	220	1,328	1,607
Stearic Acid	000 tons	5	5	5	3.6	3.6	3.6	1.3	1.9	2.0
Sulphuric Acid	lakh tons	36	35	40	2.5	3.7	4.8	1.7	2.9	3.5
2. Activated Carbon										
metric tons	Nil	3	3	Nil	2,508	2,508	Nil	371	452	
3. Alum (ammonia)										
000 tons	17	14	14	12.0	9.9	9.9	4.4	4.9	4.8	
4. Aluminium sulphate										
(i) Ferric	000 tons	14	15	16	50.3	52.6	55.4	25.3	40.9	48.0
(ii) Iron Free	000 tons	8	10	14	6.9	8.0	14.9	4.3	4.4	6.0
5. Ammonium Chloride										
000 tons	3	3	2	8.5	8.5	48.3	4.7	5.3	13.0	
6. Ammonium Sulphate										
Lakh tons	8	8	9	4.7	4.3	4.6	3.9	3.8	3.7	
7. Bichromates										
000 tons	7	7	7	6.5	6.8	6.8	3.3	4.3	4.5	
8. Bismuth Salts										
000 kgms.	2	4	2	20.0	79.0	298.6	12.2	41.6	83.4	
9. Bleaching Earth										
Activated	000 metric tons	2	5	5	2.5	10.5	7.4	1.5	2.5	2.8
10. Bleaching Powder										
„ „	3	3	3	14.6	14.5	20.4	4.7	5.2	5.7	
11. Bromides										
metric tons	1	1	1	211	456	456	156	79	190	
12. Bromine										
metric tons	Nil	1	1	Nil	265	265	Nil	107	160	
13. Calcium Carbide										
000 metric tons	3	2	2	5.0	7.4	16.7	2.9	4.1	10.0	
14. Calcium Carbonate										
(i) Activated	metric tons	1	2	2	330	1,860	1,860	158	540	1050
(ii) Precipitated	metric tons	1	2	3	990	1,860	3,180	131	575	600
15. Calcium Chloride										
tons	3	3	3	2,861	2,861	2,861	844	469	1,526	
16. Calcium Gluconate										
000 kgms.	2	3	5	60.0	61.8	211.6	17.5	49.9	58.0	
17. Calcium Lactate										
000 kgms.	3	2	2	181.8	162.5	161.5	47.1	77.7	70.7	
18. Caustic Soda										
000 metric tons	12	17	18	45.2	98.9	119.2	39.4	69.9	100.0	
19. Chloral Hydrate										
000 kgms.	1	1	1	54.4	54.0	54.5	14.4	28.5	32.7	
20. Copper Sulphate										
000 tons	11	11	9	3.3	6.1	5.7	2.0	3.1	3.9	
21. Electroplating Salts										
(i) Brass	metric tons	Nil	2	2	Nil	66	85	Nil	2	8
(ii) Cadmium	„	Nil	2	2	Nil	99	175	Nil	10	44
(iii) Copper	„	Nil	2	2	Nil	2,363	2,363	Nil	16	36
(iv) Nickel (Compound)	„	Nil	3	3	Nil	5,663	5,663	Nil	100	208
(v) Tin	„	Nil	2	2	Nil	54	54	Nil	3	12
(vi) Zinc	„	Nil	3	4	Nil	907	907	Nil	19	20
22. Ethyl Acetate										
000 kgms.	Nil	2	2	Nil	360 (tons)	360 (tons)	Nil	156.9	131.4	
23. Ferric Chloride										
tons	2	3	4	2,112	2,277	2,397	140	113	21	
24. Ethyl Chloride										
000 kgms.	1	1	1	32.7	32.0	32.7	13.0	39.3	39.7	
25. Alfloc Powder										
metric tons	Nil	Nil	1	Nil	Nil	508	Nil	Nil	295	
26. Chlorinated Paraffin										
kgms.	Nil	Nil	1	Nil	Nil	100 (tons)	Nil	Nil	7,552	

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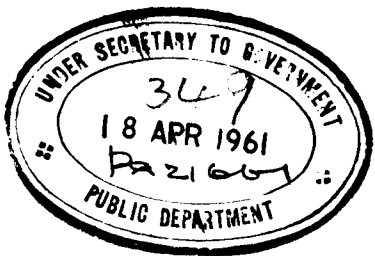
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ONE RUPEE

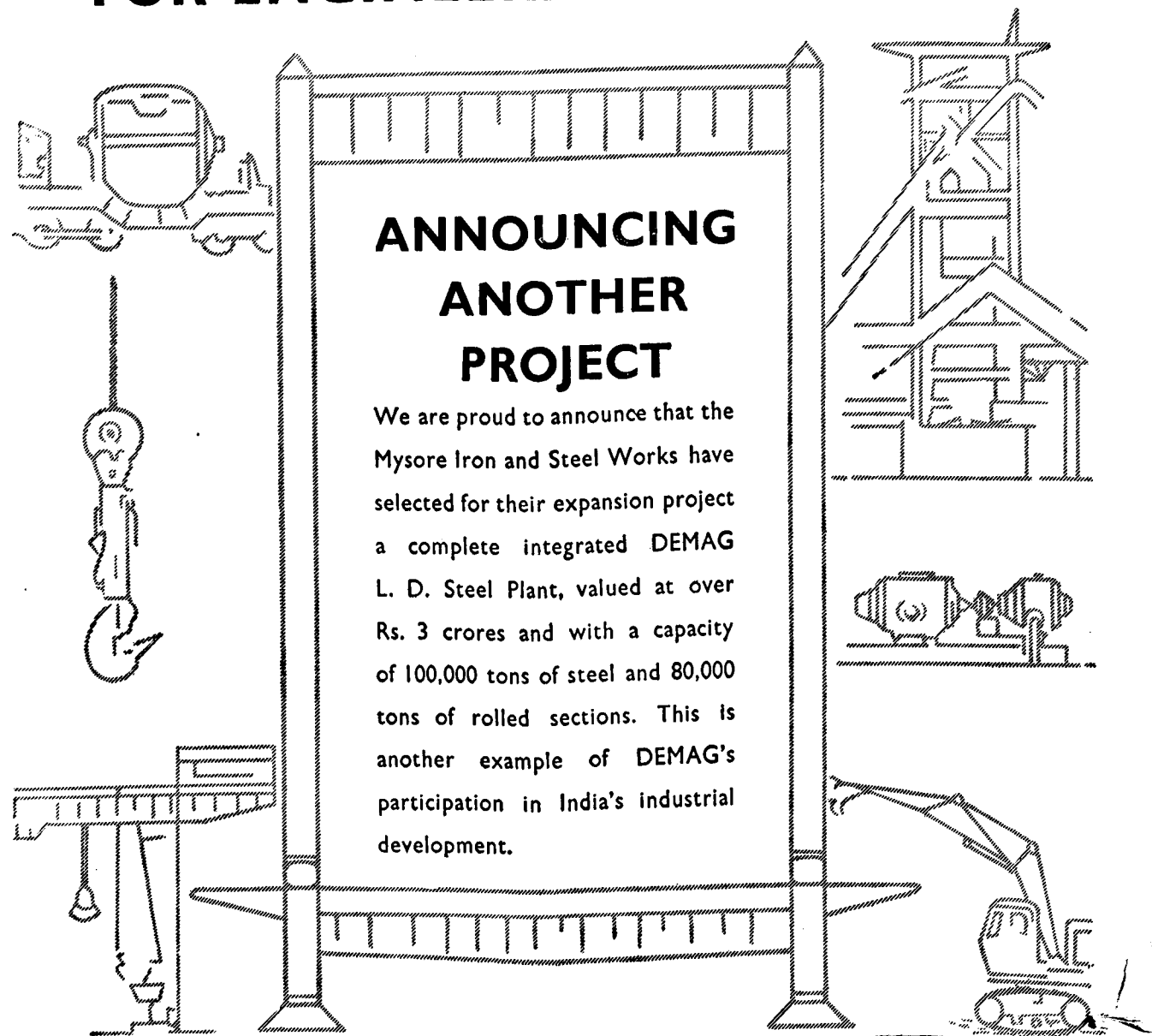


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BYCE-12

The

Eastern Economist

APRIL 14, 1961.

Production, Prices and Bank Money

THE informal meeting of the Parliamentary Consultative Committee on Finance last week has raised a new and unexpected limitation of bank advances. The Finance Minister is reported to have said that the proportion of bank finance in company capital formation has increased so much in recent years that the Government was contemplating measures to ensure a larger equity base for the capital of industrial undertakings. This suggestion is severely unhelpful at a time when the larger equity base cannot be found with free money. Indeed, for a matter of three years the Reserve Bank of India—and particularly, its imaginative Governor, Mr. H. V. R. Iengar—has preached to the scheduled banking system the necessity of going into medium term finance to assist industrialisation of the country. Both industry and the banks took this advice seriously. All of a sudden the Government has swapped its horses in mid-stream. Both industry and the banking system must wonder how they are expected to change their course at a time when alternative finance of the requisite proportions is just not available. One fears greatly that the net effect will be to slow down the floatations of new companies dependent not a little on bank underwriting.

The whole issue of production, prices and bank money in industrialisation was also the subject of Mr. G. D. Birla's presidential address last week at the annual meeting of the United Commercial Bank. Mr. Birla's thesis has two weaknesses which need to be admitted, but it must be recognised as a constructive contribution to the diagnosis of the current dilemma of production and prices. Mr. Birla's argument is to the effect that the answer to rising prices can only be pro- that the answer to rising prices can only be pro- duction. Controls represent only suppressed inflation with no chance of a long-period break-through. So far as industry is concerned, production cannot take place without finance; finance cannot take place adequately without advances from the bank. Since advances from the banks are limited by the volume of deposits, Mr. Birla argues, firstly, that measures should be undertaken to curtail non-banking lending by certain measures undefined; secondly, that the banks should be authorised to raise advances in the first

instance; these advances will eventually create deposits, and the essential temporary rise in the 'ratio' will be compensated over a short period of time.

On the face of it, the first portion of Mr. Birla's thesis, that controls without production are no answer to the price problem, has been proved, not merely in the Indian Union but in almost every country which has tried the arduous process of suppressing market forces without totalitarian powers of policing individual transactions. He is obviously right in arguing that, particularly when plans have been made to secure certain production rises, it is not open to the Government of India or any other authority to argue that these production rises are not to be attained merely because of pressure on prices. Therefore, a price policy which cuts at the planned targets is not a solvent of our problems, even if it were successful in holding prices. In point of fact, it would not be successful in holding prices because demand is constantly rising, and lower production will only mean higher prices. What is more questionable is that the solution is to be found in raising bank advances ahead of deposits. If Mr. Birla's argument were correct, namely, that advances create their own deposits, the last year should have provided ample evidence of the virtuous chain reaction which he proposes. The banks have increased their advances by Rs. 250 crores; even if all the rise in deposits were thus generated, Rs. 200 crores would not have returned to the banking system. This is, because it is more profitable to lend outside the banking system, as Mr. Birla foresees. But, since there is no means by which the non-banking system can be policed so as to lend at the same rate as banks do, how can this leakage from the banking system be stopped? Would it be wise for the Reserve Bank of India to follow Mr. Birla's suggestion that the risk should be run on advances merely because production needs further finance? The evidence of the last year, it must be admitted, is more on the side of the Reserve Bank of India's view that bank money does not, in the present circumstances, create deposits of anything like a similar magnitude so that there would be a recycling of bank deposits if advances were properly directed.

The current position, therefore, is by no means one on which an easy agreement will be reached, and certainly the Government of India, with the pressures exhibited in the Congress Party's informal price discussions last week, will not launch up on a policy of creation of bank credit which, somehow or other, seems to work in Germany or Japan. Mr. Birla was probably thinking of these countries when he advocated the course of action which does not seem to have the same relevance to this country.

On the other hand, the dilemma is not solved by refusing to recognise that a ceiling on bank finance will mean production cannot proceed at the rate of last year when it was nurtured with some risk by a rise in bank advances and in the 'ratio'. The ratio of advances and bills discounted to deposits has already passed the 70 per cent mark. It may not be possible to take it much above 75 per cent. Even if it were maintained at that figure, it would have been impossible for the banks to take up any considerable portion of the long-term securities which the Government of India intends to float in the Budget year. It is thus clear that the banking system is unable to take the combined strains of private sector production needs and the public sector demands. Political pressures decree caution on an adventurous course on advances ahead

The Crisis in Indian Sugar

WITH sugar production during the current crushing season expected to increase to about 30 lakh tons, the Union Food and Agriculture Minister, Mr. S. K. Patil—and still more the Indian sugar industry—is faced with the problem of abundance with a vengeance. Output of this order, coupled with the 5.5 lakh tons stock brought forward from the last season, will leave a surplus of nearly 14.5 lakh tons over an estimated domestic consumption of 21 lakh tons. A carry-over of 5 lakh tons is considered more than enough and the maximum which the industry, according to the President of the Indian Sugar Mills' Association, has the capacity to handle. We will, thus, have an exportable surplus to the extent of nearly 9.5 lakh tons.

The question of disposal of this huge surplus expeditiously has been quite legitimately exercising the mind of the industry which is finding it hard to service these stocks. The industry's resources are known to have been strained to the limit; so much so that it has given notice to the Government and the cane suppliers that it may not be possible for it to pay their dues unless the position improves in the near future. Since release of this large surplus on the free international market, at the current price, will involve a loss of the order of Rs. 35 crores, it is imperative that efforts to export a greater part of it to a preferential market like the United States should be redoubled. It is encouraging that Mr. Patil has planned to make a dash to Washington to seek from the U.S. Government an export quota of 5 lakh tons of sugar for this country.

Even if an export quota of this order should be available from the United States, we will have a surplus of nearly 4.5 lakh tons of sugar, out of which contracts for exports have been entered into to the extent of about 80,000 tons. We may be able to export another 40,000 to 50,000 tons in the free international market during the current

of deposits but equally they decree abstention from excessive monetary control.

All in all, the current debate has been nearly sterile. The strait-jacket in which the banking system has found itself because of the stagnation of deposits represents one of the deepest disorders in India's economic system. The answer must be the revival of deposits with deposit insurance, the opening of new branches in the rural areas and a rise of interest, all at the same time. If this trinity of operations is not successful quick enough, and on an adequate scale, the only answer for new finance must be larger foreign aid. It is necessary for the country to make up its mind as to whether it desires this increased dependence on foreign countries, because of the rigidities into which its own system will be put by the determination not to permit price rises and by the failure to restrict its planned appetite to the volume of its current resources. The moral period and the banking system does not quickly recover its old buoyancy, a rephrasing of the Plan is essential. It is well, however, to recognise that, whatever the additional pressures placed upon the country by the rise in population, any expansion of its current production targets can only be attained with some significant measure of price inflation.

year, leaving approximately 3.25 lakh tons for the disposal of which measures will have to be devised.

The central dilemma, however, is how to meet the loss on export of sugar. We can sell sugar in the free world market only at a loss of Rs. 300 to Rs. 360 per ton and to a preferential market like the United States at a loss of Rs. 150 to Rs. 190 a ton. To meet this loss, and to cover the increased cost of production, the Indian Sugar Mills' Association would like the Government to raise the controlled ex-factory price of the commodity by Rs. 5.51 per maund. However serious the industry's predicament, this is not a feasible solution politically. The sugar industry must not expect such a solution to be seriously considered with current political pressures. Indeed, it was unwise even to claim a price rise; there should, in fact, be a fall with decontrol. The industry must cease to shelter behind controlled prices.

The present crisis of the sugar industry has been the outcome of two factors; firstly, increase in cane supplies to factories, due partly to higher acreage under the crop resulting from the stepping up of the cane price by 3 annas per maund during the last crushing season, and partly owing to depressed prices of gur and secondly, the unwisdom of some units in the industry which, in order to boost their earnings by availing of the 50 per cent rebate on excise duty on production in excess of the last year's, purchased cane even from areas outside their reserved zones. The consumer can hardly be expected to pay for the miscalculations of the cultivator and the industry (both aided by the Government).

From where then should the loss be met? The excise duty on sugar in India today is clearly excessive. It is the view of this journal that an immediate cut should be effected in this levy to offset a major part of the increase in price war-

ranted by the loss on exports. The industry and the cane-growers will do well to meet some of the loss voluntarily out of their large profits in the last two years; it is said the industry and the cane-growers will be benefitting to the tune of nearly Rs. 9 crores if the current season's output amounts to 30 lakh tons as envisaged. Cultivators must forego their benefits under the price-linking formula. Linking of sugar exports to imports of some items which enjoy a high price in India today can also be helpful to meet the loss to some extent.

From the long-term point of view, if India is to emerge as a big exporter of sugar, it is essential that cost of production of the commodity should be brought down appreciably. The vested

interests—cane-growers, factories and the public exchequer—have enjoyed prosperity at an undue burden to the consumer. They should not go on expecting him to bear a burden when surpluses are so great. Cane prices must be brought down by an increase in yield per acre and abolition of an unworkable price-linking formula. The factories must face a free market price. The Government must limit its demands to what all can bear. Only decontrol can settle the appropriate market price. The industry which only a year ago sought decontrol is now recognizing serious disadvantages therein. But an unreal price will not give it the opportunity to sell stocks it is unable to hold. It is time market prices compelled the adjustments which are necessary over all elements of cost.

Central Government Employment

THE debate on the demands for grants of the Rehabilitation Ministry was valuable for the attention it focused on the future of this Ministry. The talk about its winding up has given rise to a sharp controversy—and quite appropriately. Mr. Mehr Chand Khanna's contention that the displaced population would be fully integrated with the rest of the population in a year's time will not be borne out, at least in West Bengal. Over 320,000 refugees in this problem State will not be integrated in so short a time. The difficulties of making the correct human approach to their resettlement in an atmosphere, surcharged with a high degree of sensitivity which is exploited by the politician, cannot be overlooked.

The abolition of the Rehabilitation Ministry raises another important problem, which is but a part of a comprehensive problem vitally concerned with the character of the Central Government employment. Assuming that the Rehabilitation Ministry is wound up in a year's time, no less than 8,000 of its employees will need to be absorbed in alternative jobs or thrown out on the streets. In fact, temporary staff of an unusually large size, in service over a long period of years, is an outstanding characteristic of Central Government employment. The two Pay Commissions have devoted quite a valuable part of their reports to an analysis of this delicate problem. Both the Commissions have recorded their categorical view that a high proportion of temporary employees must be reduced to sizable dimensions. There is certainly no reason why an abnormal ratio of temporary staff should exist in the Central Government employment other than railway employment.

Temporary staff is subjected to a number of handicaps, the most serious of them all being lack of eligibility for pension. The quasi-permanent staff, too, is subject to this disability. Nothing short of permanency entitles an employee to the benefit of a pension which is the basic insurance he has after retirement. In fact, want of confirmation and permanency amounts to a double-edged weapon. Absence of security about the future produces profound psychological repercussions which are as much harmful to the life of the individual employee as they are to the quality of the work which the Government gets in return for its

salary bill. Insecurity after the working life is exhausted dangles over the head of the unfortunate employee. It is to draw a totally wrong analogy by pointing out, as there has been an easy temptation to do, to the liability of an industrial employee to termination of service by notice of three months at the most. An industrial employee becomes conversant with a job for which openings are available outside his employing establishment. An employee who has spent a precious period of his career extending to about 10-12 years in Government service loses his capacity for change and jobs of a similar character are hardly available.

Rapid expansion of staff and the mounting volume of paper work have been vital traits of government employment in the post-war era and not even the United States has escaped it. The Hoover Committee found it difficult to prescribe any expeditious remedies to bring it within a manageable size. Even so, in the United States the proportion of temporary employees in the Federal Government service was reduced remarkably from 35 per cent in 1951 to 6 per cent in 1957. In the United Kingdom temporary non-industrial staff in Government employ declined from 44 per cent in April 1949 to 22 per cent in July 1955. But in India the ratio of temporary staff in the Central Government employment, other than the railways, continues to rule very high. Between June 1955 and June 1959 the reduction has been only of the order of 5.8 per cent from 64.2 per cent to 58.4 per cent.

Against the background of the requirements of the development programmes under the five year plans, this abnormal proportion is inexplicable except on the major ground of great circumspection in the matter of making posts permanent, when obviously there is little chance of their abolition. It would, however, be absurd to put a ban on fresh talent entering government service on the plea that all the non-permanent employees must be confirmed first in their posts. But there is no justification for keeping the staff temporary, as a principle of overall policy, after seven years at the most. The danger inherent in the present drift is that the phenomenon of a proportion of the Central Government employees remaining temporary all their life-time, which was brought before the public gaze by the First Pay Commission, will be the curse of an increasing number of victims.

THE WEEK'S NOTES

Space Conquest

THE FIRST SPACEMAN

YURI ALEXSEYEVICH GAGARIN, a young Russian air force officer of 27, sprang into world fame on April 12, as the first spaceman. He travelled in space in a 4.5-ton space ship and orbited the earth in 89.1 minutes at a minimum height of over 187 miles for a total length of 108 minutes. This historic achievement of Russia in science and technology has been rightly acclaimed as a great landmark in human progress and due praise has been showered on her from all over the world. Space travel for man has come within the range of reality at last. Actually the announcement of the first human traveller in space returning safe to earth was expected at about this time. Time may, perhaps, show whether any human passengers sacrificed their lives for the cause of science like Laika, the first animal space traveller. In August, 1960, thorough success was achieved in sending an animal passenger into space and bringing it back to earth alive. This was followed by further experimental flights to collect a wealth of data. Animals and insects were sent in large numbers as space passengers before risks were taken with the life of man in this venture.

In this unparalleled achievement Russian genius for progress in science and technology has been vindicated once again. Science recognises no frontiers of geography. If Russia has made history in the conquest of space, will America remain behind? America's "Project Mercury" (experimental flight to send man into space), scheduled for April 28, will eventually lead to the same result. The conquest of space by man opens up boundless scope for peaceful progress; but it also enhances his capacity to exploit it for forging new and deadly instruments of annihilation. It is to curbing the destructive potential of the conquest of space that the leading nations of the world will have to address themselves.

C.P.I.

SHOWDOWN SHELVED

ALL TALK of an open show-down between the rightist and leftist groups of the Communist Party of India at Vijayawada vanished into thin air. There was so much publicity given to the Dange thesis of the "national democratic front" and the Ranadive group's advocacy of an out and out pro-Chinese line. The initial stages of the proceedings of the Communist Party's Congress lent colour to the imminence of a sharp cleavage between the two groups and a bitter fight. Reports of the rightist group winning the first round and so forth kept this belief alive. Not that there was no heated debate on the theses of both the sides or that there was no confusion over ideological positions. Finally, of course, the rightist-sponsored resolution on policy was adopted. What is significant is that the much-advertised show-down gave way to compromise.

Neither the rightist group's plea for a tactical line to enable the CPI to function effectively in the present national mood in the wake of China's aggression nor the leftist group's attempts to revive the Telangana spirit were pursued to the point of forcing a positive decision. The truth of the matter was that the differences between the right and the left could not be disposed of until there was a decisive clarification of the Party's stand on the India-China border dispute. Unless this clarification came, the Party's precise posi-

tion could not be defined. Ultimately, unequivocal declaration of the Party's stand on this crucial issue was put off and shelter was taken behind a spineless resolution urging India and China to negotiate a peaceful settlement. This vacillation is obviously due to the stranglehold of the Party's basic allegiance beyond the national frontiers. If the much-publicized show-down was shelved, it is a pointer to the essential unity of the two groups on the over-riding question of world Communism. The attitude adopted at Vijayawada was presumably influenced by the advice offered by the powerful Russian fraternal delegation. It demonstrates the capacity of the two groups for flexibility to sink their differences in the interest of ultimate loyalty to international Communism.

Industrial Licensing

MIXTURE OF RECOMMENDATIONS

THE ESTIMATES Committee's hundred and twenty-third report on the Development Wing of the Ministry of Commerce and Industry is a curious mixture of recommendations—reasonable as well as questionable. The Committee has taken a good deal of pains to analyse the causes of the irksome delays in the procedure for industrial licensing and has made quite a number of valuable suggestions. The rigidity in routing an application for a licence in a strict order of succession through different channels involves considerable avoidable delays. Perhaps, this is also one of the causes why the Development Wing demands additional information on technical data from the applicants on a piecemeal basis. Copies of the application can be referred to most of the authorities simultaneously. In as many as 47 per cent of the applications, material additional information is called for. This is evidently due to lack of knowledge of the intricacies of the licensing procedure and the complexity of data required. The Estimates Committee, while it has rightly urged the suppression of the new class of objectionable intermediaries, comes to the balanced conclusion that it would be worth while encouraging the services of firms and individuals of proved reputation to act as technical agents subject to registration of names. The present free access to all and sundry, under the pretext of playing the role of intermediary, is responsible for many of the malpractices that have cropped up in the wake of industrial licensing.

In its enthusiasm to prescribe an idealistic policy, the Estimates Committee has seemingly outstripped the limits of its proper, though undefined, jurisdiction. It has assumed the role of a policy-maker and issued exhortations to the Development Wing on the purposive manner in which the instrument of licensing should be moulded and utilized. To this class belong its recommendations on the elimination of monopolies and the suppression of "the growth of industrial empires." In the hard reality of the dearth of financial and technical resources at the command of the private sector, one would be tempted to question where these "industrial empires" exist and how fast they are occupying the industrial sector. Concentration of economic power through effective command of monopolies is operating as a nightmare in the case of some. The Estimates Committee is the latest addition to this category. Monopolies do not exist in this country either in the form of curtailment of production or manipulation of the markets by means of schemes of pricing. If this peril raises its head, independent legislation will be required to stamp it out. The Estimates Committee is apparently unsure of the position it has taken and in quite an apologetic manner it explains how licences to bigger industrialists may be awarded in case others are not coming forward.

Vietnam

INFILTRATION

PRESIDENT DIEM'S re-election by over 80 per cent of the votes amounts to a reiteration of the verdict on his personal popularity. The referendum of 1956 installed him in power as the first president of the newly created republic and since then he has commanded respect as well as awe. It would have made little difference to the outcome of the election if his principal political rivals were free for the contest. This election was important for two reasons. It was the first based on adult franchise and despite the threats of the Communists, intermingled with isolated acts of violence, a great majority exercised their right. The estimate of 90 per cent having turned up for the poll will probably need to be taken with circumspection and final result after the full count will clarify the exact position. But the most significant fact is that there were no issues of policy involved in this election. The contest between the three candidates was settled by the personality factor.

A second five-year term is, in fact, a challenge thrown up at President Diem. This challenge comes from the Communist guerillas and it is becoming increasingly grave with the passage of time. The last twelve months have made a considerable difference, so much so that it has induced President Diem to give up his attitude of comparative complacency and acknowledge the reality of the danger. Communist infiltration is spreading rapidly not only in the northern region but in the jungle-infested west, bordering on Cambodia, and the central highlands, hitherto regarded as difficult of access to the rebels. Communist guerillas no longer operate as sporadic bands, but they are systematically infiltrating their forces in the interior, Saigon not being altogether immune. Villages are terrorised, communications disrupted by bridges being blown up, heavy casualties are being inflicted on the army deployed for their expulsion and in recent months the infiltrating forces have begun to levy taxes in the countryside. Perhaps it would be an exaggeration to depict the political scene showing President Diem as sitting on the top of a volcano. But the 9,000-strong Communist operators are a compact and fanatic force whose strength is not to be judged by their number. President Diem, however, is inviting discontent by his authoritarian methods, heedless of the counsel of his advisers to liberalise his rule to consolidate his power. If his victory at the election has made his tenure secure for another five years, he would find himself less secure to fight the infiltration.

Political Parties

A DANGEROUS PATRONAGE

THE HOME MINISTER of Uttar Pradesh, Mr Charan Singh, made startling disclosures in the Legislative Assembly the other day about sinister portents holding a threat not only to the maintenance of law and order but to the future of political parties. A probe into the membership of political parties in an unnamed district, carried out by the Minister with the assistance of the District Magistrate, revealed that the Praja Socialist Party with a membership in that district of 2,000 had 197 history-sheets on its rolls, the Socialist Party had 111 history-sheets out of its total membership of 3,500, the Communist Party 7 out of 300, the Jan Sangh 2 out of 2,000 and the Congress Party had 13 in its massive membership of 40,000. He also gave details of ex-convicts as members of the political parties in this district. The Minister tried to impress the gravity of the menace on the House and stressed its potential repercussions on the parties, particularly at the Panchayat level. History-sheets are abominable elements whose notoriety cannot escape the notice of local party leaders.

Harbouring them as respectable members of political parties is to extend a dangerous patronage and it is suicidal to resort to this practice for immediate gains, whatever they may be, if at all. This reprehensible tendency takes another ugly form, as the Minister bluntly stated on the floor of the House. He charged a certain variety of legislators with stooping to interfere with the administration of law and order for shielding offenders and then accusing police officials of dereliction of duty.

But a good cause may be spoiled by bad and tactless presentation. Mr. Charan Singh's appeal to the leaders of the political parties to deliberate in concert over this perilous patronage is unlikely to receive the response that it deserves without question. Not that party leaders are impervious to such a call. But they may take serious offence at the manner of disclosure and may refuse to accept his protestation that in making it, it was not his object to score a debating point over his opponents. He might have made his appeal effective, if he had kept the parties unnamed, as he kept the district unnamed. Open imputations may provoke deep resentment and the representative character of the sample chosen for the survey may be questioned—as also the quality of the scrutiny into the undesirable antecedents, if any, of a vast number of members of political parties. Low or high ratio of membership of known criminals is an absolutely irrelevant issue and the former cannot extenuate the guilt. It is of the utmost importance that, forgetting the Minister's indiscretion, political parties should get together to evolve a disciplinary code to banish this patronage. Failing that, the Congress Party must impose upon itself a self-denying ordinance.

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The World Abroad

ARE YOU PAYING THE RIGHT SALARY FOR THE JOB?

By

ODYSSEUS

IN THE PAST twenty years the tremendous bargaining power built up by the trade unions in so many countries has led to disproportionately greater increases in pay for wage-earners than to salaried staff, who have also suffered widely from currency inflation. This has created problems which are discussed by Mr. Richard C. Smyth (President of Smyth & Murphy Associates, business consultants), in his "Financial Incentives for Management" (McGraw Hill, London, 1960, 66sh.), a book of great practical value to business men.

Mr. Smyth lists the basic objectives of adequate compensation (including salary, bonuses, profit-sharing, etc.) as: (1) to attract competent persons into executive posts from lower positions or from outside the company; (2) to retain them; (3) to induce them to put forth their best in sustained efforts.

The first need is to ensure carefully thought out and equitable relationships between the salaries of executives. In far too many companies all over the world, the salary structure has grown up haphazardly over the years. Often some determined executives have secured increases for their subordinates which throw the entire structure out of proportion. In others, certain departments are grossly underpaid. Mergers and take-overs may set up overlapping and distortions, which impede good personal relations and good work, and create an atmosphere in which responsibilities are avoided and "Passed to you" becomes the rule.

Mr. Smyth has no difficulty in demonstrating that salaries for particular jobs should not be based solely on the subjective personal guesses of the chief executive but as far as possible on quantitative job evaluations, which can be calculated in points, and he shows how a table such as the following can be worked out by scientific methods:

Position Title	Total Points
President	915
Executive vice-president	840
Vice-president, marketing	800
Vice-president, production	735
Vice-president, finance	730
Vice-president, research and development	720
Junior engineer	195
Regional auditor	185
Payroll supervisor	160

The next step is to turn these points into cash. Salaries depend on many factors, including a company's size, its prosperity or adversity, the nature of its in-

dustry, and the relation of the demand for executives, with the particular qualifications required, to the supply in the neighbourhood or in the country as a whole. If so, why not merely compare the salary paid a post in your company with the salary paid the same post in a company of your size in your industry and in business in general? Of course, if all business had the same posts, and if their duties were identical, no evaluation would be needed. But more often than not, posts with the same title are not identical. For example, in a U.S. company, the president is usually the chief executive. Yet in some firms, the president has a secondary role, and the chairman of the board of directors is the chief executive. In some, the title of vice-president is given only to heads of divisions; in others, the title is lavished around, either to impress customers or as a mark of honour instead of a pay rise. It is Mr. Smyth's experience that valid comparisons of posts between companies can only be made in about 20 to 40 per cent of cases.

The level of salaries, even for comparable posts in companies of the same size, varies greatly between industries in many countries. In Europe and the USA, certain industries such as pharmaceuticals, cosmetics, motor cars, textiles, and department stores, pay senior executives at the high end of the salary scale. In such industries, senior executives must make many, and quick, decisions involving large sums of money with big possibilities for profit or loss. But others, like electric power, communications, railways, banks, and insurance companies, pay executives less. Here, the range of decisions is often narrowed by government regulations, or decisions are fewer and can be made under less pressure, or involve smaller potential profit or loss. For example, in 1961 a typical president of a U.S. cosmetics manufacturing firm with annual sales of \$37 millions might have a basic salary of \$75,000, while a president of an electric light and power utility with the same value of annual sales might have a salary of only \$47,000.

In order to prepare a salary evaluation plan, you need to collect the facts about posts and pay in other companies from (1) annual reports, (2) trade associations, (3) business consultants, and (4) by special enquiries addressed to particular companies. Mr. Smyth recommends personal enquiries in case (4), as surveys conducted by 'phone or mail care usually misleading. Although competing firms in the USA may be ready to discuss their salaries and the duties that go with them, I foresee difficulties in Europe and Asia, where firms are apt to be jealously secretive and do not always appreciate the value to their industry of informal co-operation.

In order to prepare a methodical salary structure for your company, you should plot a graph in which the vertical gives the annual basic salaries, and the horizontal the post evaluation points. When you draw in the resulting curve, you will, unless your salary structure is already ideal, find dots above and below it. You make another graph of the average salaries

paid by other firms in your industry, and by superimposing this on your first graph, you see to what extent your salaries are above, below, or in line, with those of your competitors.

If your salaries are above the average for your industry, your justification to your shareholders will be that you are able to attract the best men and to retain them. If you are not, in fact, getting the best man, you are now in a position to consider whether there are faults of salary relationships inside your own structure, or whether your personnel management is poor, or what other causes there may be for your difficulties. Mr. Smyth's experience is that when companies find that their salary structure is below that of comparable firms, it comes as a surprise to them, and they seek to rectify it.

Actually, the pay curve finally decided upon in any given situation will depend on a series of considerations. The level and slope of the company's existing pay curve, the past practices of the organisation, the philosophy of the top management and the board of directors, in some cases the viewpoints of major shareholders or government agencies, the overall economic status and prospects of the company and industry, and level and slope of the pay curves of other companies in the same industry or business, and in industry at large, will all need to be reviewed.

When a post evaluation survey has been carried out, Mr. Smyth says that it is often found that from 5 to 20 per cent of executives are being paid less than, and 3 to 15 per cent more than, the minima. Such discoveries should not disconcert: they are precisely what these surveys are intended to reveal and to correct. Once salary ranges have been realistically established, it will be found that new staff can usually be engaged at, or close to, the minimum rates for their posts.

However, in periods of acute shortages of management personnel it may be necessary to pay appreciably more than the minimum of the range. An applicant with unusual experience and educational background

may well warrant a starting salary considerably higher than the minimum of the salary range for his position. Obviously, the higher the starting salary the fewer rupees will be left within the range for subsequent merit increases. Also, other executives in the same position may resent the higher starting salary of the new employee. Certainly, it is to the advantage of the company to hire qualified executives at the minimum of the realistic salary range for their positions or as little above it as is feasible.

Once permission has been secured to fill a vacancy, most department managers want it filled as soon as possible. As the search for applicants continues, there is a tendency to feel that a qualified person could be found if only the salary range for the position were not so low. Thus, subtle pressure is exerted constantly by department managers, and by those responsible for management recruitment, to increase the salary ranges or to start new employees higher within the established ranges.

Frequently, these pressures are the result of not spending enough money on the recruitment of management personnel or of not assigning capable enough or experienced enough executives to do the work of selection.

Actually, a rupee spent on the costs of recruitment administration is a far cheaper rupee than one added to the payroll. The rupee spent on recruitment costs is spent once and for all, but the rupee added to the payroll is spent every pay day. Also, the payroll rupee is often increased by about 20 per cent by fringe benefits, such as holidays, pension scheme, insurance, or other amenities. Too many companies are apt to raise their starting salaries to a higher level than is necessary in a properly thought-out salary structure and not to spend enough on the recruitment of executive staff. In any dynamic economy, it is wise to carry out salary structure reviews at least every two years.

In a final article next week, I will discuss bonus, profit sharing, and other schemes of incentives for executives.

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The American President

THE USE OF POWER

By WILLIAM REES-MOGG

THE party divisions of American politics are less sharp than in most other countries, if only because a conservative Southern Democrat is so far to the right of a liberal Republican. Nevertheless, it is unusual for a party's supporters to express their pleasure at having lost an election. Yet this is now the attitude of Republican voters in the United States.

This is particularly true of Wall Street. The phrases all come to much the same thing: "Of course I voted for Nixon, but ..." "All our partners are Republicans, but I reckon ..." "I didn't vote for the guy, but this fella Kennedy is doing a fine job." It is not until you actually talk to a member of the Republican organisation itself that you meet much resistance to this point of view. Even with organisation Republicans there are no signs of the frantic hostility which the Republicans used to feel for previous Democratic Presidents.

What has President Kennedy done to achieve this extraordinary popularity, a popularity which also shows up in exceptionally favourable Gallup polls? There are several different answers to that question, but there is one answer which cannot be given. He has not had, or tried to have, a dramatic initial hundred days in the pattern of Roosevelt in 1933. He has not taken the initiative to push great measures through Congress, and if he had tried Congress would not have carried them. Even his present modest legislative programme is in surprising difficulties, and a larger programme was not feasible politically.

There is indeed a growing feeling in the United States that Congress is lagging behind public opinion, that it is still preoccupied with the issues of the 1950's (not to mention the 1890's) and has failed to appreciate that the public is behind the new President. One reason seems to be that the balance between the conservative and liberal forces in Congress is an extremely close one, turning on a margin of half-a-dozen votes in each issue. The mood of Congress is influenced by the closeness of its own power-struggle, a struggle which is still going on.

President Kennedy has, however, succeeded in establishing a remarkable direct association with public opinion, and he has used an unexpected instrument—the President's press conference—to do it. When I was over in Washington last month I was able to attend one of these conferences as a guest: it is an even more impressive performance to see live than it is on television.

The President has, of course, a remarkable vigour and youth. He looked tired, reasonably enough, during the press conference on Laos, but normally he leaves the impression of having plenty of energy in reserve. When one considers the sheer load of work on an active President this in itself is both exceptional and reassuring.

He also has a grasp of the whole range of policy of his administration. When I was there he was asked, without warning, a question about a redundant defence factory which the Government was selling in Michigan. He was able to reply in detail about the nature of the problem (the highest bidder wanted to demolish the factory; a lower bidder wanted to operate it).

This grasp of administrative detail is particularly important in the United States because of the relative weakness of the American civil service. Much of the time a British Minister can rely on directing his department, but can leave the implementation of policy to his

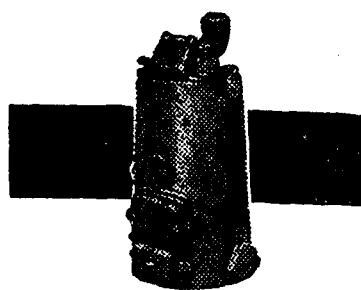
officials. In the United States a strong President has to provide not only the direction but also the energy of Government. The strength of the present administration has been created by the President personally.

There is also a new feeling in Washington that this is an administration which, perhaps for the first time, has a scientific approach to Government. The typical member of the present administration is an intellectual of about the President's age with a good academic training and a precise quantitative approach to political problems. The new Secretary of Defence, Mr McNamara, is a typical example—he was one of the originators of Operation Research in the U.S. Air Force during the war.

However, this cannot mean that the element of emotional sympathy will be left out of the new administration. The administration's sympathies are in fact already reasonably clear. It is anti-colonialist and on the side of the emerging nations. Unlike Mr Dulles it does not exclude neutralism by laying down the rule, which is better theology than politics, that he who is not for us is against us.

The new administration is sympathetic to sterling (mainly because of fear for the dollar) but not so sympathetic about British trading needs. It is pro-European, but determined to make Europe pull its weight in the world. If there is bargaining with the Common Market it is likely to be tough bargaining on both sides.

The U.S. public's honeymoon with its new President shows no sign of coming to an end. He is too decisive not to make some enemies in time, but he has made few so far and won many friends. Because of this decisive leadership he is likely to be followed in the world, but in the world too some countries (of which Portugal was perhaps the first) may resent the determined use of American power.



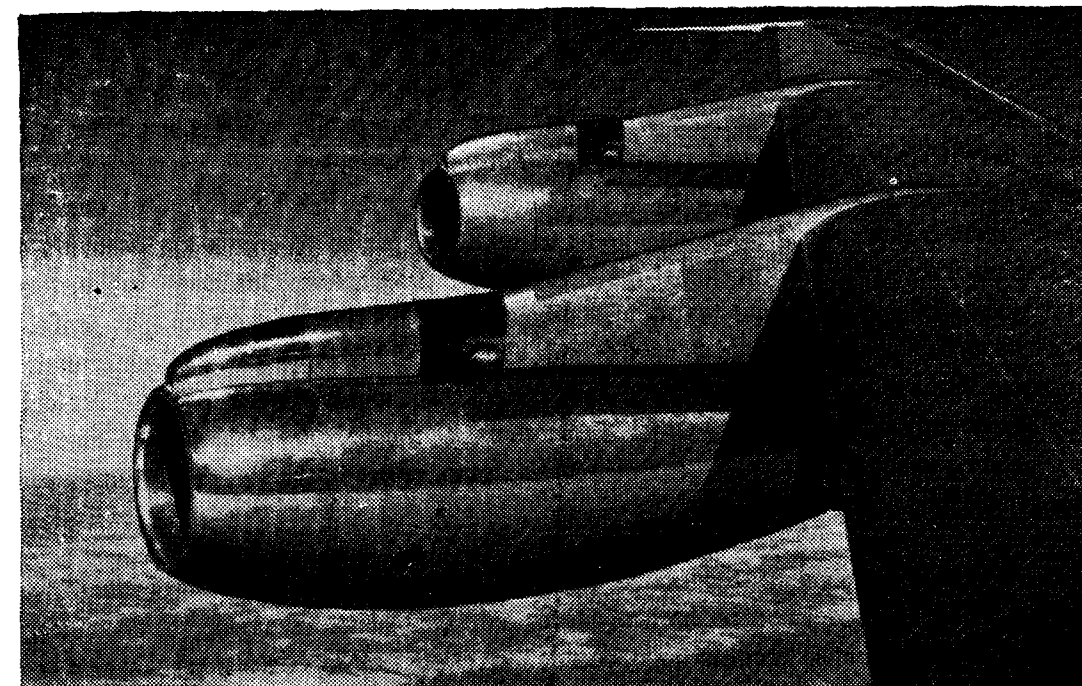
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The European Scene

RUSSIA AND THE TRADE BLOCS

From Our Special West European Correspondent

PARIS, April 9

THE Russians have suffered two defeats in Europe this spring, or at least they have had to abandon hopes of two prizes that one day might have been theirs. The formation of two trade blocs in Europe left out in the cold several countries on the edge of the Soviet zone of influence: Finland in the north and Greece and Turkey in the south. These relatively poor nations could not afford to join their more prosperous western neighbours in ventures like the Common Market and Free Trade Area. If they had been cut off from richer western Europe by being excluded from those trading clubs, the Russian bear would eventually have swallowed them, at first economically but in the end politically too. Indeed the process of economic attachment to the Soviet zone was already far advanced. Greece, in particular, was commercially on the verge of falling into the Soviet orbit, despite her membership of the western political alliance, and her fall would have been hastened if the Common Market had begun to put up an external tariff that shut out Greek goods from their traditional markets to the north-west.

Fortunately, however, one aspect of the benign trade war between the two economic blocs is a sort of competition for satellites and clients. Each side has just succeeded in winning itself a satellite: the Free Trade Area pulled off the coup of attaching Finland to that association, and the Common Market immediately followed by placing Greece on a safe orbit from whence it cannot gravitate toward the Soviet system. Though each side has cried victory over the other, it is clear that the only loser is Russia who, moreover, will suffer a similar defeat when Turkey is securely attached to the western commercial system later this year. The competition between the trade blocs is keen enough for Spain to be practising the usual playing-off routine of "neutrals" who put themselves up for sale to the highest bidder; Madrid is sounding out both the Free Trade Area and the Common Market to see which will offer the more attractive conditions for Spain's membership. Greece, too, tried this technique with some effect when the negotiations with the Common Market began to drag last winter: Athens sent ministers to London to talk about trade, whereupon the Common Market increased its offer of investment capital to Greece. This brief essay in intimidation was not serious, for Greece's natural place is in the Common Market, but Athens was entitled to remind everyone that admission to one or other bloc was urgently necessary, the alternative being continuation of Russian commercial penetration.

The case of Finland was more complicated, since the Finns for their sins were well and truly under Russia's thumb; the Russo-Finnish trade pact binds the little country firmly to her great neighbour. This made it impossible for Finland to adhere to the Free Trade Area as a full member without granting Russia the same facilities as she gave her new partners. The Russians invoked the most-favoured-nation clause, which is of course pure hypocrisy on the part of a Communist state where the treatment that foreign traders get is not determined by tariffs and quotas but by central decisions of the planners. Thus a nation that favours Russia by lowering duties is never assured of being favoured in return; how much that nation sells to Russia conti-

nues to depend on the planners' decisions, so that "reciprocal" reductions of duties, etc. are meaningless. At all events, the members of the Free Trade Area simply rejected Russian requests for most-favoured-nation treatment and worked out a complicated way of associating Finland with their enterprise. Finland, as one party, and the EFTA, as a second party, have formed a subsidiary free-trade zone of two members; Finland gets the benefits of the Stockholm Treaty yet remains independent. On the one hand, Russians pretensions are checked, and on the other the danger is avoided of leaving Finland out on her own in Russia's shadow when her Nordic neighbours club together in EFTA. The solution is intricate and it remains to be seen how it will work, but it is already assured that Finland stays in the western trading world.

The ingenuity and rapidity with which this complex problem was solved by the Seven led some Swiss newspapers to comment patronisingly on the difficulties that the Six were having in reaching agreement with Greece. It was demonstrated, they said, that EFTA was a supple instrument for bringing nations together, whereas the heavy machinery of the Common Market made extension much harder. Actually, within a few weeks the pact between Greece and the Common Market was signed in Brussels. Admittedly, this pact, concluded after 18 months of close bargaining which several times seemed to be on the edge of failure, has now to be approved by the Greek Government and ratified by the Greek Parliament, approved by the European Parliamentary Assembly and the six-nation Council of Ministers and then ratified by each in turn of the six national parliaments. This is indeed heavy machinery, but it will work smoothly because all the economic issues have been settled and within a few months Greece will be the first associated member of the Common Market.

The setback for Russia is in this case considerable, which is why the agreement, favourably received by Greek national opinion, is being described by the Greek Communist Press as a "national disaster" that hands the country over bound hand and foot to "foreign capitalists" and ushers in a new period of slavery. In reality it liberates Greece from the dangerous and increasing dependence on the Soviet bloc. As everyone who has visited Greece in recent years knows, the country is flooded with Russian goods, from motor cars to watches, delivered at dumping prices as part of a concerted effort to incorporate Greece into Soviet economic sphere. Greece used normally to sell 45 per cent of her exports to the six nations now members of the Common Market, but as Italy gained preferences in that region for her citrus fruits, fish, dried grapes and tobacco, Greek agricultural exports to the north-west fell seriously. These goods had to be sold to the Communist countries in the north-east, in exchange for industrial imports from those states, and the consequent diversion of Greek trade channels was beginning to have evident political repercussions.

To bring Greece back to the western trading system meant admitting her agricultural exports to the Common Market, and if these were admitted at falling duties, as is the rule between full members, the compa-

tion for Italy (already the poorest member of the venture) would be severe. Besides, Greek tobacco and the question of a common agricultural policy raised difficulties for all the members, not only Italy. The price members would demand for these sacrifices would be freer entry of their manufactures into Greece, and that in turn threatened the infant and inefficient industries of the islands. To counter that, the more prosperous members had to agree to offer substantial loans for the modernization of Greek industry, and much of the dispute has been about the sum required. It is reported that the figure of \$130 million was settled on, this sum to be invested over five years by the European Investment Bank. The lenders, who will be the West Germans in particular, gain the right to see that these capital investments are efficiently disposed of; this is no doubt the enslavement to foreign capital referred to by the Greek Left.

The treaty between Greece and the Common Market is as intricate as the arrangement between Finland and EFTA. A customs union will be formed, coming into effect very gradually: 12 years for most products and 22 years for the others. Italy benefits from certain safeguard clauses, while Greece retains a number of "tariff-quotas," i.e. the right to continue to import duty-free quantity of goods from her traditional clients outside the Common Market. Here again, it remains to be seen how this arrangement works in practice but it is already assured that Greece's anchor is cast in a western port, so that the drift to the east ceases and might soon be reversed. Ulysses, it has been said, will henceforth be deaf to the songs of certain sirens. The asso-

ciation will have an undoubted economic cost for Greek industry, called upon to face up to some competition from Germany, but fresh capital will be available to assist it, and the five-year plan is guaranteed of fulfilment.

The difficulty of working out this project has convinced the Common Market negotiators that they cannot hope to repeat the arrangement in the more difficult case of Turkey, where, moreover, even larger capital investment would be required. The negotiations that begin next week with Ankara will be directed rather at a close trade agreement between the Six and Turkey. The economic question is complex but the political objective is the same: to ensure that Turkey does not suffer from integration in Europe to the point where she would be obliged to lean more heavily on Russia and the Communist bloc. The Six are in an optimistic mood and there has been talk of going on to similar arrangements with Israel, Spain and even the United Maghreb that could emerge if an independent Algeria united with Tunisia and Morocco—so that, in the end, the whole Mediterranean was virtually encompassed by the Common Market. It requires considerable enthusiasm to entertain that grandiose project at this date. Yet the political necessity to check Russian penetration in the region is obvious, at least by ensuring that economic integration in Europe does not leave a periphery of waifs and strays liable to be devoured by the Communist trading nexus. The ingenuity shown by both the rival commercial blocs, in the cases of Finland and Greece, confirms that this is perfectly feasible.

Economic Report from the U.S.

CREATION OF THE OECD

By GUY SIMS FITCH

WASHINGTON, April 5.

A NEW spirit seems to have come alive in that complex of nations which has come to be known as the free world. It is a spirit of rededication to the cause of human progress and well-being, through the practical and co-operative efforts of all nations, large and small, developed and developing. This spirit is rooted in the desire of the developing nations to achieve a better life, and in the willingness of the industrial nations to help them in this endeavour. It is sparked by the readiness of the industrial nations to join together in co-ordination and enlarging the assistance effort, and by the economic momentum which has seen them overcome past dislocations and arrive at new positions of economic strength. It is mirrored in the creation of the organization for economic co-operation and development (OECD), through which the industrial nations will harmonize national policies for the orderly promotion of economic growth, and will find more efficient ways to make capital resources available to the developing lands.

The OECD, which already has been ratified by the United States and Canada, is scheduled later this year to succeed officially the largely outdated and regional Organization for European Economic Co-operation (OEEC). The United States and Canada, only observers in OEEC, will become full-fledged partners in OECD, along with its 18 West European members. Japan, as a member of OECD's Development Assistance Committee, also will participate in the organization's studies of aid for developing lands. This committee already is functioning under the title of the Development Assistance Group (DAG), of which ten capital-supplying nations are members. They are the United States, Canada, the United Kingdom, Belgium, France, the Federal Republic of Germany, Italy, Japan, the Netherlands and Portugal, plus the Commission of the European Economic Community (EEC). DAG recently concluded its fourth meeting, in London, and is scheduled to meet again in Tokyo in July. The London meeting brought approval, in effect, of the concept that the aid total can and should be enlarged, although no precise formula was worked out with regard to each member's contribution. However, the meeting agreed on a study of principles for a fair sharing of the aid effort, with due regard to the circumstances of each country, especially its economic capability. Another important development was the agreement, in principle, that aid should be on an assured and continuing basis, with emphasis on long-term loans rather than short-term commercial credit.

Not the least of the meeting's accomplishments was the provision for permanent DAG officers—an indication that now, and later as part of OECD, its work has a long-range importance. Its Chairman will be from the United States, and its Vice-Chairman from France. For its part, the United States is planning to place its own foreign aid programme on a new footing, one that frankly recognizes the need for revamping old programmes and for achieving greater efficiency in budgeting for economic assistance on a long-term basis. It has been urging its OECD partners to do the same. The U.S. hope seems to be that the combined aid effort of the free industrial nations can

yield about \$8,000 a year in badly needed capital for the developing lands. A recent study by the OEEC reveals that from 1956 through 1959 the total flow of funds from Western Europe and North America to developing areas totalled more than \$27,000 million, for an average of about \$6,900 million a year. The United States provided about half the total, and about 60 per cent of all the governmental assistance.

A sum of this magnitude clearly does credit to the interest of the industrial nations in advancing the well-being of the less-developed regions. But it is the U.S. belief—one that seems to be gaining general acceptance—that other contribution, themselves the recipients of large amounts of U.S. aid in the past, have progressed economically to the point where they now are able to expand their aid programmes, particularly in the form of long-term Government credits, and thus take up a larger share of the total effort. Also gaining ground is the view that the recipient countries must carry out their own reciprocal obligations in this co-operative effort, this involves meaningful self-help programmes, including where necessary not only economic but also political and social reforms. Thus, it can be said that the world now stands at the threshold of an exciting new age. It is an age both of ever-present challenge and of prospective fulfilment, an age in which through the right kind of effort and co-operation, free nations can be partners in the great cause of advancing the welfare of mankind.

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WORLDGRAM

India

Steelmaking Plant Completed Ahead of Schedule:

With the completion of testing of the 100-ton open hearth furnace, the final unit of the melting shop, all the steelmaking facilities at Durgapur have now been installed. The work has been completed well ahead of schedule. Three furnaces went into production last year and dates for the commissioning of the others remain to be fixed. The steel-melting shop consists of seven open hearth furnaces of 200 ton capacity each plus the 100-ton furnace previously mentioned. The 100-ton furnace has been designed for the specific purpose of producing special steels for the manufacture of wheel sets for the Indian railways. The steelmaking plant embodies the most up-to-date layout and will, in full operation, produce a nominal 1 million ton of ingot steel per year. This plant was designed and built by a member company of Iscon—the British consortium building the steelworks at Durgapur.

India's Foreign Trade in Merchandise in February, 1961: The provisional figures of India's foreign trade in merchandise by all-routes sea, air and land—on private and Government accounts during February, 1961, according to information available in the Department of Commercial Intelligence and Statistics, Calcutta, are given below:

Exports	Rs. 53.25 crores
Re-exports	Rs. .34 crores
Imports	Rs. 74.32 crores
Balance of Trade	Rs. 20.73 crores

The figures exclude trade with Tibet, Sikkim and Bhutan, and the trade arising in the Andaman and Nicobar Islands and the Laccadive, Minicoy and Amin-divi Islands. In the case of Nepal, air-borne trade alone is included. The figures are exclusive of the value of certain consignments of private merchandise under reference to the customs for verification and of Government stores awaiting adjustment.

Table I below brings together the provisional figures for February 1961, along with similar figures for January, 1961, February, 1960 and the revised figures for February 1960:—

TABLE I
(In Crores of Rupees)

Foreign trade in merchandise	For the Month of			
	February 1961	January 1961	February, 1960	Provisional Revised
Exports	53.25	53.84	47.09	46.01
Re-exports	.34	.70	2.72	2.77
Imports	74.32	83.42	69.12	78.38
Balance of Trade in merchandise	—20.73	—28.88	—19.31	—29.60

The cumulative totals for the eleven months ended February, 1961, are shown along with the corresponding figures for 1959-60 in Table II.

TABLE II
(In Crores of Rupees)

Foreign Trade in merchandise	Cumulative totals of eleven months, April to February.			
	1960-61	1959-60	Provisional	Revised
Exports	579.30	590.37	577.45	
Re-exports	9.47	6.76	9.28	
Imports	924.29	751.02	859.43	
Balance of Trade in merchandise	—335.52	—153.29	—272.70	

Indo-German Project: Toshniwal Brothers Private Ltd., leading firm of Bombay, importing all types of scientific instruments and laboratory test equipments in collaboration with Hartmann and Braun of Frankfurt, Germany, proposes to set up a Rs 65 lakh plant in Ajmer (Rajasthan) for manufacturing annually Rs 60 lakhs worth of industrial process control and test equipment. The proposed plant will be the first of its kind for large scale production with possibilities of further expansion. Industrial licence has been obtained from the Government of India and land has been acquired for setting up the factory which is expected to be completed within the next six months. Part of the production is expected to be marketed by the end of 1961. The foreign exchange required for the proposed plant will be about Rs 22 lakhs. The Company is allowed to export its products to neighbouring countries like Burma, Ceylon, Pakistan and Nepal. The equipment to be produced are mainly used by paper, chemical, plastics and iron and steel industries.

Production of Malted Milk Powder: An improved process for the production of nutritive and palatable malted milk powder and allied products has been developed at the Central Food Technological Research Institute in Mysore. The new process makes use of solid powder, such as malt extract and milk powder as base material instead of fresh milk and malt liquor. Production is thus facilitated since the amount of water to be evaporated for preparing the product is reduced. The base materials required in the new process are ragi, jowar, barley, wheat and milk which are easily available in the country. The total capital outlay for a 300-ton annual capacity plant is estimated at about Rs 6.85 lakhs. In 1957 the total value of malted milk and malted milk powder imported was about Rs 95 lakhs. Since then, imports have been drastically reduced to about 5 to 10 per cent.

O.G.L. for Imports from Pakistan Issued: The Government of India have issued an Open General Licence for the import of four items produced or processed in Pakistan. The items listed on the O.G.L. are fish, not otherwise specified; fish, salted, wet, hide and skins, raw or salted, and kapok. Payments in respect of the last item viz. kapok under this O.G.L. will be made in non-convertible Indian rupees as provided for in the trade agreement between the Governments of India and Pakistan signed on March 2, 1960. The O.G.L. will be valid up to April 30, 1961.

National Federation of Co-operative Sugar Factories: To co-ordinate and facilitate the working of co-operative sugar factories and provide them technical and other assistance, a National Federation of Co-operative Sugar Factories, was registered on December 2, 1960. Other processing units set up in the first four years of the Second Plan, numbered 243, the agricultural commodities processed by them including cotton, paddy, groundnut and other oilseeds, etc.

United States

Assistance to Indian Products: Representatives of the United States and Indian Governments signed recently six project agreements allocating a total sum of Rs. 46 crores, the loan portion of U.S. P.L. 480 counterpart funds available to India. The agreements will cover rupee costs of thermal power stations at Chandrapura (Rs. 20.5 crores) and Barauni (Rs. 1.3 crores), a hydro-electric project at Barapani (Rs. 6.4 crores), extensions to thermal power stations at Durgapur (Rs. 3.4 crores) and Kanpur (Rs. 95 lakhs), and

the Trombay Fertilizer Plan (Rs. 13.4 crores). The entire estimated costs of all these projects are being financed by the United States. Agreements have already been signed with the U.S. Development Loan Fund for covering foreign exchange costs amounting to \$87.9 million. All these U.S. D.L.F. loans are repayable in rupees. Since India's Third Five-Year Plan calls for increasing agricultural production by more than 30 per cent, the Trombay Fertilizer Plant will be of considerable importance. The Third Plan contemplates tripling the output of nitrogenous fertilizers and increasing the output of phosphatic fertilizers by 6 or 7 times. Total U.S. assistance in India now stands at Rs. 1,808.9 crores.

United Kingdom

White Paper on National Income and Expenditure:

According to the White Paper on National Income and Expenditure published in London on April 5, the money value of goods and services produced in Britain was 6 per cent higher in 1960 than in 1959. This rise compares with one of 3½ per cent between 1958 and 1959. Investments in plant, machinery and building rose by over 9 per cent between 1959 and 1960. Consumers expenditure rose by nearly 4½ per cent, about the same as between 1958 and 1959. Both exports and imports also rose but as in 1959, the rise in imports (nearly 13 per cent) was larger than the increase in exports (6 per cent). The gross national product was valued at £22,292 million in 1960. Consumers expenditure was valued at £16,640 million. On the income side, the main changes were in income from employment (7 per cent higher) than the previous year. In income from self-employment (up 5 per cent), and in company profits (7 per cent higher).

U.S.S.R.

Soviet Sugar for China: It is reported that before the end of August, U.S.S.R. is to supply China with 5 lakh tons of sugar, on an interest-free loan basis. The loan will be returnable between 1964 and 1967. It has also been agreed that China's outstanding trade account for 1960 should be repayed to the Soviet Union in instalments within 5 years, without interest. Under the terms of the agreement signed recently, the Soviet Union will supply China this year with power and oil equipment industry, tractors, cars, rolled steel, non-ferrous metals and other items. China will continue supply to the Soviet Union of non-ferrous metals, tin, mercury, chemicals, woollen and silk textiles and other manufactured goods.

France

Construction of a New Uranium Ore Treating Plant: Following its plans for the chemical treatment of uranium ore at Bessines and Ecarpiere, the Kuhlmann Establishments has recently built another plant in Forez for the French Atomic Energy Commission (CEA). This plant is administered by the S.I.M.O. an affiliate of both Kuhlmann and CEA. It is able to treat 1,800 tons of uranium ore per year. The process which is being used at this factory for the first time and which is specially patented, makes possible the direct obtention of Uranyl Nitrate with an extreme high degree of purity.

Air France-Japan Airlines New Agreement: During January 1960, Air France and Japan Airlines signed an agreement to ensure close co-operation between the two in all commercial spheres. From 1st April, 1960, according to this agreement, Air France Boeing Jet Intercontinental have services operated under double flags of Japan Airlines and Air France. With effect from 1st April, 1961, the point operations have been extended to the south route Tokyo-Paris via

India. Air France Boeings operating through India now offer services as if jointly of both companies.

Kenya

Rayon Mill for Mombasa: Kenya is to partner Japan in £1 million project which will bring the first rayon cloth factory to East Africa. The factory is to be built at Mombasa on Kenya's coast, by the newly formed Kenya Rayon Mills Ltd. The Japanese Mitsubishi Group of companies will provide technical assistance as well as the substantial part of the capital. The Kenya product, which is expected to be on the market by about July 1962, will compete directly with Japan, which supplies most of East Africa's demand for rayon cloth. The factory plan for Mombasa will produce 15 million sq. yards of rayon cloth a year and several hundred Africans will be employed. The project will cover spinning, weaving, dyeing and finishing of rayon cloth. The whole installation will be one of the most modern in the world.

Trade in 1960: Compared with the figure of £99,892,377 in 1959, Kenya's total volume of trade during 1960 was £110,245,700. Domestic and re-exports total £40,195,463 compared with £38,384,831 in the previous year. As against £61,507,546 in 1959, there were imports worth £70,050,297 in 1960. Coffee remained the chief export earner.

Australia

Factory Production: Above the October 1960 level, the All-group index of Australian factory production in November 1960 rose by 1.9 per cent. This increase is attributed to a gain of 5.2 per cent in non-durable goods sector of the index. Compared with October, there was no change in durable goods section. The lack of change in the durable goods section is significant in the sense that this is the first occasion since the publication of the monthly index in 1957, that November production of durable goods has not been above output in the preceding month.

Yugoslavia

Health Insurance: According to data now available, health insurance covers nearly 18 million people, 97.4 per cent of Yugoslavia's total population. This figure is the result of the introduction of health insurance for more than 10 million peasants and members of their families. The health insurance scheme to include craftsmen is being prepared, so that shortly almost the entire population of Yugoslavia will be insured. As a result of the efforts in health protection of people in Yugoslavia, the mortality rate has dropped from 13.9 per thousand in 1949 to under 9, while the average age of Yugoslav is at present about 12 years longer than before the last war.

Trade with Soviet Union: An agreement on trade exchange for the period 1961-1965 was signed between Yugoslavia and the Soviet Union recently. The agreement envisages a doubling up in trade between the two countries. Yugoslavia will export cables, lead, ferrous metallurgy and chemical industry products, various industrial equipment and machines. By 1965 Yugoslav shipyard will build or the U.S.S.R. 16 tankers of 25,000 deadweight each, 9 ships of the tanker type of 10,000 deadweight tons each. In addition to this, Yugoslavia will supply to the Soviet Union with 3,500 tank wagons, electro-technical equipment, universal driers, complete equipment for fruit and vegetable processing, and other goods. The imports from the U.S.S.R. by Yugoslavia will include pig iron, oil derivatives, aluminium, coal, coke, rubber and other goods.

NEWS IN BRIEF

INDIAN

The State-owned Hindustan Machine Tools has announced its highest ever production, for a one month period, of 131 machines during the month of March, 1961, the previous best being 129 machines during March, 1960.

*

The Tariff Commission will be holding its public enquiry in connection with the revision of existing price linking formula for sharing the price of sugar between the cane growers and the sugar mills on April 14, 1961, in Madras. Public enquiry will also be held later in Bombay.

*

The collieries under the National Coal Development Corporation produced 1,229,025 tons of coal during March, 1961, corresponding to an annual rate of production of 15.85 million tons. The rate of production envisaged at the end of the Second Five-Year Plan was only 13.5 million tons.

*

The Tariff Commission has taken up for investigation the question of continuance of protection to the caustic soda and soda ash industries beyond December 31, 1961.

*

The Broach (Narmada) Project, at Navgaum, about 100 miles from Ahmedabad, in Gujerat State was inaugurated on April 5th. The project, on completion, will irrigate 9,62,588 acres of land annually in the Broach and Baroda districts of Gujerat.

*

Letters have been exchanged extending the validity of the Indo-Greek trade agreement and the lists attached to it until the end of 1961. The trade agreement, which has been first concluded in February 1953, had earlier been extended until December, 1960.

*

The Government of India is expected to take an early decision regarding the setting up of a free trade zone at Kandla. A special officer is being appointed to examine the comments and suggestions received from trade and business interests in India and abroad to the tentative scheme prepared by the Government.

*

Production of iron and steel by the Tata Iron and Steel Company at its Jamshedpur Works during March was better all-round as compared to the previous month. Saleable steel output rose to 114,900 metric tons from 94,200 tons produced in February, according to figures released by the Company.

*

The Integral Coach Factory at Parambur is in the process of diversifying its production. It is now proposed to build, in addition to integral coaches, rail cars and other varieties of passenger coaches.

*

The first All-India Seminar on the Economic History of India was held in Delhi from 8th to 11th April, 1961 under the auspices of the Delhi University.

FOREIGN

The United Arab Republic has signed a contract with £E6.4 m with Fiat of Italy for the construction of a factory near Cairo. The Company will start producing four cylinder cars within a year.

*

The South African Reserve Bank has reduced from 10 to 6 per cent the minimum reserve balances which commercial banks must maintain against demand liabilities payable in the Union.

*

Malayan production of tin metal in February totalled 4,065 tons. This is 11 per cent less than in January and is the lowest since April last year. Production in the first two months of this year has been 8,630 tons.

*

Plans for a new fibre manufacturing and marketing venture in Europe have been announced by Celanese Corporation of the U.S. and Farbwerke Hoechst A.G. of West Germany.

*

It is reported Britain, the U.S. and the Soviet were named recently among 25 countries whose representatives will plan the establishment of a U.N. Capital Development Fund for industrially underdeveloped countries.

*

Kaiser Bauxite has been awarded a contract to supply the U.S. Government with 400,000 tons of bauxite for stockpiling. Kaiser has, therefore, increased Jamaican output to full capacity and has reemployed some 200 workers laid off in December.

*

British Overseas Airways Corporation and Elder Dempster Lines are to dispose of their respective 16.1/3 and 32.2/3 per cent interests in W.A.A.C. (Nigeria), the company which operates Nigerian Airways.

*

The 1961 Sydney (Australia) Trade Fair, where Russia has booked nearly 30,000 square feet of space, is virtually sold out, and a second Sydney Trade Fair has already been officially announced for 1963.

*

The Bank of Japan has announced that Japan's balance of payments for February showed a surplus of \$63m. But receipts in the current account totalled \$39m. against payments of \$432m. This large deficit was attributed mainly to continued high imports of raw materials and machinery, and an unfavourable balance in invisible trade.

*

It is reported although the banks' advances to local manufacturers are no longer subject to the ceiling which was first imposed in August, 1958, Turkish industry as a whole is still extremely short of liquid money.

*

Pakistan has decided to establish another oil refinery. This time in East Pakistan at Chittagong with a capacity of 1m. tons. Steps are being taken to attract foreign interest in the project but no indications are yet available as to the sources tapped.

*

Greece and West Germany signed an agreement in Athens recently mutually guaranteeing private investments in each other's countries against discrimination and expropriation without compensation.

Special Article

TRENDS IN BANK DEPOSITS AND ADVANCES

STRINGENCY in the banking system has steadily grown since August 1960, with the result that the ratio of advances to deposits exceeded the 70 per cent mark in the middle of March 1961. This is not the first time that this ratio has overshot this point; as early as March 1957, it had risen even to 76.58 per cent. But the comparison of the ratio between March 1957 and March 1961 hides one important element which tends to lessen the degree of tightness. P.L. 480 funds credited to the State Bank of India have hitherto kept the advances-deposits ratio of the State Bank rather low and this had in the past tended to lower the level of ratio for all the scheduled banks taken together. The picture becomes clearer if this ratio is considered for all the scheduled banks after excluding the State Bank. In this way, the ratio is computed to be a little more than 80 per cent in March 1961, as compared to 81.6 per cent in March 1957. Thus tightness in the banking system is almost as high as in March 1957 and it is obvious that the scheduled banks are left with little room for manoeuvre. This fact is brought out clearly in Table I below.

TABLE I
CREDIT-DEPOSIT RATIO

Year	Highest	Lowest	Amplitude
1950	57.13 (April)	46.82 (November)	10.31
1951	65.37 (May)	56.77 (January)	8.60
1952	70.39 (March)	53.43 (November)	16.96
1953	63.52 (March)	52.30 (November)	11.22
1954	66.36 (May)	56.13 (November)	10.23
1955	66.07 (March)	58.03 (October)	8.04
1956	72.98 (March)	64.53 (January)	8.45
1957	76.58 (March) (81.60)*	61.47 (November)	15.11
1958	66.34 (March)	52.85 (November)	13.49
1959	62.00 (March)	50.34 (November)	11.66
1960	62.41 (December)	52.92 (January)	9.49
1961 (Upto March)	70.81 (March) (80.32)*	63.71 (January)	—

* Excluding the State Bank of India.

The basic reason for the intractable rise in the ratio since August 1960 has been the heavy demand for funds while deposits have persistently refused to expand. During the last 12 months, the advances of the scheduled banks have risen by more than Rs. 200 crores while deposits, instead of rising, have fallen by something like Rs. 26 crores during the same period. What are the reasons for the failure of the deposits to look up? Various explanations have been offered, the most important being the lack of confidence in the banking system following the failure of the Palai Bank and a sizable diversion of the surplus funds to the non-banking financial institutions because the rates of interest in the non-organised banking system are very encouraging as they rule above 12 per cent per annum. The higher rate of interest in the non-banking system is likely to continue its pressure on the available funds,

though the effect of the failure of the two scheduled banks in 1960 will slowly wear out and may very soon cease to operate as a factor restricting the flow of money into the banking system. The history of banking in industrially developed countries has shown that the competition between the banking and the non-banking sectors to attract surplus money in the economic system is always very keen, and the non-banking sector — because of the higher rates of interest (some-time more than double the rates prevailing in the organised sector) — is mostly successful in drawing larger funds to itself. This factor, it seems, will continue to operate in this country also. It is for the scheduled banks to intensify their activities and open new branches at places where fresh pools of incomes are being created so as to mop up the surplus funds. But this is only a long-term solution. Something needs to be done at once in order to break the vicious circle in which the banking system finds itself currently.

The increasing interest which the banking system in the country has taken in Indian industry has been unwisely decried in certain circles. With the expansion of the industrial sector of the country it is natural that the banking system should play a greater role in providing medium-term finance to industry. The analysis of the pattern of advances of the scheduled banks during the last decade (vide Table II on page 976 shows the important role played by the banks in providing finance for this vital sector of the Indian economy.

Between December 1950 and April 1960, the advances of the scheduled banks rose by Rs. 650 crores out of which Rs. 381 crores were advanced to industry. This fact may be illustrated in another way. In December 1950, the share of industry in the advances of scheduled banks was only 32 per cent. By December 1955, its share had risen to 34.3 per cent while in April 1960 it had grown to the level of 47.4 per cent. Figures for April 1961 are not available. But it is certain that the ratio of advances to industry in relation to total advances will be above 50 per cent. Part of the present tightness and rigidity in the banking system may be explained in terms of this increasing share of advances to industry also.

In order to finance this high level of advances, the banks during the last eight months have liquidated their investments in Government securities and since August 1960 their investments have fallen by Rs. 200 crores. This is rather an unhappy trend because it tends to put serious limitations on the loan component of the Third Five-Year Plan. The draft outline of the Third Five-Year Plan released in June 1960 had assumed that a sum of Rs. 850 crores would be borrowed from the public and here the banks were supposed to contribute a sizable portion.

How is this vicious circle to be broken? In order to assist the economy in continuing its upward trend in growth, it is necessary that the banking system should be relieved of its present stringency. Mr. G. D. Birla has put forward a constructive suggestion for reviving the bill market so that the channels of growth are not choked up. It is to be conceded that liberalisation of credit through the revival of bill market will have its repercussions on production and prices. While production will take some time to pick up, prices may rise in the short period. Foreign aid on a liberal scale could also be one of the instruments for curing the present malaise. But there is a limitation even on this course,



and it becomes obvious that in the present state of the economy, the Third Five-Year Plan may have to be re-phased so as to keep it within feasible limits.

Any new money pumped into the system either by deficit financing or through the bill market or through

foreign aid is likely to generate inflation in the first round. It is only in the second and third rounds when consumer goods increase in supply and match the increase in money supply that prices could be kept in check. Slight increase in the inflationary pressure seems inevitable for breaking the vicious circle.

TABLE II
ADVANCES OF SCHEDULED BANKS: 1950-60

(Rs. crores)

	December 1950	December 1955	December 1956	October 1957	October 1958	October 1959	April 1960
1. Industry							
Cotton Textiles	39.33	49.69	81.48	111.18	122.06	120.02	123.89
Jute Textiles	21.72	14.53	26.48	28.17	23.05	18.36	24.89
Iron & Steel	7.18	7.09	7.73	16.87	21.58	28.15	24.43
Engineering	13.79	31.13	58.36	67.90	72.02	82.82	86.31
Sugar and Gur	10.52	25.33	32.45	27.79	23.85	17.19	76.26
Vegetable oil crushing and refining ..	—	11.28	10.55	10.26	9.86	11.93	21.82
Total of (1)	152.36 (32.0)	220.96 (34.3)	305.53 (38.5)	383.71 (43.6)	398.11 (47.9)	418.48 (44.7)	533.31 (47.4)
2. Commerce							
Wholesale Trade	139.38	214.97	270.78	254.13	212.39	251.94	319.53
Retail Trade	11.73	14.33	14.22	14.67	12.62	15.45	16.61
Total of (2)	246.13 (51.7)	323.17 (50.1)	376.81 (47.5)	375.85 (42.7)	312.54 (37.6)	373.55 (39.9)	444.17 (39.4)
3. Agriculture	10.96 (2.3)	11.30 (1.8)	13.85 (1.7)	24.18 (2.7)	21.56 (2.6)	25.72 (2.7)	19.36 (1.7)
4. Personal and Professional	42.15 (8.9)	55.38 (8.5)	67.50 (8.5)	61.38 (7.0)	66.30 (8.0)	77.98 (8.4)	88.95 (7.9)
5. Others	24.03 (5.1)	34.12 (5.3)	29.87 (3.8)	35.45 (4.0)	32.97 (4.0)	40.00 (4.3)	40.23 (3.6)
6. Total Advances	475.63 (100.0)	644.94 (100.0)	793.55 (100.0)	880.56 (100.0)	831.49 (100.0)	935.71 (100.0)	1126.02 (100.0)

Note: Figures in bracket indicate percentage to total.

THE BRITISH INDIA CORPORATION LIMITED, KANPUR

BRANCHES DIVISION

Cawnpore Woollen Mills Branch

Cooper Allen Branch

New Egerton Woollen Mills Branch

North West Tannery Branch

LONDON OFFICE.

BEGG SUTHERLAND DIVISION

SECRETARIES & TREASURERS

The Elgin Mills Co. Ltd.

Cawnpore Sugar Works Ltd.

Cawnpore Textiles Ltd.

Champaran Sugar Co. Ltd.

Brushware Limited

Saran Engineering Co. Ltd.

Secretaries for: Beta Picker & Co. Ltd.

Royal Exchange Assurance.

THE BUSINESS WORLD

Ideology and Reality

By CROESUS

THE GOVERNMENT is trying to develop a Welfare State in the country, consistent with the provisions of the Constitution. It has in the same spirit accepted the goal of a Socialistic Pattern of Society. . . But in a country with a large population which is growing rapidly, with the majority of the people at the subsistence level, with a minority having large fortunes, and with unlimited scope to produce more but with limited resources, human and material, to do so, a Socialistic Pattern of Society is not easy of realisation in the near future." Few will disagree with this considered conclusion of one of India's most eminent economists, Prof. C. N. Vakil, and it is just as well that this view was expressed by him in the course of his Walchand Memorial Lecture, last week, on the "Industrial Revolution in India."

It is a moot point whether even so doughty a captain of industry as the late Mr Walchand Hirachand, who could pioneer so many industries in the pre-Independence days, would be able to achieve half as much in the circumstances prevailing to-day. Apart from the cry of the wolf in the name of concentration of wealth and monopolistic tendencies in a few hands, which is a sufficient damper to the enthusiasm of any entrepreneur, the freedom enjoyed by private enterprise today is too severely restricted—restricted beyond the exigencies of the situation—by the maze of regulation (not necessarily always basic to the needs) and the Government departments which have grown more rapidly than the rate assumed in Parkinson's Law. As Prof. Vakil pointed out, this has led to certain defects. To quote his own words, "the personnel may not be trained and experienced; they may not be sympathetic in dealing with the problems on hand. The multiplicity of rules introduces an attitude of avoiding responsibility by some officers; decisions are not taken except at the highest level making for delays and frictions; complaints of the misuse of authority as in the grants and licences are common. A new class of intermediaries seems to have grown who make it a business to help those interested in seeing through their applications by methods which are not above board." Prof. Vakil is by no means the only one to hold such a view. Only a few days ago, the Estimates Committee of the Lok Sabha itself strongly criticised the cumbersome licensing procedure by pointing out that, as against the three-month limit set by the rules under the Industries (Development and Regulation) Act, it takes nearly 4.7 months, on an average, to obtain a licence. This was also the main theme of the presidential address at the last annual general meeting of the Indian Chemical Manufacturers' Association.

It might appear intriguing that, notwithstanding all these irritations and in spite of all the limitations imposed upon private enterprise thus, private enterprise should

still continue to be growing, as it has been. The simple explanation, of course, is the admitted dynamism and robust optimism of private enterprise. But, as Prof. Vakil observed, something must also be said for the change in the climate for private enterprise that has become noticeable for some time past. "There is," for instance, "increasing understanding in more recent times; private enterprise has established its position by good work and its contribution to the development process. Public enterprise has found by experience that success is not easy, that they are not above complaints and that they have yet to prove their capacity to earn profits. Though, for some time, public enterprise took the greater share of available investment, the logic of events seems to have brought an awareness that they cannot neglect private enterprise." As compelling a circumstance as any that has contributed to the change in the atmosphere for private enterprise, in my opinion, is the yet other factor indicated by the eminent professor, namely, "the increase in dependence on foreign assistance and the difficulties experienced by foreign governments to help at the government level and the willingness of the foreign private enterprise to come into the picture provided they are given adequate safeguards and facilities." This is quite obvious from the recent decision of the Government of India to keep in abeyance, as it were, their pet policy of nationalisation of industries for sometime. While all these have given sufficient encouragement to Indian private enterprise, one cannot yet say with any degree of definiteness that the party in power has abandoned its Socialistic Pattern of Society concept. On the contrary, the pronouncements of those at the helm of affairs leave no doubt whatsoever that they are wedded more strongly than ever before to this ideological concept. All the same, so long, at any rate, as there is, as between the private sector and the public sector, mutual respect, instead of friction, and co-operation, instead of conflict, we need not apprehend any setback to the healthy growth of our economy.

I think Prof. Vakil has rendered a signal service to the country by helping to provide the proper perspective to those obsessed with the notion that the operation of the present economic system has resulted in concentration of wealth or creation of inequalities. His thesis, that the very effort to produce more, whether in the public sector or in the private sector, creates new inequalities merits close and careful study by students of economics. In the words of the Professor, "Modern large-scale production results in some concentration of economic power. Besides, the rapid development of industry, however dispersed, creates new vested interests. . . . In spite of various restrictions and even heavy taxes, this situation creates new inequalities at a time when the objective of the country is to remove inequalities in the hope of bringing about a Socialistic Pattern of Society. In our efforts to produce more to fight the problem of poverty, we have to pass through stages of this nature, which

seem to be inconsistent with the declared policy of the Government."

All these go to confirm my conviction that the rate of economic growth is determined neither wholly by the extent of ambition of a country nor even by the extent of outside aid that that country may manage to secure, but is also conditioned by certain inherent inhibiting factors within the country itself. In the case of our country, moreover, what the authorities have undertaken is not merely economic development but an all round transformation. As the learned Professor noted, there is no parallel in the history of the whole world to the unique transformation that is sought to be achieved by the powers-that-be—a simultaneous transformation in economic, social, and political spheres for a large population in a peaceful

democratic manner and in a comparatively short time. This is, indeed, a great adventure, an adventure that is a challenge to, and calls for, the highest statesmanship and the wisdom of any one. Not until the four basic requirements which Prof. Vakil listed, namely (1) national consciousness with the desire to work for national unity, (2) avoidance of waste, both human and material, (3) sustained disciplined hard work, and (4) an intense desire to progress against all odds, are ensured,—and only the wisest statesmanship can do it—therefore, can this country hope to reach the so-called take-off stage. It is precisely these characteristics that may be expected to imbibe from the careers of our great pioneers like Mr. Wanchand Hirachand. The Maharashtra Chamber of Commerce could not have perpetuated his memory more fittingly than by arranging these Memorial Lectures.

Business Notes

Food

PROBLEM FOR WHEAT

THE ABOLITION of wheat zones, announced by the Union Food and Agriculture Minister, Mr S. K. Patil, last week, is indicative of the fact that the country has turned the corner on the food front, insofar as wheat requirements are concerned. Restrictions on the movement of rice remain. But with the encouraging final estimate of last year's crop at 33.7 million tons, the situation on this front too is likely to remain quite easy this year.

Removal of restrictions on movement of wheat is scarcely surprising. The step was inevitable in view of the prospects of a bumper harvest this year and an all-time record stock of nearly 2 million tons with the Central and State Governments. The change in outlook on the wheat front has not to an inconsiderable extent been due to import of foodgrains under the P.L. 480 Agreement signed late last year, by virtue of which 16 million metric tons of wheat would be arriving in India from the U.S.A. by 1964-65. The signing of this agreement had led to unloading of the hoarded stocks, both by the trade and the agriculturist, and has gone some way in curbing speculative tendencies.

The recent spurt witnessed in wheat prices in the main producing areas, though disconcerting to some extent, is not likely to persist long. The fall in prices in the main consuming areas is indeed welcome. With the freedom to move wheat from one State to another, it is expected that wheat prices will stabilize at reasonable levels in both the consuming and the producing States, thus, ensuring availability of this staple food to the consumer at a reasonable price and a fair return to the farmer.

In view of the increasing production of wheat in the country, as evidenced by the successively good harvests during the past three years, and the massive investment that is envisaged to be made in the agricultural sector of the Indian economy during the Third Plan period, is it not time to go in for a price support scheme for at least the major food crops? Some circles view this step to be unnecessary and uncalled for; in their opinion, with the country not expected to become self-sufficient in food in the near future, foodgrains prices are not likely to fall to a level which will yield an uneconomic return to the agriculturist. "The Eastern Economist," however, holds the view that fixing of "floor" prices for wheat and the other major foodgrains is now necessary to give incentive to the farmer to produce more and to provide

him a psychological satisfaction that if he produces more, his income will not be adversely affected. If food-grains prices do not fall below the "floor" level, there will not be any necessity for purchase of foodgrains by the Government. But if they do, the interest of the agriculturist will have to be safeguarded, lest there should be diversion of land from under food crop to commercial crops which in the expanding economy of India today are fetching fancy prices. Any diversion of land from under foodgrains to commercial crops will postpone the day of this country's becoming self-sufficient in food.

Petro-Chemical Industries

PRE-REQUISITES OF DEVELOPMENT OUTLINED

BOMBAY WAS appropriately chosen as the venue for the twentieth annual general meeting of the Indian Chemical Manufacturers' Association, held last week. In recent years, it may be noted, some Western India centres—particularly Pimpri, Greater Bombay, Bulsar, Baroda and Ahmedabad, among others—have acquired considerable importance, thanks to the development of numerous heavy chemical, fine chemical, dyestuffs and pharmaceutical industries in this region. The occasion was availed of, as usual, to review the progress of the industry, but with one difference, namely that Dr K. A. N. Rao, the out-going President of the Association, took complete stock of the progress made by the chemical industries in the country during the Second Plan period as a whole. This is just as well, as we have already begun the first year of the Third Plan period. Dr Rao alluded, among others, to the expansion of sulphuric Acid, Titanium Dioxide, Phosphatic and Nitrogenous Fertilisers and Penicillin industries, and to the establishment of various new industries, such as Industrial Explosives, Dyestuffs and Pigments, Polyethylene, Polyvinyl chloride and Saccharin Tetracyclin. He further disclosed that schemes had been on hand to take up, during the Third Plan period, the manufacture of intermediates for synthetic drugs and dyes, of streptomycin, phenol, synthetic detergents, trichlorethylene and chlorinated ethanes, etc., not to speak of petro-chemicals.

In regard to the last item, Dr Rao had some important comments to make. While welcoming the appointment of the Kane Committee to examine the development of this industry during the Third Plan period, he rightly questioned the wisdom of withholding information regarding the composition of the natural oil or gas that has been found in the country. Needless to say, petro-chemical industries cannot be planned unless the data about the composition of the natural oil and gas

are made available to interested parties. Recently, an announcement was made that a two-million ton refinery would be established in Gujarat to process the crude from the Cambay and Ankleshwar oilfields. The I.C.M.A. President was naturally concerned to know whether, unlike in the case of production from the Bombay Refineries which has been earmarked for the public sector, production from the refinery to be set up in Gujarat would be allowed to the private sector, although the presumption is that the entrepreneurs concerned would have made sure of this before risking any money or effort. Be that as it may, like all other industries, the chemical industry also has problems, both peculiar to it and those common to all others. But while not ignoring these, Dr. Rao did well to stress and highlight one of them, namely, the delay in the licensing procedure. In this connection, he made the worthwhile suggestion that all the three stages to be completed for securing a licence to start a new industry, viz. (1) grant of a licence under the industries (Development & Regulation) Act, (2) approval of collaboration terms and (3) issuing of an import licence for capital equipment where such import is necessary, might be taken up, more or less, at the same time, so that all avoidable delay in implementing a given project might be considerably reduced, if not avoided altogether.

Engineering Industry

PERFORMANCE AND PROBLEMS

THE GENERAL and electrical engineering industry recorded an improvement in its output during the year 1960 by as much as 15 per cent. The general index of industrial production during the same period went up by 8 per cent. This shows that the engineering industry has been among the major pace-makers. This fact is particularly significant because the engineering industry forms the base of the industrial structure in the country.

Mr P. Bhattacharji, Chairman of the Indian Engineering Association, pointed out at the Association's annual general meeting, held recently, that during the year the Government relaxed considerably the procedure for industrial licensing for a number of industries and also permitted the units with foreign exchange allotment for a specific capacity, to develop capacity in excess of that sanctioned, provided the foreign exchange expenditure was within the sanction. These measures have to some extent led to the improvement in the performance of the engineering industry.

Mr Bhattacharji, however, pointed out that certain weak spots still existed which seriously hampered growth. Foremost among these is the inadequate and improper supply of raw materials. It seems shortage of steel, the basic raw material for the engineering industry, has been posing a serious problem. As an illustration, he pointed out that four of the member firms who are leading wagon builders increased their capacity at Government's request and produced 13,000 wagons in the year ending June, 1958. Although demand for wagons continued, production during the year ending June, 1959, dropped to 6,500 and further to 6,200 in 1960. This was mainly due to shortage of steel supplies. It may be worthwhile to look into the details of the demands of engineering goods manufacturers so that the steel plants, now being commissioned, may try to meet them in terms of quality and specifications.

The Chairman also stressed the need for removing the bottleneck faced by the industry in respect of railway transport. He added that the industry has had to face great hardships owing to non-availability of wagons in sufficient quantity to move its raw materials and finished products. It is imperative, therefore, that sufficient railway capacity is made available to the industry. In view of the general tightness on the transport front, a closer scrutiny of wagon turn-round appears an immediate necessity.

Banking

DEPOSIT RATES

IN HIS speech at the Annual General Meeting of the United Bank of India Ltd., Dr N. N. Law, Chairman of the Board of Directors, stated, and rightly, that growth of deposits did not depend so much on the rate of interest paid as on the confidence in the banking system. In other words, he deprecated the recent upward revision in interest rates on deposits. Dr. Law is of the opinion that in order to create confidence in the banking system, a scheme for deposit insurance should be evolved quickly. The importance of the scheme lies not only in covering depositors' loss in case of bank failures, but more in its ability, as a tranquiliser, to bring about a general climate of confidence. An early adoption of the deposit insurance scheme has been stressed time and again in the columns of the "Eastern Economist," for it is considered to be the most effective instrument of restoring confidence in the banking system. In the recent developments the heartening factor to note is that the Government is giving a serious thought to this question and has made up its mind to introduce such a scheme.

Dr. Law admits that economic expansion calls for greater credit requirements for industry and trade. But that, in his opinion, should not eventually lead to bank finance replacing, even partly, the functions of owned capital. His plea is that low capital structure of an industry should not be strengthened primarily with the aid of bank funds. Tax concessions on that part of profits which is utilised to build up reserves, and thus to strengthen the capital structure, should be seriously considered by the Government.

Lynx's Offer

PUBLIC SUBSCRIPTION

LYNX MACHINERY Limited is offering for public subscription at par 2,99,000 equity shares of Rs. 10 each. The subscription list will open at the commencement of banking hours on April 18 and will close at the discretion of the Directors, but not earlier than the closing of banking hours on April 20. The offer when subscribed will raise the subscribed capital of the company to Rs. 60 lakhs; subscribed capital at present is Rs. 14,15,040 and shares to the value of Rs. 15,94,960 have been agreed to be taken up by the Directors, promoters and their friends and associates. The authorised capital of the Company is Rs. 2.5 crores, divided into 20 lakh equity shares of Rs 10 each and 50,000 cumulative redeemable preference shares of Rs 100 each.

As from November 10, 1960, the business of the partnership firm Lynx Machinery Company was taken over by this company. The company till now has been manufacturing concrete vibrators, concrete mixers, roller pan mixers and other equipment used in the building and construction trade. Now it has secured licences under the Industries (Development and Regulations) Act for the manufacture of engines, concrete vibrators, overhead travelling cranes and electric hoist cranes, concrete mixers, roller pan mixers, asphalt mixers and tar boilers. It is expected that indigenous production of these items will not only help in saving foreign exchange to an appreciable extent, but may also earn foreign exchange by way of exports to neighbouring countries.

Keeping in view that the company has always been earning profit and that there is increasing demand for building, road making and construction equipment, oil engines, cranes of various kinds and grinders and tools, the offer is likely to receive a ready response in the market.

Chemicals and Fibres

I.C.I.'S NEW SUBSIDIARY

WITH THE registration of the Chemicals and Fibres of India Limited, India will soon start producing a wide

variety of chemicals and the related products which hitherto have been imported at a heavy cost. The Chemicals and Fibres of India Limited is a new subsidiary of the Imperial Chemicals Industries (I.C.I.) and has been floated with an authorised capital of Rs. 10 crores. It will look after the parent company's manufacturing projects on the west coast of India. Negotiations are now in progress for the acquisition of a large site near Bombay. The development of this site will be phased over a number of years.

The Chemicals and Fibres of India Limited will be a public company in the capital of which the Indian public will be invited to participate in due course. Its Board of Directors, which includes two well-known Indian industrialists, Mr Neville Wadia, Chairman of Bombay Dyeing and a number of other companies, and Sir Raghvan Pillai, Managing Director of Martin Burn, will work under the direction and guidance of Mr. J. M. Lall, Chairman of the I.C.I. (India) Private Limited.

The formation of the Chemicals and Fibres of India Limited indicates the increasing interest which I.C.I. is taking in promoting the development of the Indian economy.

Roads Development

MORE ALLOCATION NEEDED

AT THE recently concluded annual session of the Federation of Indian Chambers of Commerce and Industry in New Delhi, when, among others, an important resolution on the problem of transport calling for co-ordinated development of rail, road, coastal shipping and inland waterways to meet the increasing

demands on the transport system during the third Plan was adopted, Mr. R. G. Saraiya rightly complained that, while the provision for railways had gone up, the allocation for road transport had remained stationary, if not lower. He had an opportunity very soon, again, to reiterate and elaborate this point when he presided over the eighth annual general meeting of the Indian Institute of Road Transport, held in Bombay, two weeks ago.

Mr. Saraiya first noted that the total allotment proposed for roads in the draft Third Plan amounted to Rs. 250 crores, including the amount likely to be available from the Central Road Fund. Incidentally, this is the same as was allotted in the Second Plan. According to him—and many others who have given some thought to this question—this amount is not at all commensurate with the important place road transport occupies in the life and economy of the nation. What is surprising is that the percentage of allocation to transport out of the total investment in every successive Plan has been becoming smaller and smaller. As Mr. Saraiya said, roads and road transport had an allocation of only five per cent of the total investment in the First Five-Year Plan; in the Second Plan, the allocation worked to only about four per cent while, in the Third Plan, the provision is an even smaller fraction of the total outlay, being only 2.45 per cent of the total investment! It is scarcely surprising, therefore, that Mr. Saraiya should have felt compelled to urge the authorities concerned to go into the matter dispassionately all over again and provide a higher amount for road transport. As he particularly pointed out, road transport has a large employment potential, besides entailing less foreign exchange.

FROM THE CAPITAL'S CORRIDORS

THIRD PLAN

THE National Development Council is meeting here on May 30 and 31, to consider the final draft of the Third Five-Year Plan, which is under preparation now in the light of the population trends as disclosed by the recent census and the various suggestions put forth by the N.D.C. at its last (January) meeting and by the five Parliamentary Committees which met in November, 1960.

The following subjects, it is learnt, are being dealt with more exhaustively in the final draft than was possible in the Draft Outline: (1) Social objectives of the Plan, including social security, reduction in income disparity and measures for taking the economy in the direction of Socialistic Pattern of Society; (2) Survey of natural resources; (3) Measures to raise domestic savings and to increase export earnings; (4) Measures for promoting rapid technological development and improvement of productivity; (5) Problems relating to price policy; (6) Problems relating to Plan implementation, operation of enterprises and improvement of administration in general; (7) Implications of democratic institutions at the district and block levels for the realisation of Plan targets, especially in agriculture; (8) Problems of regional development; (9) Programmes for the utilisation of rural manpower; (10) Rural electrification; (11) Linking of large and small industries; (12) Family planning; (13) Rural water supply; (14) Child welfare; (15) Scholarships; (16) Certain aspects of social security, including problems of Rs. 10,400 crores, as against Rs. 10,200 crores mentioned in the physically handicapped.

The Planning Commission has already put up the outlay of the public sector for the Third Five-Year Plan to Rs. 7,500 crores as suggested by the National Development Council at its last meeting. Of this, Rs. 6,300 crores will be the investment component. The investment to be made in the private sector is now envisaged at Rs. 4,100 crores. The total investment component of the Third Plan, thus, will be of the order of Rs. 10,400 crores, as against Rs. 10,200 crores mentioned in the Draft Outline.

The distribution of the outlay in the public sector as proposed now is as follows:

Heads of Expenditure	(Rs. crores)	
	Total Outlay Proposed	Outlay Proposed for States & Union Territories
Agriculture and Community Development	1,072	947
Irrigation (Major & medium)	656	651
Power	1,019	894
Village and small industries	256	136
Industries and minerals	1,526	76
Transport and communications	1,475	250
Social services and miscellaneous	1,296	946
Inventories	200	—
Total	7,500	3,900

In the light of the discussions which the Planning Commission has had with the State Governments, the physical targets of the Third Plan have been revised in certain respects. The targets for agricultural production now envisaged are: Foodgrains 100 million tons; Sugarcane (gur) 10 million tons; Oilseeds 9.7 million tons; Cotton 7 million bales. Jute 6.5 million bales (excluding Mesta). The targets fixed in the Draft Out-

line were: Foodgrains 100-105 million tons; Sugarcane (gur) 9-9.2 million tons; Oilseeds 9.2 — 9.5 million tons; Cotton 7.2 million bales; Jute 6.5 million bales (excluding Mesta).

The important changes made so far in the other targets are as follows:

(a) **Power:** Generating capacity is proposed to be increased from 5.7 million K.W. at the end of the Second Plan to about 12.6 million K.W. at the end of the Third Plan. The increase envisaged in the Draft Outline was 6.0 million K.W. Electricity generated is now estimated at about 45 billion K.W. hrs., as against 42.25 billion K.W. hrs., estimated in the Draft Outline. The number of villages and towns electrified is now estimated at 43,000, as against 34,000 in the Draft Outline.

(b) **Industry:** No significant changes have been made in the industrial targets. In several directions progress is being made in drawing up detailed plans, e.g. in steel, coal, fertilizers, etc.

(c) **Roads:** As a result of discussions with States, the additional mileage of surfaced roads is now estimated at 25,000 miles, as against 20,000 miles envisaged in the Draft Outline.

(d) **Housing:** The likely contribution by the Life Insurance Corporation towards housing is being taken into account in drawing up programmes for the Third Plan.

THIRD PLAN REQUIREMENTS OF CRAFTSMEN

The Planning Commission, it is learnt, has now assessed the requirements of craftsmen—fully skilled, semi-skilled and low-skilled workers taken together—during the Third Five-Year Plan at 12.7 lakhs — 6.7 lakhs required for public sector enterprises and 6 lakhs required for the private sector. This shows an increase of 2.7 lakhs over the estimates prepared by the Working Group on Technical Education and Vocational Training which had placed the public sector requirements at 6 lakhs and those of private sector at 5 lakhs. The requirements of skilled hands in engineering trades are now placed at 3.4 lakhs in the public sector and 4.7 lakhs in the private sector, as against Working Group's estimates of 3.5 lakhs in the public sector and 4 lakhs in the private sector. The requirements of non-engineering trades are now put at 3.3 lakhs in the public sector and 1.3 lakhs in the private sector as against 2.5 lakhs and one lakh estimated by the Working Group.

To meet these requirements, it is proposed to roughly double the existing number of industrial training institutes for craftsmen under the Directorate-General of the Employment and Training. The number of seats in these institutes will be increased from about 47,000 to over one lakh by the end 1963-64. It is estimated that about 2,00,000 craftsmen will be available from these institutes during the Third Plan period. Most of them will be trained in engineering trades whose requirements of skill are high. The remaining demand for craftsmen in engineering trades as well as in non-engineering trades will have largely to be met by other methods of training such as imparting of training by relatives or friends in self-employed establishments, acquiring of skill by labourers gradually in the course of their work etc. Training in skills that are peculiar to an industry will be provided within the industry itself through in-plant training programmes.

A big task lies ahead in the matter of craftsmen training; a task made complicated by lack of sufficient physical facilities for imparting formal training on the one hand and insufficiency of teaching personnel on the other hand. The first difficulty is tied up with the import of equipment from abroad involving foreign exchange. Sufficient arrangements are being made now, well in

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advance, for training of instructors with the help of aid from Special Projects Fund of the U.N. The requirements of trained instructors during the Third Plan are assessed at 8,500.

ELECTRIFICATION OF RAILWAYS

With the energisation of Chakradharpurto-Adityapur (Tatanagar) and Sini-Asansol sections of the South-Eastern Railway and Gomoh-Gaya section of the Eastern Railway within the next three or four months, the three steel plants at Tatanagar, Burnpur and Durgapur would be served by electrically hauled trains. As electric traction expedites movement of traffic, the difficulty in transport of end-products from these three steel manufacturing units would be resolved to a considerable extent. Durgapur is already connected with Gomoh by electric traction.

The work of electrification of the Gaya-Mughalsarai section of the Eastern Railway and Tatanagar-Kharagpur section of the South-Eastern Railway is said to be progressing satisfactorily. Most of the ancillary works, including remodeling of the yards and building of staff quarters, loco sheds and remote control centres, has already been completed. With the energisation of Tatanagar-Kharagpur section, which is envisaged to be extended further up to Rourkela, the Rourkela Steel Plant will also be linked with electrically run trains.

During the First Plan period, electric traction on 1500 V direct current had been obtained on 246 route miles around Bombay and Madras to carry suburban traffic. By the end of 1958, Howrah-Burdwan section of the Eastern Railway on the main line and Sheoraphuli-Tarakeswar section on the branch line, with a total route mileage of 88, have been electrified on 3000 V direct current. Electrification work has also been completed on Dangoaposi-Rajkharswan section of the South-Eastern Railway.

During the Third Plan period, railways have plans to electrify about 400 track miles of the Sealdah Division of the Eastern Railway. Considerable preliminary work on this has already been completed. Sealdah-Ranaghat and Dum Dum-Bongaon sections of this Division are being given priority.

Civil engineering works have also been carried out on Madras-Billupuram section of the Southern Railway. Igatpuri-Bhusaval section of the Central Railway has been surveyed and the question of imbalance in the supply system due to traction load on single phase on this section is under investigation.

During the Third Plan period, Mughalsarai-Kanpur section of the Northern Railway is also envisaged to be electrified.

The pushing of the programme of electrification of the Indian railway system, however, depends, to a great extent on the supply of electric locos and other rolling stock. Plans are under way to undertake the manufacture of these at the Chittaranjan Locomotive Works and the Perambur Integral Coach Factory respectively. At present, the supply of electric coaches comes from Jasson & Co. Electric locos are being assembled at the Chittaranjan Locomotive Works. The manufacturing programme of electric locomotives and electric multiple unit coaches is expected to gain momentum when the Bhopal Heavy Electricals factory starts delivering the required traction equipment. Manufacture of this equipment, it is understood, has already been taken on hand.

Most of the electric traction to be undertaken during the Third Plan period, as has been the case with the projects completed during the Second Plan period, will be on alternating current system. For some time only freight trains will be hauled electrically on the sections being electrified now. Later on when more electric locos become available, passenger trains will also be run electrically.

BROADENING EQUITY BASE OF NEW COMPANIES

The Union Finance Minister, Mr. Morarji Desai, it is understood, opined at the last meeting of the Parliament's Consultative Committee on Finance that the equity base of the new companies being floated was unhealthy insofar as the promoters used very little of their own resources and depended largely on bank finance for the purpose. He indicated that the question was under consideration of the Government and measures would be devised to broaden the equity structure of the new companies in relation to bank finance.

Mr Desai is also said to have indicated at the meeting that the Government intended to introduce a Bill to amend the Income-tax Law in the light of the recommendations of the Tyagi Committee and the Law Commission's observations on the subject, during the current session of Parliament, with a recommendation that it should be referred to a Select Committee. The Select Committee would be required to report by the time the next session of Parliament starts. The Bill would then be considered for adoption.

MANUFACTURE OF GASKETS

The Government of India, it is understood, is examining a proposal for the manufacture of gaskets by a private sector company in collaboration with the Victor Manufacturing and Gasket Company of the United States. The scheme envisages supply of the entire equipment for setting up this unit by the foreign collaborators in the shape of their contribution to the share capital of the new company. The equipment is expected to cost Rs. 9 lakhs. No royalty is proposed to be paid under the collaboration arrangements.

The factory is to be located at Bombay. The principal raw materials to be used are asbestos sheets, steel sheets, synthetic rubber, chemicals, vegetable paper, etc., valued at approximately Rs. 21 lakhs per year.

The Victor Manufacturing and Gasket Company is one of the largest gaskets manufacturing concerns in the world. It supplies gaskets to the Ford Motor Company, the Chrysler Corporation and the General Motors, besides exporting its products to many countries in the world, including India.

Four firms already hold licences for the manufacture of gaskets in India. They are:

Company	Annual capacity (lakh Nos.)
Payen-Talbro (P) Ltd., Delhi.	83.5
Auto Spares (P) Ltd., Baroda.	210
Excelsior Needles Industries (P) Ltd., Ludhiana.	60
J. Barman & Co., Delhi.	90
Total:	443.5

The first of these four companies went into production in 1957 in collaboration with Payens, of the United Kingdom. The second company has no foreign collaboration arrangements. It holds a licence to manufacture oil seals and radiators as well. The proprietor of this company is a resident of Africa. He has recently applied to the Government of India for permission to raise a loan from the United Kingdom (to be repaid from his East African assets) to finance his manufacturing programme in this country. Particulars of collaboration arrangements entered into by the Excelsior Needles Industries and J. Barman and Company are not yet available.

MANUFACTURE OF COMPLETE CLUTCH ASSEMBLIES

Another private sector company has applied to the Government for the grant of a licence for the manufacture of complete clutch assemblies at Faridabad, near

Delhi. The following is the production schedule proposed to be followed by it:

Plan Period	Lines of manufacture proposed	Monthly installed capacity on single Shift basis
1961/62	Clutch plates comprising of Disc, Flange, Springs, Facings and Rivets	10,000 clutch plate assemblies
1962/63	Clutch Plates as above	30,000 clutch plate assemblies along with other parts
1963/64	Clutch pressure plates and other parts	10,000 complete assemblies
1963/65	Clutch pressure plates and other parts	30,000 complete assemblies

It is proposed to have collaboration arrangements with Lamellen Und Kupplungsbau Stuttgart, West Germany, and Maremont International Corporation, Chicago (U.S.A.).

At present, the following two firms hold licences for the manufacture of clutch assemblies for capacities indicated against them:

Name of Firm	Annual capacity in Nos.
1. Automobile Products of India Ltd., Bombay.	15,000
2. Turner, Hoare & Co. (P) Ltd., Bombay.	36,000

Of these two firms, the first one has already started production. The licence to the second one was issued only recently; it is expected to go into production soon.

The following firms are licensed for the manufacture of clutch plates and brake linings:

Name of Firm	Items Licensed	Licensed Annual capacity
Automobile Products of India Ltd., Bombay.	Complete Clutch assemblies Brake Linings	15,000 Nos. 84 tons
Asbestos Magnesia & Friction Materials Ltd., Bombay.	Brake Linings	1,146 tons
Auto Supplies Co., Delhi.	Brake linings and clutch facings	For a value of about Rs. 20 lakhs
Rane (Madras) Ltd., Madras.	Brake linings Clutch plates	180 tons 10,200 Nos
Turner Hoare & Co., (P) Ltd., Bombay.	Complete Clutch assemblies	36,000 Nos.
Hitkari Motors, Jullunder.	Complete Clutch assemblies	36,000 Nos. (Licence expected to be issued shortly).

Name of the Indian Company	Name of the West German Party	Items of Manufacture
(1) Delhi Garage (P) Ltd., New Delhi.	Helios-Apparate Wetzlar & Schlosshaver G.M.B.H., Hoidelbord.	Centralised lubrication equipment.
(2) New Standard Engg. Co., Ltd., Bombay.	Deprag Pressluft Maschinen Schulz K.G., Amberg/Opf.	Air Compressors.
(3) Engines Valves Ltd., Madras.	Alfred Teves, Germany.	A.T.E. Valves.
(4) Autometers (P) Ltd., New Delhi.	Motor Meter, W. Germany.	Automotive Panel Instruments.
(5) Coimbatore Armature Winding Works Ltd., Coimbatore.	Festo Maschinen Fabrik, W. Germany.	F.H.P. Motors.
(6) Assam Sillimanite Ltd., Calcutta.	Vereinigte Gross Almeroder Thonwerke, W. Germany.	Refractories.
(7) Bharat Timber Industries, Bombay.	Deutsche Holzveredlung, W. Germany.	Wood Processing industry.
(8) Century Rayons, Bombay.	A.K.V. Holland and Glaustaff, W. Germany.	Tyre Cord.
(9) Rayson Engineering Works Ltd., Calcutta.	Hoesch Export, GMBH, Dortmund.	Rail Equipment.
(10) Rightoids (Orient) (P) Ltd., Madras.	Hebborn & Co., W. Germany.	Ball point pens.

Another application has been received by the Government for the grant of a licence for manufacture of 5,000 clutch plates and 20 tons brake linings per month. This proposal is understood to be under consideration of the licensing authorities.

MANUFACTURE OF ENDRIN, CHLORDANE AND HEPTACHLORIE

The Mysore Fertilisers and the Mysore Insecticide Company, of Madras, propose to set up a plant for the manufacture of Endrin, Chlordane and Heptachlor. Within two to three years of the plant's going into production, it is proposed to manufacture, from basic raw materials, mostly indigenous, Polychlorodiene to the extent of 970 tons and Peracetic acid to the tune of 335 tons per annum. The raw materials to be used for the manufacture of Polychlorodiene will be Dicylopentadiene (imported) and Chlorine (indigenous). The raw materials to be used for the manufacture of Peracetic acid are Hydrogen Peroxide (indigenous) and Acetic Acid-Glacial (indigenous).

For the capacities proposed, the foreign exchange expenditure and savings would be as follows:

Item/Period	Expenditure	Saving
For the first 2-3 years*		
Endrin	4,413	12,207
Chlordane	212	1,663
Heptachlor	849	2,121
After 2-3 years		
Endrin	1,172	15,448
Chlordane	212	1,663
Heptachlor	342	2,628

It is proposed to have foreign collaboration with Velsicol Chemical Corporation which holds the patent rights for the manufacture of these three pesticides. Velsicol Chemical Corporation will provide the requisite technical know-how and also arrange for the necessary foreign exchange required for the import of plant and equipment. Terms of collaboration are reported to be under negotiation. The foreign exchange component of the machinery and equipment required for the plant is estimated at Rs. 100 lakhs, part of which is likely to be provided by the foreign collaborators in the shape of participation in equity capital of the new venture.

The foreign collaborators are prepared to assist in developing exports of Endrin, Chlordane and Heptachlor to be manufactured by this unit so as to earn foreign exchange necessary for the import of raw materials as well as for the payment of consultancy fees to them.

WEST GERMAN COLLABORATION WITH INDIAN MANUFACTURERS

During the year 1960, 32 Indian companies entered into collaboration arrangements with West German firms. The more important among these are the following:

Name of the Indian Company	Name of the West German Party	Items of Manufacture
(11) Teksons (P) Ltd., Bombay.	Autokuhler, GMBH Hofgeismar.	Complete Radiator both tubular and honey comb.
(12) Davenport & Company (P) Ltd., Calcutta.	Halssen & Lyon, Hamburg.	Buying and exporting tea to foreign countries.
(13) Automobile Industries & Agencies (India), Bombay.	Lamforder Metallwarrengesellschaft, Lamforder/HAMN.	Tie Rod Ends.
(14) Sinac Group (India) (P) Ltd., New Delhi.	Alfred Schuber Work zeng Und Apparatebau K.G., Kressbronn.	Knitting machines.

SUGAR CRISES

Sugar output during the current crushing season is now estimated to increase to about 30 lakh tons. This was disclosed by Mr. D. D. Puri, President of the Indian Sugar Mills' Association, at a news conference held here on Saturday last. With a carry-over of 5.5 lakh tons from the previous season, total availability of sugar in the current year will be of the order of 35.5 lakh tons. Consumption during the current crushing season is not expected to be more than 21 lakh tons. There will, thus, be a surplus of 14.5 lakh tons of sugar available for carry-over to the next crushing season and for export. Mr. Puri expressed the opinion that India today was in a position to export 9.5 lakh tons of sugar.

This unprecedented increase in sugar output has posed a serious problem for the industry to which reference was made by Mr. Puri at the news conference as also by the Union Minister for Food and Agriculture, Mr. S. K. Patil, at the last meeting of the Informal Consultative Committee of the Parliament. Mr. Puri was of the view that to meet the loss on exports and the increased cost of production, the industry should be allowed an increase of Rs. 5.51 nP per maund in the controlled ex-factory price of sugar—Rs. 3.82 to meet the loss on exports, Rs. 1.05 to meet the increased cost of production due to factors other than labour and 64 nP. to enable the industry to implement the recommendations of the Sugar Industry Wage Board.

Mr. Puri also disclosed that the Indian Sugar Mills' Association had informed the Central Government, the State Governments and the cane-growers that if the heavy stocks lying with the factories are not cleared in a reasonable period of time, the industry would not be in a position to pay their dues.

Mr. S. K. Patil, it is learnt, told the Members of the Informal Consultative Committee that the Government will have to subsidize export of sugar and that may mean hardship to the domestic consumer. The cost of production of sugar in India, he said, was about Rs. 700 per ton, while the international price ranged between Rs. 400 to Rs. 450 per ton. (According to Mr. Puri, the loss on export of sugar to the free world market today is of the order of Rs. 363 per ton). The position, he added, had become more difficult as a result of the recent Wage Board Award. Patient handling of the problem, he opined, was necessary.

Mr. Patil stated that when the Government gave incentive for production of sugar, it was not its intention that area under cane crop should increase. This, however, had happened, particularly in Uttar Pradesh where about 4 lakh additional acres of land were brought under this crop.

Mr. Patil is planning to visit the United States to explore the possibilities of exporting about 5 lakhs tons of sugar to that country. The U.S.A. pays 60 per cent more than the free world market price. This should cut the loss on export of sugar to a considerable extent. Possibilities will also be explored to seek some concessions on shipping freight if the United States is prepared to purchase a sizeable quantity of sugar from India. This will be done by shipment of sugar in vessels which bring P.L. 480 foodgrains from the U.S.A. A proposal to this effect is already under the consideration of the Union Ministry of Food and Agriculture.

SALE OF CHEMICAL FERTILIZERS

Mr. Patil also disclosed at the Informal Consultative Committee that the Government was considering to

make available artificial fertilizers to the farmer at as low a price as possible, as recommended by the Fertilizers Distribution Enquiry Committee. Informed sources indicate that the price may be cut by about Rs. 25 per ton.

TRANSPORT AND COMMUNICATIONS PROJECTS

The Union Minister for Transport and Communications, Dr. P. Subbarayan, informed the Lok Sabha last week that the Government proposed to set up another telephone factory and a cable factory during the Third Plan period.

Dr. Subbarayan also informed the House that the schemes for the development of Mangalore and Tuticorin ports had been included in the Third Plan.

RATIONALISATION OF IMPORTS, EXPORTS

The Government of India has announced the personnel and the terms of reference of a High-powered Committee set up to recommend rationalisation of imports and exports in the light of the requirements of the Third Five-Year Plan. Dr. Ramaswamy Mudaliar will be Chairman of this Committee. Its other members will be Mr. G. L. Bansal, Secretary-General of the Federation of Indian Chambers of Commerce and Industry, Mr. E. P. W. da Costa, Editor of the Eastern Economist; Mr. H. L. Khanna of the British India Corporation; Mr. J. M. Lall, Managing Director, Imperial Chemical Industries; Mr. P. A. Nariawala of the Tata Industries; Mr. S. M. Shah of the All-India Importers' Association; Mr. B. K. Kochhar of the State Trading Corporation and Mr. M. P. Mathur, Director of Export Promotion, Ministry of Commerce and Industry. Mr. Mathur will be the Secretary of the Committee.

The terms of reference of the Committee are:

(1) To enquire into the working of the import trade control, with particular reference to (a) the procedures followed in the formulation of import policy and methods adopted in dealing with applications for import licences to different categories of applicants; (b) the organisation of the existing machinery for import control and (c) any other matter incidental to the working of import control organisation.

(2) To examine questions relating to allocations for imports of raw materials and capital goods, with special reference to the requirements of the Third Plan.

(3) To review the efficiency of the existing export promotion measures and to make recommendations with regard to measures necessary to step up exports in the Third Plan period.

The economic development that has taken place in this country under the first two Plans has changed the picture of imports and exports considerably. A fresh review of the general import and export control policy is, therefore, considered necessary so that suitable measures may be devised for ensuring imports of important raw materials, machinery and capital goods.

IMPORT OF TYRES

The indigenous production of tyres falls short of demand by nearly 1.2 lakh tyres. This gap is being filled by arranging imports through the State Trading Corporation. During the licensing period October 1960—March 1961, the established importers were also given licences, to the extent of 75 per cent of their established quotas, for the import of various types of tyres. The total number of all varieties of automobile tyres actually imported during the period January-November, 1960, was 95,594.

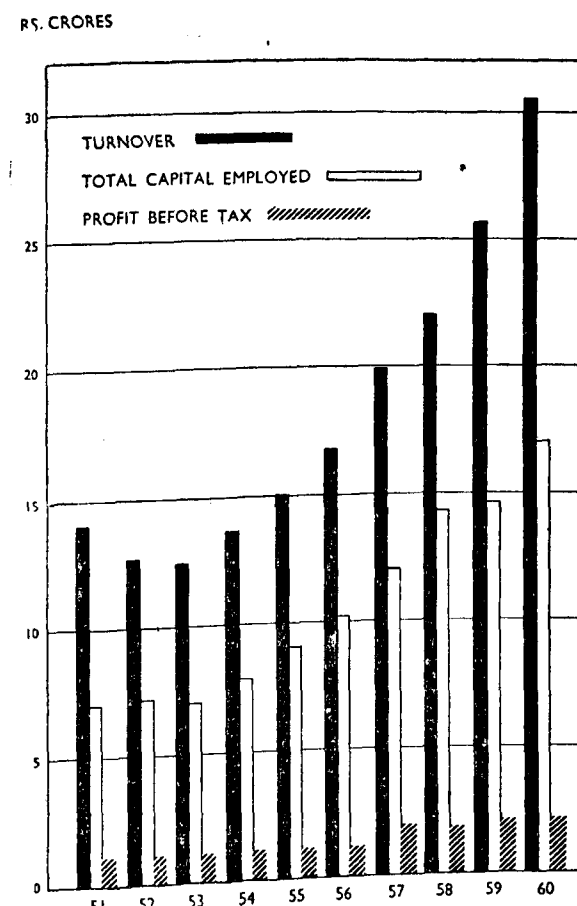
COMPANY AFFAIRS

DUNLOP RUBBER

The sales of the Dunlop Rubber Co. (India) Limited, increased from Rs 25.87 crores during 1959 to 30.47 crores during the year to December 31, 1960. This increase in sales was reflected in profits which came to Rs 1.25 crores against Rs 1.18 crores during the previous year. As the graph below indicates, the capital employed has also increased during the last few years. The graph also shows that the turnover of the company has more than doubled between 1955 and 1960. The expansion might have been still more evident if the cost of imported rubber were not to go up during the last few years.

The development Rebate Reserve has been increased by a further sum of Rs 17 lakhs. The General Reserve has been increased by Rs. 37.50 lakhs. The dividend due on the Guaranteed Preference Shares for the year to 31st December, 1960 has been paid to the extent

A DECADE OF PROGRESS



of Rs. 1,80,000 and a further sum of Rs. 54,000 becomes payable under the Preference Shares (Regulation of Dividends) Act, 1960. The dividend due on the Second Preference Shares for the year to 31st December, 1960 amounts to Rs. 2.13 lakhs. In respect of the Equity (Ordinary) Shares, the Directors recommend a dividend of 21.5 per cent subject to income-tax. This is the same as the previous year and would absorb Rs 64.50 lakhs.

PUNJAB NATIONAL BANK

The working of the Punjab National Bank Ltd. during the year to December 31, 1960 shows an all-round growth in the business of the Bank. The deposit of the Bank declined slightly from Rs 141.16 crores at the end of 1959 to Rs 139.48 crores at the end of 1960. This was in a year when the Banking industry had a

difficult time. Advances of the Bank, however, increased sharply from Rs 72.51 crores at the end of 1959 to Rs 93.53 crores at the end of 1960—showing the strength of the Bank. It is reflected in the increase in the Balance Sheets total from Rs 179.56 crores at the end of 1959 to Rs 191.52 crores. There has also been an increase in the gross earnings of the Bank from Rs 7.98 crores to Rs 8.71 crores. This has resulted in an improvement in profits from Rs 84.20 lakhs in 1959 to Rs 118.04 lakhs in 1960.

Out of the profit of Rs 121.23 lakhs (including Rs 3.19 lakhs brought forward), a sum of Rs 12.50 lakhs has already been utilised for the payment of an interim dividend at the rate of Re. 1 per share subject to tax, leaving a balance of Rs 108.73 lakhs for appropriation. The Directors have provided Rs 53 lakhs for taxation and Rs 11 lakhs have been transferred to the Reserve Fund. A sum of Rs 27 lakhs has been provided for bonus to staff and Rs one lakh transferred to Charity Account, leaving a balance of Rs 16.73 lakhs. The Directors have recommended a final dividend at the rate of Re 1 per share subject to tax, absorbing Rs 12.50 lakhs making a total dividend of 20 per cent subject to tax, same as last year.

The management during the year continued to follow their policy of extending representation to new areas and during 1960, 16 new offices were opened making the total number of its offices 408 at the end of 1960.

Under the scheme prepared by the Reserve Bank of India, the Bank has taken over the Indo-Commercial Bank Ltd. Mayuram. The branches of the Indo-Commercial Bank Ltd. are functioning as branches of the Punjab National Bank Ltd. with effect from 25th March, 1961.

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COMMODITY NEWS AND NOTES

EXPORTS OF WOOL

Exports of home grown wool from India during the fourth quarter of 1960 rose by 71 per cent compared with the previous quarter although they were 43 percent down on the fourth quarter of 1959. This brought aggregate exports for the year 1960 to 30.6 million lbs. which was 27 percent below the 42.1 million lbs. exported in 1959. Shipments to the United Kingdom and the Common Market fell by 17 and 48 percent respectively to 11.3 and 3.9 million lbs. By contrast, exports to the Soviet Union rose by 23 percent to 7.8 million lbs., but those to the United States were more than halved.

Exports of raw wool from India Thousand lbs. — Actual Weight			
	1959	1960	
Belgium	2,545	973	
France	2,061	1,696	
West Germany	2,118	671	
Netherlands	639	410	
Italy	82	114	
Total Common Market	7,455	3,864	
Soviet Union	6,316	7,788	
United Kingdom	13,618	11,251	
United States	12,858	5,677	
Other countries	1,864	1,971	
Total:	41,110	30,551	

Output of woollen and worsted yarn in the third quarter of 1960 at 8.4 million lbs. was 14 percent higher than in the previous quarter, but unchanged compared with a year earlier. This brought the total for the first nine months of the year to 21.4 million lbs., 4 percent less than in January-September, 1959. Production of woollen and worsted fabrics rose by 8 per cent between the two latest quarters, bringing the nine month cumulative to 11.2 million linear yards or one percent more than a year earlier.

INDIA EXPECTS RECORD RICE CROP

Production of rice in the 1960-61 season now promises to reach a new high level; India expects a record crop, while the estimate of Pakistani production shows some increase over the previous record outturn in 1959-60. This is revealed in the Commonwealth Economic Committee's Rice Bulletin issued in London. India's output is expected to reach 31,000,000 tons (47,000,000 tons in paddy equivalent)—substantially more than the heavy crop of 1958-59. In Pakistan, the second estimate puts production at 14,500,000 tons of paddy, as compared with the previous record of 13,900,000 tons in the final estimate for last season. The report says that trade in rice in 1960 so far recorded substantially exceeds the total in 1959; shipments from Burma and Thailand were large, and there was a marked expansion in exports from Cambodia, South Viet-Nam and the United States, while those from the United Arab Republic showed a strong recovery.

Dealing with exports, the report says: "Despite some tailing off in the last quarter of the year, total exports in 1960 so far recorded (excluding shipments from China to Soviet-bloc countries other than those reported by Poland) were over 400,000 tons above those in 1959. Both Burma and Thailand shipped rather more than in the previous year, but the most marked expansion was shown by Cambodia and South Viet-Nam." "There was a slight recovery in shipments of rice from Burma in December. Total exports during the year rose to 1,700,000 tons, the highest since 1957. Much of the recovery was due to the heavy shipments to Indonesia, which exceeded 500,000 tons. Shipments to India also

rose, although not to the level of 1958, while those to Ceylon were the highest since 1957. Consignments to Pakistan, although larger, were somewhat less than in 1959, and those to Malaya showed a considerable reduction, while there was some falling off in exports to smaller Commonwealth markets.

EXPORTS OF COFFEE

Out of the estimated crop of 49,380 tonnes for 1959-60 49,309 tonnes, comprising of 25,254 tonnes plantation, 6,711 tonnes Arabica and 17,344 tonnes Robusta, have been received into the Pool upto January 1961. The estimates for 1960-61 are currently placed at 52,100 tonnes made up of 30,500 tonnes Arabica and 21,600 tonnes Robusta. A quantity of 24,380 tonnes, comprising of 9,697 tonnes plantation, 3,482 tonnes Arabica Cherry and 11,201 tonnes Robusta, has been released in the internal market upto the end of October, 1960. Out of 20,600 tonnes, allocated for export, out of 1959-60 coffee crop, 15,925 tonnes, comprising 11,343 tonnes plantation, 2,505 tonnes Arabica Cherry and 2,077 tonnes Robusta, have been sold for export upto November 23, 1960. The quantities sold include (a) 129 tonnes of Station Selections sent to London under the Quality Control Programme, (b) 485 tonnes Plantation sold to German Democratic Republic and (c) 2 tonnes (one tonne Plantation and one tonne Robusta) sold to a firm in Hongkong.

RICE PRODUCTION: FINAL ESTIMATE FOR 1960-61

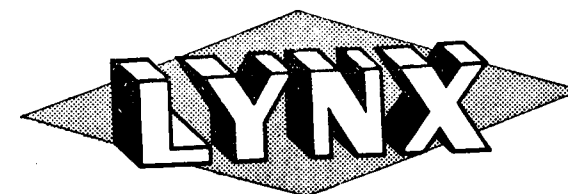
According to the Directorate of Economics and Statistics, Ministry of Food and Agriculture, the All-India Final Estimate of rice for 1960-61 puts the current year's area and production of the crop at 83,335,000 acres and 33,700,000 tons respectively. This is an all-time record. As compared with the partially revised estimate of 82,829,000 acres and 30,963,000 tons for 1959-60, the estimates for 1960-61 show an increase of 506,000 acres or 0.6 per cent in area and 2,737,000 tons or 8.8 per cent in production. The yield per acre for the current year for the country as a whole works out at 906 lbs.—an increase of 8.2 per cent over the revised yield rate for 1959-60. The increase in area has occurred mostly in the case of the winter crop and is shared mainly by Bihar, West Bengal and Assam. This is attributed largely to favourable weather conditions at the time of sowing. In Andhra Pradesh, Mysore and Orissa, there has been a considerable decrease in area generally as a result of unfavourable weather conditions at the time of sowing. The increase in rice production, reported mostly under winter crop, has occurred mainly in West Bengal, Bihar, Uttar Pradesh and Madhya Pradesh and to a lesser extent in Madras and Maharashtra States. This has been due to favourable climatic conditions. In the States of Andhra Pradesh, Gujarat, Mysore and Rajasthan, there has been a fall in production due to untimely and insufficient rainfall which considerably affected some of the important rice-growing districts in these States. In Madhya Pradesh also, the crop was affected to some extent in the rice-growing districts of Jabalpur, Mandla, Drug, Bastar, Rewa, Satna and Shahdol for want of rain in September, 1960.

The final estimate of rice, 1959-60 released last year placed the all-India area and production of rice for 1959-60 at 81,343,000 acres and 29,338,000 tons. Data for 1959-60 have now undergone revision in respect of a number of States particularly Orissa. In Orissa, the State Government has, for the first time, adopted the results of random sample crop cutting surveys for estimating area and production of rice and this alone accounts for a revision of 1.01 million acres in area and 1.52 million tons in production for 1959-60. The total upward revision in all-India estimates for 1959-60 is 1.57 million acres in area and 1.67 million tons in production.

THIS IS ONLY AN ANNOUNCEMENT FOR INFORMATION AND NOT A PROSPECTUS AND APPLICATIONS ARE INVITED ON THE BASIS OF THE PROSPECTUS COPIES WHEREOF ARE AVAILABLE FROM THE COMPANY'S REGISTERED OFFICE AND THE MANAGING BROKERS, BROKERS, MENTIONED HEREIN.

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 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 statements made or opinions expressed with regard to them. The Central Government have granted licences (copies of which are open to public inspection at the Registered Office of the Company) for the industrial undertakings as set out in the Prospectus. It must be distinctly understood that in granting these licences the Government of India do not take any responsibility for the financial soundness of the undertakings or for the correctness of any of the statements made or opinions expressed in regard to it. A copy of this Prospectus, having attached to it the documents required by Section 60 of the Companies Act, 1956, specified here-in, has been delivered for registration to the Registrar of Companies, Bombay.

THE SUBSCRIPTION LIST WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS ON 18TH APRIL, 1961, AND WILL CLOSE AT THE DISCRETION OF THE DIRECTORS BUT NOT EARLIER THAN THE CLOSING OF BANKING HOURS ON 20TH APRIL, 1961.



LYNX MACHINERY LTD.

(Incorporated on 10th November, 1960, under the Companies Act, 1956)

AUTHORISED SHARE CAPITAL .. Rs. 2,50,00,000

divided into:

1. 20,00,000 Equity Shares of Rs. 10 each .. Rs. 2,00,00,000
2. 50,000 9% (free of Company's tax but subject to deduction of taxes at source at the prescribed rates) Cumulative Redeemable Preference Shares of Rs. 100 each .. Rs. 50,00,000

ISSUED SHARE CAPITAL:

6,00,000 Equity Shares of Rs. 10 each .. Rs. 60,00,000

SUBSCRIBED SHARE CAPITAL:

1,41,504 Equity Shares of Rs. 10 each, fully paid up .. Rs. 14,15,040

CAPITAL AGREED TO BE TAKEN UP:

1,59,496 Equity Shares of Rs. 10 each (on which Rs. 5 per Share is payable on application and the balance of Rs. 5 is payable on 1st December, 1961, reserved for allotment and agreed to be taken up by Directors, Promoters and their friends and associates) .. Rs. 15,94,960

NOW OFFERED AT PAR FOR PUBLIC SUBSCRIPTION:

2,99,000 Equity Shares of Rs. 10 each .. Rs. 29,90,000

APPLICATION FOR SHARES BY MEMBERS OF THE PUBLIC MUST BE FOR A MINIMUM OF 50 SHARES OR MULTIPLES THEREOF.

TERMS OF PAYMENT OF THE ABOVE SHARES ON APPLICATION Rs. 5 PER SHARE, THE BALANCE OF Rs. 5 PER SHARE IS PAYABLE ON 1ST DECEMBER, 1961.

DIRECTORS

SHRI C. C. DESAI, I.C.S. (Retd.), 44, Friends Colony, New Delhi. (CHAIRMAN) Chairman of Sirsilk Limited, Premier Tyres Limited, Shah Construction Co., Ltd., etc. Director of The Life Insurance Corporation of India, Bombay, The Industrial Finance Corporation of India, Hindustan Motors Ltd., Gujarat State Finance Corporation etc.

HIS HIGHNESS SIR JIWAJIRAO SCINDIA, (MAHARAJA OF GWALIOR), Samudra Mahal Palace, Bombay-18. Director of The Central Bank of India Ltd., Colour-Chem Ltd., The Gwalior Rayon Silk Mfg. (Wvg.) Co. Ltd., Chase Bright Steel Limited, The National Newsprint & Paper Mills Ltd., The British Burmah Petroleum Co., Ltd., etc.

DR. ING ERICH DUBOIS, Dusseldorf, Rheinallée 116 a, West Germany. Engineer, Director of: Ofu-Ofenbau-Union G.m.b.H., West Germany, Friedrich Siemens Industrie Ofenbau G.m.b.H., West Germany.

SHRI B. N. CHATURVEDI, 54, Vivekanand Road, Calcutta, Director of: The United Bank of India Ltd. Rohtas Industries Ltd. The Orient Paper Mills Co., Ltd. The Aluminium Corporation of India Ltd. Chase Bright Steel Ltd., etc.

SHRI ANANDILAL PODDAR, M.L.A. 36, Chowringhee, Calcutta. Merchant, Director of: The Calcutta Tramways Co., Ltd. Shaw Wallace & Co., Ltd. Calcutta Credit Corporation Ltd., etc. **SHRI S. L. JAJODIA, 7, Lyons Range, Calcutta,** Merchant and Industrialist — Director of: Chase Bright Steel Ltd., etc.

SHRI K. K. JAJODIA, 10, Clive Row, Calcutta. (Managing Director) — Merchant and Industrialist. Director of: Kumar Iron & Steel Ltd. Ofu-Lynx Private Ltd.

REGISTERED OFFICE:

Readymoney Mansion, Veer Nariman Road, Fort, Bombay-1.

BANKERS:

1. THE ALLAHABAD BANK LTD.
2. THE CENTRAL BANK OF INDIA LTD.
3. THE PUNJAB NATIONAL BANK LTD.

SOLICITORS:

1. Messrs. Motichand & Devidas,
Solicitors & Notary Public,
31, Nanabhai Lane,
BOMBAY-1.
2. Messrs. Khaitan & Company,
1 & 2, Old Post Office Street,
CALCUTTA.

AUDITORS:

- Messrs. Singhi & Company,
Chartered Accountants,
25, Parsee Bazar Street,
BOMBAY (also at CALCUTTA).

BROKERS FOR THE ISSUE**Managing Brokers:**

- Messrs. Lewis & Jones,
Bank of Baroda Bldg.,
Apollo Street,
Fort, BOMBAY-1.

Brokers:

1. Messrs. Batlivala & Karani,
Union Bank Building,
Dalal Street,
Fort, BOMBAY-1.
2. Messrs. Harkisondass Lukhmidass,
5, Hamam Street,
Fort, Bombay-1.
3. Messrs. G. M. Pyne,
14, India Exchange Place,
CALCUTTA.
4. Messrs. Paterson & Co.,
22, Errabalu Chetty Street,
MADRAS-1
5. Messrs. Harbans Singh Mehta & Co.,
33, Regal Building,
Parliament Street,
NEW DELHI.

OBJECTS OF THE COMPANY

The Company was incorporated on 10th November, 1960, generally with the aims, objects and purposes set forth in its Memorandum of Association and in particular to manufacture engines, cranes furnace equipments, road and building machinery such as concrete mixers, concrete vibrators, roller pan mixers and asphalt mixers, flexible shaft machines, engineering tools etc.

BUSINESS AND PROSPECTS

The Company has taken over the business of the partnership firm Lynx Machinery Company as from 10th November, 1960. The firm was established on 1st June, 1957 and since then has been engaged in manufacture of concrete vibrators, concrete mixers, roller pan mixers and other equipment used in the building and construction trade. The firm has been regularly earning profits. The Company has secured the necessary industrial licences under the Industries (Development & Regulations) Act, for the following products:

1. Engines.
2. Concrete Vibrators.
3. Over-head Travelling cranes and Electric Hoist Cranes.
4. Concrete Mixers.
5. Roller pan Mixers.
6. Asphalt Mixers.
7. Tar Boilers.

There is today an increasing demand for building, road making and construction equipment, oil engines, cranes of various kinds, grinders and tools which are

still being largely imported. The rapid industrialisation in India under the Second and Third Five-Year Plans envisages a large expansion of manufacturing capacities in all these items. Indigenous production of these items will not only help save foreign exchange to an appreciable extent but may also earn foreign exchange, by way of exports to our neighbouring countries.

LISTER ENGINES:

The Company has been granted a licence to manufacture 6,000 Lister B & D type Engines per annum in technical collaboration with the world-renowned manufacturers of oil engines, MESSRS. R. A. LISTER & CO. LTD., ENGLAND. These Engines are still being imported in India and have numerous applications in the Industrial and Agricultural field. The marketing will be undertaken by MESSRS. VOLTAS LIMITED, BOMBAY and MESSRS. BALMER LAWRIE & CO., LTD., CALCUTTA.

ALLAM VIBRATORS:

India has been regularly importing in considerable quantities Concrete Vibrators of the world famous manufacturers MESSRS. E. P. ALLAM & CO. LTD., ENGLAND. The Company has been granted licence to manufacture 1,200 vibrators per annum. The Company will manufacture a wide range of Allam Vibrators which will help to a great extent the construction programme envisaged in the Third Five-Year Plan.

CRANES:

(a) DEMAG ELECTRIC HOIST CRANES: M/s. DEMAG-ZUG G.m.b.H. OF WEST GERMANY, the world-renowned manufacturers of Cranes have agreed in principle to grant a licence agreement to the Company for the manufacture of Electric Hoist Cranes in Eastern India. In view of the rapid industrial development outlined in the Third Five-Year Plan, the demand for these Cranes already large, will further increase.

(b) SCHIESS-DEFRIES CRANES: Besides Electric Hoist Cranes the Company will also manufacture various other types of Cranes including Overhead Travelling Cranes, Goliath Cranes in technical collaboration with Messrs. SCHIESS-DEFRIES, WEST GERMANY belonging to the well-known industrial group of Messrs. Schiess. The cranes will be sold under the Trade Mark of Schiess-Defries/Lynx, and the licensed capacity will be fixed after one year of the Company going into production.

LYNX CONCRETE MIXERS:

The Company is regularly manufacturing various sizes of Concrete Mixers and already a large number of these machines are in use throughout the country. The Concrete Mixers manufactured by the Company enjoy a high reputation and are marketed by the well-known firm, MESSRS. HEATLEY & GRESHAM LIMITED. The annual licensed production capacity is 600 numbers.

LYNX ROLLER PAN MIXERS:

The Company has been manufacturing two types of Roller Pan mixers and the licensed annual production capacity is 228 numbers. These are also being sold by MESSRS. HEATLEY & GRESHAM LTD.

LYNX ASPHALT MIXERS AND TAR BOILERS:

The licensed capacity of Asphalt Mixers and Tar Boilers is 144 numbers each per annum. The Company will shortly undertake the manufacture of these machines because of the extensive road making programme envisaged in the Third Five-Year Plan.

OFU-LYNX RE-HEATING FURNACE PARTS:

An Agreement has been reached between the Company and OFU-LYNX PRIVATE LTD. for manufacture of OFU-LYNX furnace parts. Since MESSRS. OFU-LYNX are currently negotiating for large number of orders for furnaces it is expected that Company's production in furnace parts will be considerable. "OFU"

Furnace being very well-known the scope for this business in India is considerable.

BAXTUL FLEXIBLE SHAFT MACHINES:

Subject to the approval of the Government whereupon it will become effective, a technical collaboration agreement has been signed with a well-known British Firm, THE FLEXIBLE DRIVE & TOOL CO. LTD., ENGLAND, whereby flexible shaft machines like grinders, ship scaling machines, tube scaling machines and other engineering tools will be manufactured and sold under the Trade Name BAXTUL/LYNX. The Company's application for Industrial Licence and collaboration agreement are under the consideration of the Government. This scheme when approved by the Government will be a very profitable addition to the Company's manufacturing programme.

SKODA DIESEL ENGINES:

The Company is negotiating for the manufacture of certain types of well-known SKODA stationery and Marine Diesel Engines in collaboration with the renowned European concern of SKODA, CZECHOSLOVAKIA. The Company in due course will apply for the necessary Government's sanction for the implementation of this scheme. In view of the large popularity enjoyed by SKODA engines the benefits of this technical collaboration when the scheme is implemented will be considerable. Under this collaboration the Company proposes to manufacture higher horse power Marine and Stationery Engines.

In all these collaborations the Company will have the benefit of their full technical assistance and in most cases the Company will send Indian Engineers for training abroad.

LAND, PREMISES AND PLANT AND MACHINERY:

The existing factory premises of the Company are situated in the industrial area of Calcutta and comprises more than 13 Bighas approximately with structures covering an area of approximately 40,000 sq. ft. Adequate power and water supply is available. The Commissioners for the Port of Calcutta have indicated their willingness to give a long-term lease in respect of the plot of land of about 40 Bighas located in Kidderpore, on their standard terms and conditions. The Company proposes to erect a new factory for the manufacture of new products that is to say, Engines, Cranes, etc. on this plot of land. The Company has obtained necessary approval of the Ministry of Commerce and Industry for import of Plant and Machinery for a value of Rs. 30 lakhs for the various schemes sanctioned by the Government. As mentioned above, the Company is already manufacturing in its existing factory Concrete Mixers, Concrete Vibrators and other road building machinery.

PAYMENT TO PROMOTERS — PRELIMINARY EXPENSES:

1. Shri K. K. Jajodia, Shri R. K. Jajodia and Shri M. K. Jajodia are partners of the Firm whose fixed assets have been acquired by the Company and who will receive the purchase price of Rs. 14,00,000 for the same and a sum of Rs. 7,66,374.49 in respect of the current assets and liabilities which have been taken over by the Company at prices based on the Auditors' report as from 10th November, 1960.

2. The Promoters will be reimbursed of all the expenses incurred by them on behalf of the Company which are estimated at Rs. 50,000.

MANAGING DIRECTOR:

The Board of Directors have, subject to the approval of the Central Government being obtained, entered into an Agreement dated the 23rd March, 1961 with Shri K. K. Jajodia for the appointment of the said

Shri K. K. Jajodia as Managing Director of the Company.

The Agreement between the Company and Shri K. K. Jajodia provides inter alia that Shri K. K. Jajodia be paid by way of remuneration an annual commission of 5 per cent on the net profits of the Company as computed in the manner laid down in Section 198(1) of the Act with the usual perquisites and that in the event of the Company having no profits, or its profits being inadequate, in any financial year, he is to be paid a minimum remuneration of Rs. 30,000 per annum with the usual perquisites provided nevertheless the said Shri K. K. Jajodia shall be entitled to draw a sum of Rs. 2,500 per month towards his remuneration as Managing Director.

ESTIMATED PROFITABILITY

Since the Company has a running business, with the implementation of the expansion programme both in the present and new lines of manufacture, the Company is confident that within a short period the profits will be sufficient to provide an attractive return to the shareholders.

COMMENCEMENT OF BUSINESS

The Company has already obtained a Certificate dated 21st March, 1961 for commencement of business from the Registrar of Companies, Bombay.

MINIMUM SUBSCRIPTION AND CAPITAL OUTLAY:

The minimum amount which in the opinion of the Directors must be raised by this Issue and upon which the Directors can proceed to allot shares to the public as offered by this Issue has been determined at 1,49,000 Equity Shares (of the nominal value of Rs. 14,90,000) being only a part of this Issue out of which Rs. 12.90 lakhs will be utilised towards part payment of the purchase price of the land buildings, plant and machinery motor vehicles etc. and Rs. 2 lakhs will be for preliminary expenses, brokerage and expenses of this Issue.

Any amount by which the allotment to the public out of the present issue falls short of the amount to be raised from the public will be as required met by borrowings from Banks or from other sources in the usual course of business. Likewise, it is intended that the balance of Rs. 24,00,000 required to meet the total capital outlay as detailed below together with any increase there may be in the actual cost over the estimated cost of the plant and facilities will be raised by loans from the Company's Bankers or from other like sources against the fixed and other assets of the Company in the ordinary course of business. For this purpose the Company has already approached the Punjab National Bank Ltd. of Calcutta which has indicated willingness in principle to make available a substantial loan subject to the usual formalities being satisfied.

CAPITAL OUTLAY

The financial requirements of the Company will be made up as under:

	Rs. 84,00,000
1. Purchase price of land, plant machinery and equipment including cost of erection of machinery, construction of factory building, power house, etc.	Rs. 72,00,000
2. Preliminary expenses including brokerage and expenses of this Issue	2,00,000
3. Working Capital	10,00,000
	Rs. 84,00,000

SOURCES OF FINANCE

The above amount will be provided as under:-

(a) Subscribed Capital	Rs. 14,15,040
(b) Present Issue	Rs. 45,84,960
(c) Borrowings from Banks and other sources as and when required in the usual course of business	Rs. 24,00,000
	<u>Rs. 84,00,000</u>

EXPENSES OF THE ISSUE

The Expenses of the Issue other than brokerage are estimated at Rs. 75,250 and will be payable by the Company.

BROKERAGE

Brokerage will be paid to Registered Brokers on the recognised Stock Exchange in India and Banks at 0.18 nP. per share on allotment made in respect of applications bearing their stamps. Messrs. Lewis & Jones, Bombay, are the Managing Brokers to the Issue and will be in addition entitled to a commission of 0.07nP. per Share subscribed by the Public.

The total amount of brokerage payable by the Company will be Rs. 74,750.

The following is a condensation of the Auditors, report by the Auditors, Messrs. Singhi & Co. relating to the figures of sales and profits as published in the Prospectus.

	Sales Less Commission & Discount	Profit Before Provision for Taxation
	Rs. nP.	Rs. nP.
Year ended 31st May, 1958	2,79,165 93	10,044 82
Year ended 31st May, 1959	6,59,787 95	54,175 82
Year ended 31st May, 1960	18,54,009 38	1,61,380.44
Period from 1st June, 1960 to 9th November, 1960	6,23,473 11	2,42,212 88

ALLOTMENT AND SHARE CERTIFICATE

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 within two months from the date of closing of the subscription list in which case bank commission, if any, will be payable by the applicant.

Share Certificate will be issued in exchange for letters of Allotment within 4 months from the date of allotment.

Company Meetings**THE UNITED COMMERCIAL BANK LIMITED**

Statement of Shri G. D. Birla, Chairman, circulated to the Members at the Eighteenth Annual General Meeting held on Wednesday, the 5th April, 1961.

Gentlemen,

You will notice from the Directors' Report and the Accounts of the Bank for the past year now before you that while the profits have maintained their upward trend and show a satisfactory expansion, our deposits were somewhat down after the rapid increases of the past years.

DEPOSITS

The deposits at the end of 1960 at Rs. 88.94 crores showed a decline of Rs. 7.74 crores against a rise of Rs. 18.40 crores in 1959. The fall is attributable to withdrawals of funds for business purposes, the sustained demand for bank credit and continued stringency of money practically throughout the year. The deposits of the Bank, however, have started going up since the date of the Balance Sheet.

CASH AND SECURITIES

Cash on hand and with banks and money at call and short notice were Rs. 9.57 crores and represented 10.8 per cent of the deposit liability. In 1958 and 1959 we made substantial purchases of Government Securities with a view profitably to invest funds which would otherwise have remained idle, but during the year under review we reversed the process in order to make funds available for advances to our customers. As a result of the realisation of part of our investments, our portfolio of Government Securities, Shares and Debentures declined from Rs. 40.79 crores to Rs. 33.88 crores. There was a further vigorous demand for funds towards the close of the year which was met by resort to loans from the Reserve Bank of India against Government Securities and Bills.

ADVANCES AND BILLS

Our advances rose over the year from Rs. 36.57 crores to Rs. 42.47 crores while our bills discounted and purchased showed a small reduction from Rs. 19.68 crores to Rs. 18.91 crores.

The Bank has been providing credit facilities to various types of Small Scale Industries. The number of industrial units to which credit facilities have been made available is over 650 of which individuals and partnership firms number nearly 550 and joint stock companies make up the remainder. The total of limits sanctioned is of the order of Rs. 4 crores and the actual availments exceed Rs. 2.50 crores.

LIQUIDITY

Our quick assets, viz., cash and free Government Securities amounting to Rs. 35.00 crores formed 39.4 per cent of our total deposits. The total of our liquid assets consisting of cash on hand and with banks, money at call and short notice, unencumbered Government Securities and Bills amounted to Rs. 53.91 crores and represented 60.6 per cent of our deposit liability as compared to 67 per cent twelve months ago.

PROFIT AND LOSS ACCOUNT

The year's working has resulted in a further rise in profits. This is due in a large measure to the higher average total of our advances and bills throughout the year, the operation for a full year of the reduction in interest rates on deposits which took effect from 1st September, 1959 and the increase in the lending rate brought into effect under direction from the Reserve Bank of India in October last. The improvement of

profits attributable to these influences was partially offset by the lock-up of funds in special deposits with the Reserve Bank of India which could otherwise have been used to liquidate the higher-interest-bearing loans from the Central Banking Institution.

The small rise in charges for interest on deposits and borrowings is due to the higher average level of borrowings from the Reserve Bank of India over the greater part of the year while working expenses like salaries and other operating costs have continued to rise.

The increased profits have enabled the Board to transfer Rs. 30 lakhs to the Reserve Fund and thereby raise it to Rs. 2.05 crores, which is Rs. 5 lakhs more than the paid-up capital of the Bank, and at the same time it has been possible to increase the rate of dividend to share-holders from 11 per cent to 12 per cent per annum, subject to tax. The amount allocated for bonus to staff has also risen from Rs. 11 lakhs to Rs. 13 lakhs.

RESERVE FUND

The year 1960 will be remembered as a landmark in the Bank's history, as at the close of this year, the Bank's Reserve Fund exceeded its paid-up capital. This Reserve Fund is built up entirely out of the profits within 18 years of Bank's existence — that too in spite of heavy taxation. It is always the policy of the Directors to strengthen the Reserves of the Bank to safeguard the interests of the depositors. I am thankful to the shareholders for their restraint in being content with modest dividends in the early years of the Bank's career to enable the Bank to build up the Reserves in order to strengthen its financial position. This is not to say that the shareholders have been starved of reasonable dividends because with growing prosperity, the Bank has paid progressively higher dividends.

INDUSTRIAL GROWTH

During the year under review industrial production grew at an accelerated rate. In the first ten months of 1960 industrial production showed a rise of 11.5 per cent as compared with 8.7 per cent in 1959 and 1.7 per cent in 1958. The basis of calculation of these index figures themselves requires to be re-cast inasmuch as it is felt that the weightage given to some of the older industries is not justified in the present circumstances and that the many new industries which have come into existence have not been assigned the importance that is rightly due to them. A provisional re-calculation by foreign experts of the index on a more rational basis would appear to indicate that the increase in production in the first ten months was not 11.5 per cent but 15 per cent.

MONEY SUPPLY

Money supply with the public at the end of 1960 was Rs. 2,630 crores made up of Rs. 1,885 crores of currency with the public and Rs. 745 crores of deposit money, i.e., demand deposits of the public with all the commercial banks. The increase in currency was Rs. 144 crores while the increase in deposit money was only of the order of Rs. 70 crores. Analysing the expansion of money supply in terms of bank credit, there was a sharp rise of Rs. 236 crores in the public's net indebtedness the banks which contrasts with a sizeable decline of Rs. 107 crores in 1959. The rise in bank credit to Government was only Rs. 43 crores in 1960 as compared with Rs. 246 crores in 1959. The gold and foreign exchange reserves, inclusive of the balances of Government of India abroad, declined in 1960 from Rs. 387.54 crores to Rs. 319.05 crores. The contractionist effect of the reduction in bank credit to Government and the decline in foreign balances has been severe and is reflected in the reduced liquidity of the banking system.

MONEY MARKET

The monetary climate in 1960 was far from comfortable and for the best part of the year the banking system had to operate under various restraints. Credit conditions were stringent, unrelieved by even occasional ease, and there was no sign of any downward tendency in advances during the second half of the year which, by tradition and past experience, is considered as the slack season. Bank credit rose rapidly, as usual, during the first four months of the year and thereafter the volume of credit continued, without contraction, at the peak figure of the year right up to the middle of December when the new season's demand made itself felt and advances, once again, resumed their upward trend. The increase in bank credit during January—April 1960 amounted to Rs. 165.89 crores while during the same period the deposit resources of the banks failed to grow to a corresponding extent but rose only by Rs. 102.56 crores. Whereas in 1959 bank credit shrank by Rs. 97.5 crores in the slack season there was no such contraction in the slack season of 1960; the return of funds from agricultural and other seasonal advances was obscured by the intervening increase in industrial advances. The exhortation addressed to banks by the Reserve Bank of India in April 1960 to bring about a reduction of Rs. 110 crores in advances by the following October proved impossible of fulfilment by most banks. Borrowings from the Reserve Bank of India and the State Bank of India reached the peak figure of Rs. 96.26 crores in March 1960 against Rs. 76.65 crores in March 1959. But, whereas in 1959 the banks were practically out of debt with the Central Banking Institution by June, the experience of 1960 was quite otherwise. During the slack season of 1960 the average borrowings of the scheduled banks from the Reserve Bank of India and the State Bank of India were Rs. 46.90 crores against Rs. 10 crores in 1959.

CREDIT CURBS

Early in March 1960, the Reserve Bank of India, presumably somewhat anxious about the size of the expansion in advances during 1959-60 busy season, came to the conclusion that there was excess liquidity with the banking system. Consequently, banks were required to maintain with the Reserve Bank of India special deposits amounting to 25 per cent of new deposit resources accruing with them after the specified date. Two months later, in May, the additional deposit requirements were raised to 50 per cent of new accruals. The selective credit controls of the Reserve Bank by directive ensured that banking finance was not available, or was available only upto specified limits, against particular commodities. At the same time the Reserve Bank of India made it clear that the object of the new measures was by no means to deny bank finance for legitimate productive enterprises. Since industrial production, in fact, grew stridently during the year, the expansion in the advances of the banking system can be seen to have been fully justified. But, with the accrual of deposits slowing down or ceasing altogether to take place, the fact that advances were sustained at a high level imposed a considerable strain on banks under conditions of restricted liquidity.

By September 1960 it was clear that the banks would be quite unable to bring about a contraction of advances of the order of Rs. 110 crores as desired by the Reserve Bank of India. Indeed, bank credit, which had gone up to Rs. 1130.38 crores on the last Friday of April, rose still higher to Rs. 1135.82 crores on the last Friday of September. In this knowledge and with the 1960-61 busy season not far off, the Reserve Bank introduced a fresh set of monetary measures. Banks were directed, with a view, no doubt, to inducing some voluntary restraint on would-be borrowers, that they should raise the average rate charged for their advances

by half per cent and prescribed a minimum of 5 per cent for advances. Secondly, on the analogy of regulation Q of the Federal Reserve Board's rules to which I have in earlier years made reference, the Reserve Bank of India set a ceiling on the rates of interest that banks could pay on very short deposits for periods of less than 21 days or repayable at 21 days' notice or less. Thirdly, the Reserve Bank of India also fixed quotas upto a maximum of which alone banks would be permitted to borrow at the bank rate of 4 per cent. Thereafter, in two slabs, the rate of interest payable on borrowings from the Reserve Bank of India was raised to 5 per cent and 6 per cent. This, in effect, set up a three-tier bank rate. Hence, with the level of commercial banks' borrowings from the Reserve Bank of India relatively high for the season, the new regulations induced a fresh wave of disinvestment in Government Securities accentuating the weakness in the gilt-edged market already brought about by the mass of State Loans pressed for sale on an unwilling market. The investment of scheduled banks in Government Securities declined from Rs. 787.52 crores in December 1959 to Rs. 744.86 crores in May in the first phase of disinvestment followed by a further decline to Rs. 633.47 crores in the second phase following the credit curbs. The running down of investments to a low level in relation to deposits would by itself act as a brake on the willingness of banks to sustain the continued upswing of advances except to the extent that the bill market scheme affords relief.

Since the turn of the year, in view of the pressure upon the resources of the banking system, the Reserve Bank has defroze the special deposits which had been maintained. However, all that this meant was that, in the relevant week, banks were enabled to reduce their indebtedness to the Reserve Bank of India.

TRENDS OF DEPOSITS

The fact of the matter is that the deposits of commercial banks are not rising as fast as they should to meet the growing needs of an expanding economy. In fact, of late, they are tending to become stagnant. In this situation the banks are stretching themselves to their utmost to meet legitimate demands seasonal and otherwise, of industry and commerce and in so doing are allowing liquidity steadily to go down. Between 31st March, 1955 and 31st March, 1959 currency in circulation increased by Rs. 424.10 crores while demand and time liabilities of scheduled banks rose by Rs. 692.41 crores without making allowance for the distortion introduced by the impact of P.L. 480 funds which upto May 1960 flowed into the State Bank of India and which thereafter has not only ceased to flow in but past accretions of which are being diverted to Reserve Bank of India in agreed instalments. Through this fast growth of deposits, the ratio of deposits to notes in circulation went upto 100 per cent. In fact, in June 1959, for the first time in Indian Banking history, the total deposits of scheduled banks at Rs. 1737 crores exceeded the currency in circulation of Rs. 1714 crores. The trend, however, has now been reversed and the pace of increase in deposits is slower than that of note-circulation.

There have been normal deflationary factors at work. Firstly, agricultural production in 1959-60 was down owing to climatic conditions. The production of foodgrains was about 5 per cent less than in the previous year while the out-turn of cash crops like cotton, raw jute and oilseeds declined substantially. This set-back in the income of the agricultural sector has its inevitable repercussion on deposits.

Secondly, the adverse movement in our balance of payment position gives room for thought; the growth of our exports, in spite of programmes of export promotion, is disappointing while imports continue to rise.

The contractionist influence of a balance of trade deficit is felt, not through a drop in active notes in circulation, but through a decline in bank deposits and a chain of changes in Government deposits and Reserve Bank's holding of Government Securities in the Issue or Banking departments. It seems probable that such an influence was indeed felt during 1960, and that this was the second reason why bank deposits failed to grow at a rate corresponding to the expansion in advances.

In the third place, Central Government revenues have proved buoyant. The revised estimates for 1960-61 disclose a considerable increase in Government's revenue, union excise duties being expected to fetch Rs. 15 crores more and taxes on income going up by Rs. 22 crores. Such perceptibly heavier tax collections, it is not to be doubted, will prove to be an additional drain on deposits.

In the fourth place, the very buoyancy of Central Government revenues enabled a reduction in the quantum of deficit financing. Thus, while Government expenditure itself should normally be expected to provide a fillip to bank deposits, the manner of financing or the disbursements was such as to greatly reduce the impact of the governmental payments on the rise in Deposits.

Lastly, it may be permissible to suggest that the various measures of credit control instituted by the Reserve Bank of India may well have had the effect of diverting financial resources from the organised money market into the unorganised non-banking sector of finance. There are reasons to believe that upto a year ago the non-banking sector was losing ground and the organised institutions gaining in strength and influence but it would appear that this trend has now been reversed with detriment to the deposits of the banking system. Neither the Government nor the Reserve Bank of India would welcome such a diversion of resources to the non-banking sector, for to the extent that the non-banking sector gains in strength the credit measures of the Government or the Reserve Bank of India will prove even less effective than they have been in recent years.

MOBILISATION OF RESOURCES

Everyone realises the vital need to provide not only working capital to industry but also its reasonable medium-term requirements of credit but the resources of the banking system are inadequate and resort to central bank credit, which can never be a substitute for bank deposits, is discouraged through penal rates of interest and anti-inflationary credit curbs. Demand for bank credits is running at a high level and has outstripped money supply. Lending rates of banks may, therefore, well rise rather than be held at present levels. Banks are being asked not to restrict lending for productive purposes but, clearly, there is a limit, dictated by considerations of liquidity and prudence, to their ability to go on expanding advances in the absence of a sustained rise in deposits.

So, if Industry is to develop to the full extent and stature visualised in the Third Five-Year Plan, it will be necessary to take steps to mobilise resources and channel them into the banking system. A solid basis for growth of deposits over a period is increased agricultural, industrial and mineral production. But, apart from this long-term objective, the existing resources should be mobilised. From the response to the new capital issues made in 1960 and on a sample analysis of the applications made, it would appear that a new class of investors is taking interest in new floatations, and this would point to the existence of a considerable amount of untapped resources in the country. This should be gathered and not allowed to go into the non-

(Continued on page 995)

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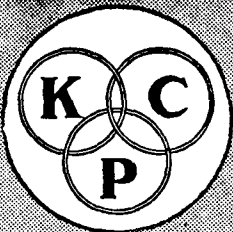
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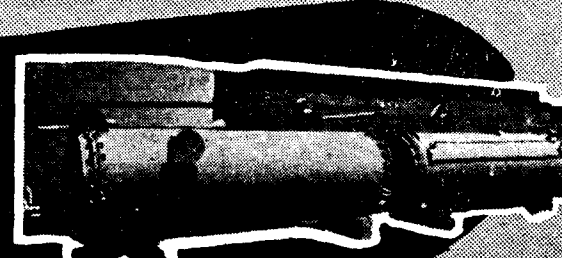
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(Continued from page 992)

banking sector or be diverted in the form of direct deposits with industrial concerns or non-banking financial institutions.

One way of attracting money into the banking system is to bring down money rates in the non-banking section. Through liberal credits to banks by the Central Bank under the bill market scheme and a liberal lending policy by commercial banks, money rates in the unofficial markets could be brought down, and thereby the diversion of funds into the unorganised market could be stopped and the flow of funds thereto reversed. At the same time interest rates on fixed deposits with the banks should be raised to wean away funds from the unorganised sector and attract fresh funds from the public.

INNER RESERVES

In the recent budget of the Central Government, the Finance Minister has made a valuable concession in favour of public financial institutions providing long-term finance whereby they are enabled to claim a reduction in respect of transfers to a special reserve account of sums not exceeding 10 per cent of the total income of each year till the amount carried to the Reserve Fund becomes equal to the Paid-up Capital of the institution. I strongly urge an extension of this concession to commercial banks so that they may be enabled to strengthen their inner reserves. This will have the effect of making banking institutions impregnable.

Favourable conditions such as elimination of double taxation of dividends should be created for the establishment of Unit Trusts as a medium of so that small savings could be attracted into the capital market and a broader basis of ownership created for industry and finance.

THE THIRD PLAN

The Third Plan has got a tremendous task before it. The total investment is expected to be about Rs. 10,000 crores, out of which Rs. 4,000 crores is assigned to the private sector.

In order that the private sector may be able to accomplish this assignment it is essential that there should be availability of adequate finance for the purpose of new investment. The rate of interest is important but not as much as the quantum of available finance. I would, therefore, suggest that we take all necessary fiscal and monetary measures to hold the price-line, bearing in mind always that anything that constitutes an obstacle to production is not going to help us in fighting inflation. The pivot of the whole question, thus, is increased production. This requires

investment and adequate finance. Scarcity of finance ultimately must lead to restricted production and consequently to higher prices.

It would be prudent to keep all these important points before us because sometimes, in our zeal, we adopt a remedy which defeats its own object.

I would, therefore, state that while the credit restriction policy in the beginning was wise, latterly it was overdone. And the time has now come when we should review the whole position.

Sufficient finance could not be supplied by banks to industry unless it has got adequate deposits. I have a feeling that the inflow of money into the banks' coffers will be encouraged only by the liberal outflow of it—a well-regulated outflow for productive purposes.

The question, therefore, is which step—lending with a view to attract deposits or waiting for deposits before lending—is to be taken first. In the present circumstances the only way is for the Reserve Bank to liberalise the policy of accommodating the commercial banks in respect of bills and allow them to lend freely for industrial purposes. This, in the ultimate analysis, will bring in new deposits. Assistance by the Reserve Bank under the Bill Market Scheme, *inter alia*, will enable the banks to meet the growing demand of funds for industrial development. This may put the advance-deposit ratio of the banks but would keep their liquidity intact.

Secondly, if the rate of interest on deposits is raised reasonably this will help the banks in getting more money.

Thirdly, it is necessary to open more branches. And in this respect a planned policy by commercial banks in consultation with the Reserve Bank for at least two years ahead would be very wise.

Fourthly, it is essential to tap the agricultural resources which can only be done by opening small branches in rural areas. There are difficulties about it. These difficulties have to be tackled.

The Plan, in order to become a success, has to be supported by all sections of the economy, that is rural, urban, commercial, financial and so forth. The banks have to play an important part in making the Plan a success and the means suggested above, if adopted, would go a long way to create a more balanced and healthy situation.

NOTE: This does not purport to be a record of the proceedings at the annual general meeting.

UNITED BANK OF INDIA LIMITED CALCUTTA

Abstracts from the Speech addressed by Dr. N. N. Law, Chairman of the Board of Directors, United Bank of India Ltd., Calcutta, to the shareholders of the Bank at its Annual General Meeting held on 10th April, 1961.

Gentlemen,

It is my happy privilege to welcome you to this meeting. Last year your Bank has completed the first meeting. Last year your Bank has completed the first ten years of its united existence. It is heartening to note that during this period our basic progress has been satisfactory. We have been able to cross the aggregate peak deposits of the pre-merger period. We have closed 55 over-lapping branches and opened 24 new branches, a number of which are in previously

Despite the tendency of deceleration which marked the growth of bank deposits last year, we have been able to achieve an increase of Rs. 4.06 crores in our deposits, a rise of 8.5 per cent over 1959. Our advances portfolio has also registered an increase of 14.7 per cent over that of 1959.

MONETARY POLICY

The past year has been a significant one for Indian Banking. On the one hand, it witnessed efforts on the part of the monetary authority in playing its role

actively in an attempt to control the effects of various adjustments that were taking place in the economy. On the other, there were certain developments in the country inhibiting banking progress. In the monetary field, by and large, the Reserve Bank showed its alertness and did all that was within its powers to keep the situation under control.

In a situation where there is a narrow profit margin and a low capital structure of banks, (to which I shall be referring again later in this statement), the directive of the Reserve Bank in prescribing minimum lending rates and limiting the rate of interest on short-term deposits was most appropriate and timely. I have not yet been able to reconcile myself to the appropriateness of the removal thereafter of the ceiling on short-term deposit interest rates, particularly at a time when introduction of a Deposit Insurance Scheme will call for a rigid control in this regard.

DEPOSIT INSURANCE

In order to strengthen public confidence in banking, which was adversely affected during the past year, the Reserve Bank by sponsoring a scheme of Deposit Insurance is removing an important lacuna in the Indian money market mechanism. We now learn with a sense of satisfaction that the Government has, at last, made up its mind to give effect to the scheme. The Governor of the Reserve Bank is to be congratulated for having taken this right step for better development and growth of Indian banking. It is hoped that an appropriate scheme, suiting the needs of the situation, will be given effect to without further loss of time.

You would no doubt recall that as early as 1954, your Managing Director gave shape to his earlier suggestion, first made in 1948, that a scheme for Deposit Insurance be evolved and that over the past few years I have been advocating the establishment of an agency for Deposit Insurance as well as for rehabilitation of sub-standard units. The importance of Deposit Insurance lies not only in covering depositors' loss in case of bank failure, but more in its ability, as a tranquilliser, to bring about a general climate of confidence. However, this is not the end in itself. It is only a means to achieve the objectives of a healthy expansion and development of the banking system for sustaining the growth of the economy. Any scheme for Deposit Insurance, therefore, to be successful, will have to be designed with a view to taking care of the liabilities side of the banking balance sheet, the Reserve Bank taking care of the assets side.

CAPITAL STRUCTURE

Increased capital funds can be achieved in two ways, by augmentation of reserves from profits and by issue of fresh capital. I may point out, as the indices of variable dividend securities clearly show, that bank shares are not thought to have growth prospects. In such circumstances it becomes ruinously expensive—and uneconomic too—for banks to secure capital on the only terms on which such issues can be successful. In other words, the strength secured from an addition to capital is dissipated by the higher quantum of distribution required thereon. It would follow that whether for augmentation of reserves or for issue of fresh capital on equitable terms, the profit margins of bank operations must be enhanced.

Again, the liquidity position which the banks are required to maintain has an important influence on the profit levels which can be reached. Thus, capital funds, liquidity and profitability of a banking institution are mutually the cause and effect of one another.

LIQUIDITY

Under compulsion of circumstances liquidity is drifting downward. It is true that the liquidity position of banks in any country, at any point of time,

would be a reflection of the state of activity of its national economy, extent of banking habits and coverage and pressure of legitimate demand for credit; the liquidity of banks, in the conventional sense, will reflect the degree of development and integration of the overall economic fabric of the country. In a developing economy like ours with a limited banking habit, banking liquidity will naturally tend to be lower and the pattern comparatively rigid. More so, when massive planned efforts are being made to increase the tempo of economic activities. It is also true that in these days of advanced central banking, immediate liquidity problem no longer has the significance it had in the past. Yet the basic need for liquidity in banking business cannot be ignored or its importance minimised.

Admittedly, economic expansion calls for greater credit requirements for industry and trade. But that should not eventually lead to bank finance replacing even partly, the functions of owner capital. In so far as high taxation and low saving rate force this distortion, the phenomenon calls for immediate attention; this is important for the basic need for institutional growth. It seems that the low capital structure in the industry is being sought to be supplemented, to a noticeable extent, with bank funds. In so far as this tendency is responsible for the present expansion of bank advances, pushing up the advances-deposit ratio further, it could be said to be unrealistic and even disturbing; unless of course this is considered to be only a transitory phase.

PROFITABILITY

Another reason, may be the most important one, for the liquidity being placed low is the need for increased profits. The profit margins of the banks are already very narrow. With a number of major banks the profit, after deduction of taxes and bonus to the staff, for 1960, as ratio to deposits, ranges between 0.17 per cent and 0.30 per cent. To match the mounting operating costs, therefore, banks tend to seek better earnings through larger advances. Any increase in the quantum of profit has, thus, been the result of 'double shift' in advances. This can neither be regarded as normal nor be looked upon with complacency. That even such profit has evidently failed to allow for ploughing back and make up for the decline in the investment values, is all the more a matter for concern. There is an urgent need for a study of the structure of operating costs and operating earnings with a view to achieving a better differential.

It is surprising to note that while the advances-deposit ratio has been continuing to take an upward turn, the banks have thought it fit further to raise the rates of interest on short and other term deposits. We have been expressing our views against raising of interest rates and we still believe that the recent upward revision has been extremely undesirable step.

INTEREST RATES

Over the years it has been our confirmed conviction that by and large the growth of deposits does not depend so much on the rate of interest as on the confidence which the banking system inspires, availability of banking facilities and the quality of services rendered to the community. While most of the people still live at or below the subsistence level, it would seem incorrect to assume that a feasible rise in interest rates will stimulate savings as the base for bank deposits by curtailment of consumption, particularly when the value of the Rupee is declining. The step, on the other hand, will further add to the increasing expenses of the banks. If the increased expenditure were, instead, spent on opening branches in unbanked areas and improving the quality and diversifying the range of services, the banking habit would have been further

stimulated resulting in mobilisation of fresh deposits; that would have been a useful investment in the future.

The higher rates of interest paid on bank deposits may tend to push the bond rate upward in regard to the future borrowings of the Government. This will cumulatively add to the burden of servicing charges, which will, for obvious reasons, have to be met by progressive increase in taxation. Any disturbance on this account is likely to reflect itself by further complicating the difficult funding problem. In order, therefore, to prevent the servicing cost of the public debt from rising sharply, the interest rates prevailing elsewhere in the economy, particularly on bank deposits, will need to be kept under close control. The policy of varying the minimum lending rates of the banks, already initiated by the Reserve Bank, can effectively take care of the adjustments in the economy.

PEG THE RATES

In this connection, I would also point to the danger of uncertainty about the future course of interest rates. It is our considered view that in the interest of present investment and also in order to bring about a healthy growth of future investment, proper steps should be taken to remove any fears of capital depreciation. To quote Keynes, "the Monetary Policy which strikes public opinion as being experimental in character or easily liable to change, may fail in its objective."

I therefore suggest that the desirability of following the U.S. method of imposing a reasonable limit on interest rates on medium term and long-term public debt should be seriously considered. It may not be necessary, however, to adopt the American method of legislative provision; a stipulation as to the maximum rate

of interest to be offered incorporated in the National Plans, may, perhaps, serve the purpose equally effectively.

TAX CONCESSION NECESSARY

Returning to the question of profitability, I think that by increasing the rates of interest on deposits, the banks have again postponed the opportunity of raising their low profitability. It is high time that banks took a more realistic view of the situation, kept interest rates under control and tried other methods of improving their resources and profitability. While undoubtedly banks will have to make their own efforts in this regard, it is also our view that the banking system should receive apposite assistance from the concerned authorities. Tax concessions on that part of profits, which is utilised to build up reserves and thus to strengthen the capital structure, should, for example, be seriously considered by the Government.

CONCLUSION

Indian banking needs a major reorganisation and the urgency of a close study of the whole matter cannot be over-emphasised. In this connection, I am glad to mention that, your Managing Director, Sri B. K. Dutt, has given a timely lead. He was invited by Calcutta University to deliver a series of lectures as Prof. Benoy Kumar Sarker Memorial Lecturer for 1960. He selected "Monetary Discipline and Indian Banking" as the subject of his lectures. In these lectures, which are now available in book form, he has analysed in detail the prevailing situation in the Indian banking system and has put forward a number of ideas for its progressive development.

(NOTE: This does not purport to be a record of the proceedings of the Annual General Meeting.)

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GRAM
RESEARCH

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Manufactures							All Comme- dities
		Food articles & Tobacco	Liquor	Light and Lubricants	Industrial Raw materials	Inter- mediate Products	Finished Products	Total	
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1954-55	..	94.6	90.6	97.1	101.9	97.4	101.1	100.6	97.4
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.6	117.1
December 1959	..	118.2	103.7	117.0	127.2	118.0	112.6	113.4	117.9
January 1960	..	117.5	100.9	116.8	130.9	121.6	115.1	116.0	118.8
February ..	..	118.0	96.0	117.3	131.6	120.5	115.6	116.3	119.5
December 1960	..	117.2	112.1	120.3	149.6	132.3	125.0	126.0	124.8
January 1961	..	116.4	111.2	120.0	154.7	133.9	126.5	127.5	125.6
February ..	..	116.2	111.2	120.0	159.2	134.2	128.4	129.2	126.6
18-2-1961	..	116.0	112.2	120.0	159.5	134.4	128.4	129.2	126.6
25-2-1961	..	115.9	109.4	120.0	159.7	134.9	128.4	129.3	126.6
4-3-1961	..	116.6	112.8	120.3	158.9	136.1	127.9	129.1	126.8
11-3-1961	..	116.8	114.2	120.3	159.1	137.2	128.5	129.8	127.2
18-3-1961	..	116.7	115.0	120.7	159.4	138.5	128.5	129.9	127.2

*Revised.

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

Period	Bombay		Delhi	Ben- gal	Central Provinces			Madras June 1936=100	E.P. Ludhiana†	Bihar Jamshedpur†	All India†
	Bombay	Bombay June 1934=100			Calcutta	Kanpur	Nagpur				
1939 (Aug.-Dec.)	103	—	—	—	105	104	—	106	—	—	—
1954	342	359	244	138	327	408	373	139	341	148	140
1955	322	338	217	130	321	371	364	133	321	134	135
1956	336	352	244	142	347	424	397	151	358	152	146
1957	352	368	259	150	364	448	422	162	374	157	157
1958	376	394	274	150	384	468	447	165	401	157	169
1959	393	412	308	158	384	469	498	163	429	166	173*
1960	401*	420*	296	158*	397*	476*	512*	—	462*	167	171*
1960 June	403	422	297	154	399	460	510	165*	462	167	164*
July	404	423	302	160	406	484*	515	163	470	169	164*
August	402	421	304	160	410	484*	515	163	472	167	168*
September	399	418	302	161	403	489	520	163	472	167	168*
October	402	421	304	162	396	488	517	163	477	171	164*
November	404	423	300	159	392	489	509	163	484*	171	168*
December	400	419	297	160	385	478*	507	—	470*	169	167*
1961 January	400	419	296	161	385	480	—	—	470*	171	166*
February	—	—	—	163	—	487	—	—	474*	—	—
March	—	—	—	—	—	—	—	—	479*	—	—

†Base 1944=100. *Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)
WEEK ENDED

	31-3-1961			24-3-1961			17-3-1961			10-3-1961		
	High	Low	Ave- rage	High	Low	Ave- rage	High	Low	Ave- rage	High	Low	Ave- rage
Gold (per 10 grams)	121.15	118.85	119.66	122.35	120.05	121.18	123.60	121.90	122.58	124.40	122.90	123.62
Silver (per kilogram)	202.95	200.60	201.55	204.60	201.45	202.78	206.50	202.75	204.83	208.20	206.05	207.03

RESERVE BANK OF INDIA
ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES					ASSETS				
	Notes in Circula- tion	Notes Held in Bank- ing Dept.	Total Notes Issued (a)	Gold Coin & Bullion (b)	Foreign Securi- ties (c)	Total of (b+c)	(b+c) as Percent- age of (a)	Rupee Coin	Rupee Securities	Total Assets
1955-56*	1,339,39	17,08	1,356,47	40,02	656,52	696,53	51.35	106,87	533,06	1,356,47
1956-57*	1,475,77	18,75	1,494,52	40,02	545,61	585,63	39.95	115,93	755,22	1,494,52
1957-58*	1,529,36	23,18	1,552,53	117,76	329,65	447,41	28.79	1,30,06	975,06	1,552,53
1958-59*	1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
1959-60*	1,730,90	19,86	1,750,77	117,76	167,62	285,38	16.30	131,50	1,333,83	1,750,77
Average of Fridays										
Dec. 1959	1,725,18	11,46	1,736,64	117,76	163,01	280,77	16.17	132,74	1,323,13	1,736,64
Jan. 1960	1,766,07	14,42	1,780,49	117,73	163,01	280,77	15.77	139,31	1,369,41	1,780,49
Feb. 1960	1,803,57	18,74	1,822,31	117,76	163,01	280,77	15.41	126,73	1,414,81	1,822,31
Dec. 1960	1,855,90	16,59	1,872,48	117,76	127,01	244,77	13.07	127,66	1,500,06	1,872,48
Jan. 1961	1,911,58	16,83	1,928,41	117,76	128,01	245,77	12.75	124,35	1,558,29	1,928,41
Feb. ..	1,936,01	18,78	1,954,79	117,76	128,01	245,77	12.58	121,75	1,587,28	1,954,79
Week-Ending										
3-3-1961	1,947,16	11,34	1,958,50	117,76	128,01	245,77	12.55	120,46	1,592,27	1,958,50
10-3-1961	1,979,96	11,40	1,991,36	117,76	128,01	245,77	12.34	118,32	1,627,27	1,991,36
17-3-1961	1,971,97	19,89	1,991,85	117,76	128,01	245,77	—	118,87	1,627,22	1,991,85
24-3-1961	1,968,70	24,09	1,992,79	117,76	128,01	245,77	—	119,81	1,627,22	1,992,79

BANKING DEPARTMENT

(Rs. Lakhs)

Period	Deposits					Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad‡	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Gov- ernment	Other Gov- ernments	Banks	Others	Total									
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
1955-56*	60,11	19,85	53,77	18,31	152,04	35,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
1956-57*	57,52	14,10	52,46	19,73	143,81	91,21	245,02	18,91	5,69	64,77	4,89	85,34	51,82	13,60
1957-58*	54,61	11,28	81,00	111,38	258,27	84,36	407,63	23,30	4,81	40,47	32,90	77,91	213,92	14,32
1958-59*	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,18	25,57	28,23	65,83	284,49	11,73
1959-60*	55,50	23,24	79,61	123,48	281,83	83,18	450,01	19,94	15,54	28,97	25,53	88,92	258,90	12,22
Avr. of Fridays														
Dec. 1959	55,33	18,65	73,41	117,59	264,98	83,86	433,84	11,52	15,82	44,82	23,80	90,67	235,92	11,29
Jan. 1960	54,26	23,94	81,52	120,76	280,49	86,67	452,16	14,48	39,44	46,55	21,53	106,74	210,48	12,93
Feb. ..	54,68	25,82	75,76	107,57	263,83	92,51	441,34	18,82	19,84	41,08	23,97	123,39	200,73	13,52
Dec. 1960	60,25	15,71	95,20	91,78	262,95	104,08	452,03	16,69	19,53	26,55	37,78	136,04	198,94	16,70
Jan. 1961	53,48	19,71	79,56	93,82	246,57	110,37	441,93	16,91	57,41	19,54	41,17	145,24	144,11	17,55
Feb. ..	61,59	20,90	72,74	91,55	246,78	112,68	446,95	18,87	51,64	26,19	37,71	152,41	142,06	18,07
Week-Ending														
24-2-1961	61,04	18,39	76,98	89,54	245,95	118,59	449,54	35,06	35,85	31,49	37,77	147,64	143,60	18,13
3-3-1961	51,44	14,70	71,86	90,75	228,75	120,68	434,43	11,43	23,35	29,29	41,62	155,53	154,12	19,09
10-3-1961	55,42	6,27	73,87	88,95	224,51	115,40	424,90	11,48	37,75	30,84	48,71	158,24	118,71	19,17
17-3-1961	72,70	18,12	71,76	90,10	252,67	123,19	460,86	19,97	38,73	32,19	51,00	168,81	130,72	19,45
24-3-1961	53,37	33,63	74,47	98,51	259,98	129,86	474,86	24,18	30,04	25,54	42,18	173,17	16,34	19,39

* Average of Fridays. ** Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 23, 1957 and of Rs. 80 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. † Includes cash and short-term securities.

INDIAN UNION

PROGRESS OF CHEMICAL INDUSTRIES IN THE SECOND PLAN

Industry	No. of Factories			Installed Capacity			Actual Production		
	1956	1959	1960	1956	1959	1960*	1956	1959	1960*
Drugs and Pharmaceuticals									
Galenicals (mil. gallons)	47	47	47	3.1	3.1	3.1	0.8	1.0	1.1
Caffeine and its Salts ('000 Kgms.)	3	3	5	22.7	9.0	11.8	4.1	7.0	12.1
Emetine Hydrochloride (Kgms.)	Nil	1	1	Nil	187	187	Nil	202	220
Ephedrine and its Salts (Kgms.)	2	2	2	1,769	1,800	1,800	34	10	13
Opium Alkaloids and its Salts ('000 Kgms.)	1	1	1	1.4	1.5 to 2.0	1.5 to 2.0	1.3	1.5	3.7
Quinine ('000 Kgms.)	Nil	3	3	Nil	N.A.	N.A.	Nil	66.4	122.6
Strychnine and Brucine ('000 Kgms.)	1	2	2	14.7	20.0	26.8	9.5	8.9	15.9
Liver Extracts									
Injections (mil. c.c.s.)	19	17	17	81.80	75.42	75.42	24.42	36.85	33.80
Orals ('000 Kgms.)	19	17	17	559.7	652.1	652.1	126.5	170.8	137.9
Antibiotics									
Chloramphenicol (Kgms.)	1	1	1	3,600	3,600	3,600	2,156	2,924	3,504
Chlorotetracycline (Aureomycin) (Kgms.)	1	1	1	9,600	9,600	9,600	710	1,780	2,362
Penicillin (Mil. M.U.)	1	1	1	15.00	30.00	40.00	14.09	28.71	39.04
Anti-Leprosy									
D. D. S. and its Derivatives (Kgms.)	3	3	3	7,729	8,160	8,220	4,916	3,981	7,191
Anti-Tuberculosis									
Isonicotinic Acid Hydrazide ('000 Kgms.)	4	6	7	6.8	31.0	39.4	4.1	29.6	29.2
P.A.S. and its Salts ('000 Kgms.)	2	3	4	18.1	126.0	148.1	4.2	99.8	86.6
Sulpha Drugs									
Sulphadiazine ('000 Kgms.)	2	2	2	104.9	107.4	107.4	26.6	31.5	13.4
Sulpha Pyridine ('000 Kgms.)	1	1	1	74.8	18.2	18.2	12.2	12.2	14.8
Sulpha Somidine ('000 Kgms.)	Nil	2	2	Nil	24.0	24.0	Nil	27.6	27.9
Sulpha Thiazole ('000 Kgms.)	2	2	2	168.2	182.3	182.3	59.8	62.4	83.0
Anti-Dysentery									
Carbarsone (Kgms.)	Nil	1	1	Nil	600	600	Nil	59	16
Insecticides									
Benzene Hexa Chloride (Metric tons)	2	2	2	2,500	3,900	3,900	1,177	2,609	3,240
Copper Oxy Chloride (Metric tons)	N.A.	5	5	N.A.	2,268	2,268	N.A.	375	455
D.D.T. (Metric tons)	1	2	2	480	2,800	2,800	814	2,199	2,855
Ethyl Diabromide (Metric tons)	Nil	1	1	Nil	96	96	Nil	14	8
Alkaloids									
Reserpine ('000 gms.)	Nil	1	1	Nil	18.0	18.0	Nil	7.9	8.7
Vitamins									
Vitamin A (M.M.U.)	Nil	2	2	Nil	15	20	Nil	2	15
Vitamin B12 (Gms.)	Nil	1	1	Nil	4,000	4,000	Nil	606	1,226
Anti-Diabetic Drugs									
Talbutamide and Carbutamide (Kgms.)	Nil	1	1	Nil	600	600	Nil	333	427
Aromatic Chemicals									
Amyl Acetate (Perfumery grade) ('000 Kgms.)	Nil	2	2	Nil	3.3	3.3	Nil	1.6	3.7
Amyl Salicylate ('000 Kgms.)	Nil	2	2	Nil	6.5	6.5	Nil	2.5	2.6
Aurantial ('000 Kgms.)	1	2	2	0.5	4.6	4.6	0.2	0.6	N.A.
Cedryl Acetate ('000 Kgms.)	Nil	1	1	Nil	2.7	2.7	Nil	0.2	N.A.
Citronellol ('000 Kgms.)	1	2	2	1.6	1.6	1.6	1.5	4.2	6.0
Citronellyl Acetate ('000 Kgms.)	Nil	2	2	Nil	0.3	0.3	Nil	0.2	0.1
Geraniol (Pure) ('000 Kgms.)	2	2	2	8.2	8.2	8.2	2.9	14.6	22.7
Geranyl Acetate ('000 Kgms.)	2	2	2	1.8	1.8	1.8	1.3	1.5	3.8
Hydroxy Citronellol ('000 Kgms.)	1	1	2	1.4	1.4	2.0	0.4	2.8	5.2
Ionone (100%) ('000 Kgms.)	1	2	2	4.4	4.4	4.4	2.4	3.5	4.9
Linallol ('000 Kgms.)	1	1	2	0.5	0.5	0.5	0.1	0.7	0.4
Phenyl Ethyl Acetate ('000 Kgms.)	Nil	1	2	Nil	2.7	2.7	Nil	0.7	N.A.

* Estimated.

INDIAN UNION

PROGRESS OF CHEMICAL INDUSTRIES IN THE SECOND PLAN — (CONTD.)

Industry	No. of Factories			Installed Capacity			Actual Production		
	1956	1959	1960	1956	1959	1960*	1956	1959	1960*
Essential Oils									
Eucalyptus oil** (metric tons)	Nil	N.A.	N.A.	Nil	N.A.	N.A.	Nil	136.0	136.0
Flavouring Essences (metric tons)	10	11	12	200 to 300	300 to 325	300 to 325	100.0	242.3	260.0
Geranium oil** (Kgms.)	Nil	N.A.	N.A.	Nil	N.A.	N.A.	Nil	680	680
Lemon Grass oil** (metric tons)	Nil	N.A.	N.A.	Nil	N.A.	N.A.	Nil	1,067	1,067
Linaloe oil** (Kgms.)	Nil	N.A.	N.A.	Nil	N.A.	N.A.	Nil	2,722	2,722
Palmarosa oil** (metric tons)	Nil	N.A.	N.A.	Nil	N.A.	N.A.	Nil	96.5	96.5
Rosin (organised units) (metric tons)	3	3	3	12,200	12,396	12,396	10,323	11,271	11,350
Sandalwood oil (Kgms.)	7	6	6	135,536	146,420	146,420	117,566	124,324	126,959
Turpentine oil (organised units) (Lakh Litres)	3	3	3	33.4	33.4	33.4	26.1	27.3	28.0
Resinoids									
Balsam Tolu ('000 Kgms.)	Nil	2	2	Nil	4.4	4.4	Nil	0.118	0.733
Benzoin ('000 Kgms.)	Nil	2	2	Nil	7.3	7.3	Nil	0.614	2.299
Styrax ('000 Kgms.)	Nil	2	2	Nil	8.2	8.2	Nil	0.545	3.307
Dye Stuffs									
Azo Dyes ('000 Kgms.)	2	2	3	1,177	1,351	1,397	804	1,228	1,219
Basic Dyes ('000 Kgms.)	Nil	1	2	Nil	27	75	Nil	31	50
Fast colour basis ('000 Kgms.)	1	1	2	305	662	764	2	382	366
Fast colour salts ('000 Kgms.)	6	2	2	275	217	217	152	67	46
Naphthols ('000 Kgms.)	2	3	3	914	1,069	1,069	401	739	785
Optical Bleaching Agents ('000 Kgms.)	1	4	4	7	198	198	4	114	168
Organic Pigments ('000 Kgms.)	N.A.	2	3	N.A.	99	504	N.A.	61	180
Solubilized Vats ('000 Kgms.)	3	2	3	168	169	202	46	71	101
Stabilised Azoics ('000 Kgms.)	7	4	4	431	445	445	219	174	176
Sulphur Black ('000 Kgms.)	2	2	2	1,361	1,832	1,832	1,570	1,378	1,448
Vat Dyes (Commercial strength) ('000 Kgms.)	2	2	2	182	482	482	21	325	473
Coke Oven and Coal Tar Distillation Products									
Benzene ('000 Litres)	3	3	4	3,266	6,073	7,333	1,559	4,965	4,647
Creosote Oil ('000 Litres)	N.A.	5	6	N.A.	\$	\$	N.A.	4,480	5,010
Crude Coal Tar ('000 metric tons)	11	12	13	117	310	363	104	176	212
Motor Benzol (Lakh litres)	5	4	4	109.7	104.1	111.4	33.3	33.4	40.6
Napthalene Refined (metric tons)	5	5	4	1,040	1,455	588	952	661	635
Pitch (metric tons)	6	5	4	\$	\$	\$	3,682	6,158	4,900
Road Tar ('000 metric tons)	6	5	4	\$	\$	\$	38.7	20.2	7.7
Solvent Naphtha ('000 litres)	5	5	5	\$	\$	\$	276	463	446
Toluene ('000 litres)	4	3	4	2,259	2,728	3,213	275	815	1,052
Industrial Explosives									
Industrial Explosives (metric tons)	Nil	1	1	Nil	4,500	4,500	Nil	3,477	6,396
Safety Fuses (Mil. coils of 24ft. length)	Nil	1	2	Nil	1.08	6.68	Nil	0.96	1.70
Paints and Varnishes									
Alkyd Resins (Tons)	7	12	12	2,372	4,044	4,040	1,368	2,203	2,910
Aluminium Paste (Tons)	1	1	1	500	500	500	328	421	421
Chrome Colours (Tons)	10	10	10	N.A.	N.A.	N.A.	721	850	870
Nitrocellulose Lacquers (Lakh gallons)	7	8	8	8.0	8.0	8.0	2.4	3.0	3.6
Paints ('000 Tons)	50	53	53	65.0	71.2	71.2	41.6	54.2	52.0
Phthalocyanine Blue ('000 lbs.)	1	1	1	N.A.	N.A.	N.A.	15.5	111.9	116.3
Red Lead ('000 tons)	3	3	3	5.1	8.4	8.4	3.6	4.2	3.7
Titanium Dioxide (anatase) ('000 tons)	1	1	1	1.8	1.8	3.6	1.7	1.8	2.6
White Lead ('000 tons)	2	2	2	3.7	3.7	3.7	0.6	1.0	0.9
Zinc Oxide ('000 tons)	4	5	5	12.4	12.4	17.1	5.1	6.8	8.2

* Estimated.

** These oils are produced on a cottage industries scale, as such authentic statistics about their production are not available.

\$ No separate installed capacity for these items.

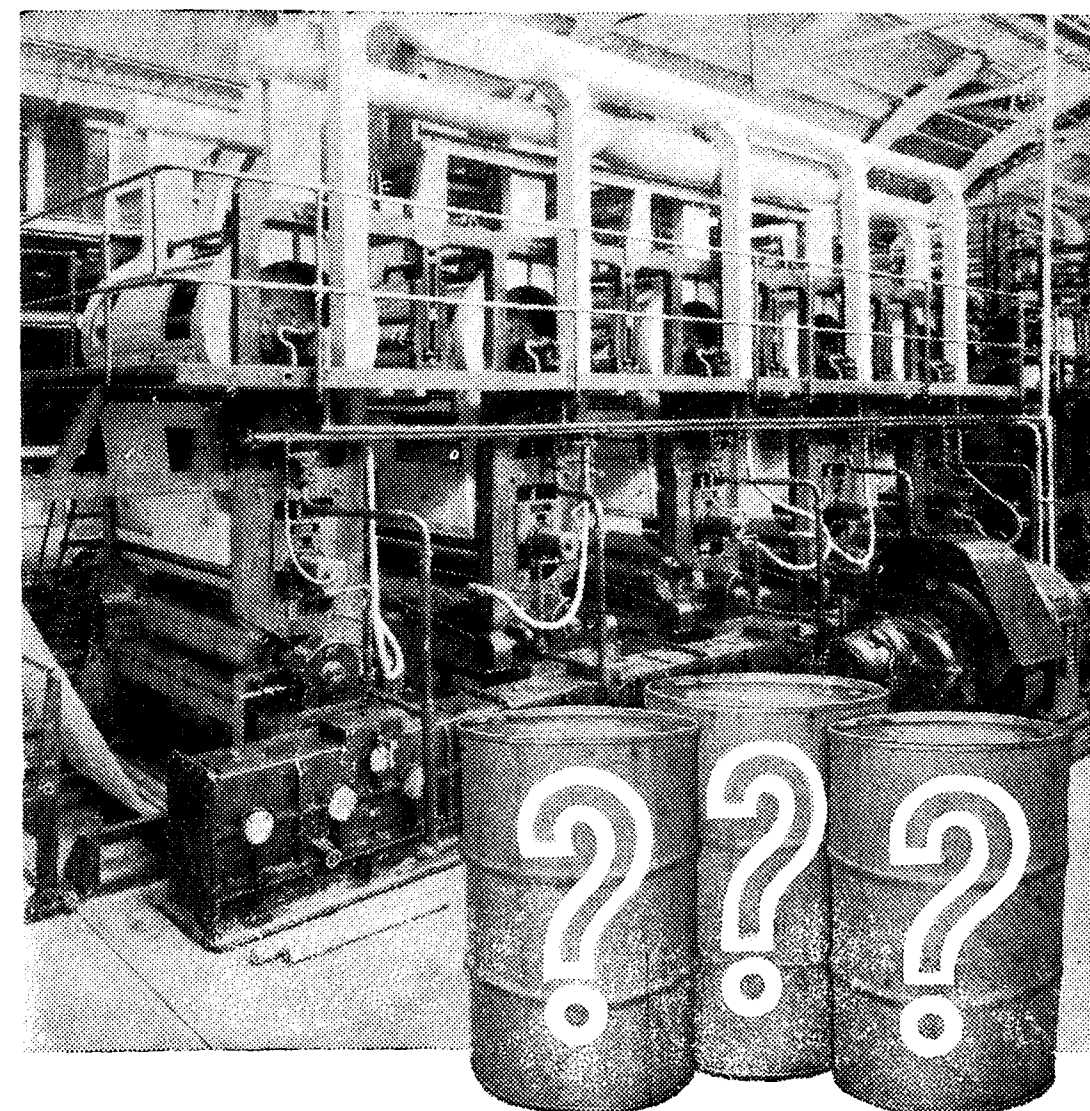
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INDIAN UNION

PROGRESS OF CHEMICAL INDUSTRIES IN THE SECOND PLAN (Contd.)

Industry	No. of Factories			Installed Capacity			Actual Production		
	1956	1959	1960	1956	1959	1960*	1956	1959	1960*
Ferrous Gluconate ('000 Kgms.)	2	4	4	27.2	60.0	60.0	5.7	9.5	5.8
Ferrous Sulphate (000 Tons)	9	10	9	1.4	4.0	3.9	0.5	2.6	2.0
Gases									
(i) Carbon oxide gas (000 Metric tons)	Nil	12	17	Nil	17.0	20.0	Nil	6.3	8.2
(ii) Dissolved Acetylene gas (Mil. Cu. Meters)	3	4	5	3.0	4.4	4.4	1.6	2.4	2.5
(iii) Nitrogen gas (Th. Cu. Meters)	Nil	1	1	Nil	180	180	Nil	107	200
(iv) Nitrous oxide gas (Mil. Litres)	Nil	1	1	Nil	100	100	Nil	68	85
(v) Oxygen gas (Mil. Cu. Meters)	4	5	6	13.9	24.2	29.0	9.3	16.8	19.4
Heat Treatment Salts (Th. Metric tons)	Nil	1	2	Nil	6.9	11.5	Nil	0.7	1.0
Hydrogen Peroxide (Th. Metric tons)	1	1	1	0.7	1.5	3.0	0.3	1.1	1.1
Hydroquinone (000 Kgms.)	2	2	2	31.0	34.0	45.2	19.0	19.1	25.9
Incandescent Gas Mantles (Th. Gross)	Nil	7	7	Nil	220	254	Nil	121	136
Liquid Chlorine (000 Metric tons)	7	12	12	20.2	36.1	36.1	15.1	24.8	31.0
Magnesium Chloride (000 Tons)	4	4	4	39.6	39.6	39.6	8.5	6.0	5.3
Magnesium Sulphate (000 Tons)	15	15	15	7.8	7.9	7.9	3.4	3.6	3.5
Metal Treatment Solution (Th. Litres)	Nil	2	2	Nil	600	600	Nil	482	472
Nickel Ammonium Sulphate (Metric tons)	Nil	2	2	Nil	128	128	Nil	9	6
Nickel Carbonate (Metric tons)	Nil	3	4	Nil	231	307	Nil	6	6
Nickel Chloride (Metric tons)	Nil	2	3	Nil	99	99	Nil	7	8
Nickel Sulphate (Metric tons)	Nil	3	3	Nil	393	675	Nil	55	101
Nikethamide (000 Kgms.)	3	3	3	3.3	8.1	8.1	0.6	4.9	3.9
Phosphorous Trichloride (Metric tons)	Nil	2	2	Nil	465	465	Nil	61	130
Potassium Chlorate (Metric tons)	2	2	3	2,310	3,660	4,254	2,276	2,712	3,450
Saccharine (000 Kgms.)	2	2	2	107.0	150.0	102.6	50.5	98.9	88.3
Silica Gel (Metric tons)	N.A.	3	3	N.A.	156	156	N.A.	40	37
Soda Ash (000 Metric tons)	2	2	4	90.0	111.0	217.0	84.2	96.0	145.0
Sodium Aluminate (Metric tons)	N.A.	3	4	N.A.	1,500	2,520	N.A.	216	500
Sodium Bicarbonate (000 Metric tons)	2	2	2	4.6	6.7	12.1	4.5	5.8	7.5
Sodium Bisulphite (Metric tons)	5	5	5	1,043	1,277	1,277	716	1,345	1,000
Sodium Hexameta Phosphate (Metric tons)	Nil	1	1	Nil	672	672	Nil	433	480
Sodium Hydrosulphite (Metric tons)	Nil	Nil	2	Nil	Nil	2,300	Nil	Nil	600
Sodium Perborate (Metric tons)	Nil	1	1	Nil	250	250	Nil	106	110
Sodium Sulphate (000 Tons)	N.A.	19	17	N.A.	21.6	21.8	N.A.	21.9	15.5
Sodium Sulphide (000 Tons)	12	8	8	10.0	9.1	9.1	3.1	4.4	2.4
Sodium Sulphite (Metric tons)	4	4	4	820	856	856	383	715	750
Sodium Thiosulphate (Metric tons)	5	5	5	2,120	2,429	2,429	914	1,068	1,100
Superphosphates (000 Tons)	14	15	15	265.8	330.7	343.7	81.2	247.6	325.0
Zinc Chloride (Tons)	5	4	3	1,876	1,546	1,216	958	988	1,087
Welding Fluxes (Metric tons)	Nil	2	2	Nil	N.A.	N.A.	Nil	N.A.	0.2
Solvents									
Acetic Acid (Glacial) (Mil. Kgms.)	2	2	2	3.2	3.3	3.3	2.5	3.0	3.1
Acetic Anhydride (Mil Kgms.)	Nil	1	1	Nil	2.6	2.6	Nil	2.7	3.1
Acetone (000 Kgms.)	1	1	1	600	609	609	633	669	753
C.P. Methanol (000 Kgms.)	Nil		1	Nil	60	60		30.2	15.6
Photographic Chemicals (000 ozs.)	Nil	2	2	Nil	N.A.	N.A.	Nil	N.A.	343.1

* Estimated.



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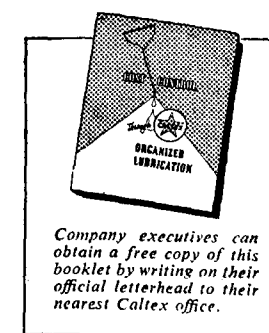
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ONE RUPEE

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The Eastern Economist

APRIL 28, 1961

The State of the Fifth Republic

WHAT has happened in Algeria implies nothing more or less than civil war in the Fifth Republic. The Fifth Republic came to power so smoothly that it has generally been assumed that the volume of popular support that General de Gaulle commanded was so great that disaffected elements would never dream of raising the standard of revolt. Events in Algeria always seemed to provide an exception to the rule, but even tried observers did not think that the army would go over in very large numbers to rebellion. Current reports are to the effect that the rebellion has ended abruptly and its ring-leader, ex-General Maurice Challe, has been captured and flown back to France to suffer trial for high treason which will probably end in the death penalty. General Raoul Salan is reported to have committed suicide, and Andre Zeller and Edmond Jauhaud seem to have disappeared. Thus the rebellion has disappeared as rapidly as it arrived.

All in all, the events of the last week, while shattering to the confidence of those who thought that the French army was united behind de Gaulle, have shown that the Head of the French State has still the substance of real authority both in France and across the Mediterranean. The explanation of this curious aberration of the Generals in Algeria is probably to be found in the extraordinary in-breeding which takes place amongst the French settlers and those who come under their hysterical influence. Now that the rebellions by both the *colons* and their ill-advised military friends have been substantially broken and General de Gaulle has scored a decisive personal victory, his policy in Algeria might be looked upon with more favour, or at least with grudging acceptance, which comes from the realisation of the absence of any real alternative. Whether or not the General's difficulties in Algeria shortly end with a vote for his proposals, the fact remains that there is no

other authority capable of enforcing uncomfortable reforms. This is the time to recognise that though Algerian independence may not look as complete as our own, General de Gaulle's proposed solution is the only immediately feasible approach. As always, in Bismarck's phrase, politics remain the art of the possible. That defines the limit of solution as it defines the limits of compromise.

There is for us in India a less happy implication of which we cannot fail to take some notice. The meeting of the Aid India Club took place in Washington in accordance with the schedule. Of course, no firm commitment about the quantum of aid which the principal donor, the United States is expected to give could be made because of constitutional reasons — the Foreign Aid Bill must first be approved by Congress. A happy circumstance of this year's meeting of the consortium was that for the first time France sent her representative as an observer — a prelude to her full participation as a contributing member. But she has been so much disturbed by security problem and, likewise, the United States also is called upon to devote first attention to the problems of the Cold War. In the short run, the prospect is quite uncertain, but even in the comparatively longer run it is less bright than what it was only a few weeks ago. France has not been a major contributor in this field, but the tide was turning and even in the Second Plan assistance was by no means small and assistance in the Third Plan was confidently presumed to be larger. It is evident that France cannot play the same part in the first two years of the Third Plan as she would have liked to. This is a measure of the extent to which political insecurity at home immediately with draws interest in assistance abroad. All these are melancholy thoughts, not the less depressing because they imply the obvious moral that the world of 1961 is still not ready for its responsibilities.

The Future of Panchayati Raj

THE debate on the grants of the Community Development Ministry last week afforded the country a remarkable opportunity for awareness of a new and relatively unknown movement—

Panchayati Raj. It may well be that, if Bhooda was the magic word of the fifties, the Gandhia expression of a non-violent revolution in the countryside, its virtue in the sixties will pass t

a much less publicised thing, Panchayati Raj. There is, indeed, no conflict between the two as is seen by the fact that the apostle of the Bhoo-dan movement, Mr. Jaya Prakash Narayan, is already wearing the mantle of the Panchayati Raj and spreading its gospel. This is appropriate; Bhoo-dan has come to stay but Panchayati Raj has still to win its spurs. It is precisely because both in assessment and in potentiality this is an unknown movement that one should heed the careful description of it that the Minister, Mr. S. K. Dey, found it possible to make. Few of those who were present would accuse him of being a visionary; he was very close to earth.

Panchayati Raj is the negation of monolithic politics; it is the biggest experiment at 'grass roots' democracy that India has undertaken since the Revolution. Because it is so much a 'grass roots' affair, and because the villages are so numerous, the picture will necessarily be uneven with surprising progress here and not-such-surprising neglect there. But, by and large, at least in the States which have had the movement for two or three years something significant has been done. A survey by the Indian Institute of Public Opinion in sixty Panchayats in the Punjab covering more than 100 villages seems to have come to the conclusion that the sources of devolution of power are real, that the elections that have been held are not merely fair, but are recognised as such, both by the public at large and the Panchayat members, and that a new feeling of initiative and self-help has crept into village counsels with the influx of significant new power. All this does not imply that 'grass roots' democracy is now ready for uncritical expansion. The secret of success has always been men. All that can be said is that a substantial development is taking place in the training of responsibility at what might be called the lowest political level.

The Minister who spoke with anxiety of the new difficulties enunciated six acid tests for the Panchayati Raj. These are so much the heart of the piece that it is worth repeating exactly what he said:

"The first test is, whether or not the panchayati raj system is making better utilisation of the Government staff and the resources that are being placed at its disposal. The

second is, whether it is promoting national priorities of its own. The third is, whether it is dispersing initiative both vertically and horizontally—vertically means a higher institution to the institution next to it; horizontally means to voluntary institutions of people, as many as there are, laterally. If it is a village panchayat, the village panchayat must try to get programmes implemented through associate voluntary institutions of people at the village level. Otherwise, we shall eventually encourage totalitarianism. The next test is whether or not there is better understanding of democracy in the people and whether or not there is better competence in our representatives and in our Government servants. The next is whether or not panchayati raj has been able to mobilise the idle resources, particularly the man-power resources in the villages. Last but not least is the test whether or not it has been able to ensure social justice, viz., assistance to the weaker sections of the village community."

One of the biggest difficulties in the immediate present is not merely the taking of power by the villagers, but the building of the bridges between the villagers through their Panchayats and the Block Development Officers and other servants of the State operating in what might be called a civil service environment. In the monolithic structure to which reference has already been made the civil servants have lost all along the line to elected representatives of the people who have not always been fully prepared to exercise the power they inherited. Much the same difficulty will arise many times over at the village level. One of the great questions in the present is whether the villagers and Block Development Officers will build better bridges than the politicians have built with the civil servants. Assuming this can be done, it may be that the structure of local self-government in India would be better built than the vast pyramid which has been borne on this widespread, but relatively unrespected, base. The instrument of success must be the harmony with which the various agents that have inherited power work with those who have tended to lose it. Much the greatest test of the new sarpanches is this capacity to recognise that in their moment of victory they need to become more responsible as representatives not only of their people but also of the nation.

cular glory at the Foreign Office. He was the Prime Minister's Number Two, and that was that. He was transferred to the Treasury, although he is certainly no economist or fiscal technician. But he is a well trained lawyer and, as such, has evidently developed the capacity for reading and imbibing a brief rapidly and competently. In his recent Budget speech he delivered the clearest of such addresses heard for some time past, he did so with great assurance and confidence. It was

moreover a speech full of ideas and decisions as well as wit and clarity.

The cynics will say that Mr. Lloyd is fortunate in the top civil servants surrounding him. But it needs a competent Minister to make such effective use of his advisers. Mr. Selwyn Lloyd is now confidently spoken of as a future Prime Minister. I would reserve my own judgment on this but having heard his recent performance in the House of Commons, I must admit that he has gained in assurance and stature in a remarkable manner since his transference from the Foreign Office to the next door Treasury building.

There is no doubting the quality of his Budget. In the first place there is its financial austerity—a word which can be used without any pejorative implication. The British economy is rather over-buoyant. Domestic demand is brimming over. That can be seen in the continuing deficit in the balance of payments. The first duty of the Budget was to curb the buoyancy of domestic demand and thus release more resources for export. The Budget is doing this by raising taxation to such an extent that the revenue surplus in the coming year is expected to reach the impressive total of £506 million which is only £69 million less than the capital payments which the Government will have to make in 1961-62. Not since the days of Sir Stafford Cripps have we seen such iron chancellorship. The Government will find itself in an exceptionally strong position during the coming year. The amount which it can collect by small savings alone will suffice to cover more than four times its net borrowing requirements. The Government will thus be a net purchaser of its own securities. It follows that this looks like a good year for gilt-edged securities and for British Government credit.

The tax changes have, of course, been dominated by the proposals to make considerable remissions to surtax payers. These do not become truly effective until the 1st January, 1963 and quite a number of the taxpayers for whom these favours are intended will, therefore, not live to see the day. When, however, they do become effective they will be very substantial, particularly on the lower and middle ranges of surtax payers. With the possible exception of India, we in Britain had the most sharply graduated system of direct taxation in the world. We shall still be among the leaders after the concessions become effective, but part at least of the injustice created by the fact that the commencement of surtax has remained at £2,000 per annum for 41 years, will have been removed.

The main counterpart to this concession is being provided by an increase in profits tax. Politically this may be an effective and judicious balancing trick, but there is no particular relationship between the two, other than the fact that the incidence of the concessions and increases respectively will be approximately the same both in the matter of timing and amounts.

By far the most interesting and probably most important aspect of the Budget proposals is the introduction of a new battery of economic controls in the form of powers given to the Chancel-

lor to change, or inaugurate, taxes between budgets. Now that the Government spends close on a third of the national product, the Budget is obviously the main economic control. Unfortunately, it comes but once a year, unless a dire economic crisis intervenes and calls for an autumn budget. The economic position tends to change appreciably within the year but only rarely so vehemently as to call for a supplementary budget. There is, therefore, a need for some elastic and flexible tax system where the rates can be adjusted to changes in economic conditions.

Two such flexible regulators are to be introduced. The first is the power being given to the Chancellor to raise or lower by 10 per cent of the existing rates of virtually all customs and excise duties. These duties now yield £2,000 million a year, so that the Chancellor is given the power to shift taxation within the considerable margin of £400 million. The second is a form of payroll tax which would be applied by a call on all employers to increase by anything up to 4s. per week the contribution they already make to the National Insurance scheme for each employee. At the maximum rate this could raise £200 million a year.

These are considerable powers and their grant raises an important matter of principle, namely that of the delegation to the executive of the right to change taxation which is normally jealously guarded by Parliament itself. Admittedly *Parliamentary resolutions* will have to be passed when these powers are exercised but one knows full well that this procedure is that of the rubber stamp and does not allow the detailed discussion and criticism of changes in taxation which occur when these are embodied in a finance bill.

This matter of principle may, however, be glossed over given the good cause for which these powers are being granted. In future the fiscal controls may result in less reliance on the orthodox mechanism of monetary policy, fewer changes in hire purchase credit restrictions and less dependence on abnormally high or abnormally low Bank rates. But the new regulators will bring their own particular problems. It may well be for example, that the knowledge that Chancellor has powers to raise or lower purchase tax will accentuate, rather than reduce fluctuations in domestic trade. When trade is booming and seems to call for an increase in duties, the purchasers will rush in and buy before the duty is raised. Conversely when trade is slack potential buyers will hold off in the expectation of lower purchase tax rates and trade will become slack still. The timing with which the new instruments are used will, therefore, call for considerable technical as well as psychological delicacy of touch.

The question which is now being asked is whether these regulators will have to be called into play this year. The answer is probably not, and for this the austere and anti-inflationary shape of the Budget can take the credit. Some concern must remain, however, as long as the balance of payments remains in such poor shape. But whatever the problems which the next few months may bring, the Government is better armed than it was before to attack them.

Guest Editorial

Mr. Selwyn Lloyd's Finest Hour

By PAUL BAREAU

Editor, 'The Statist', London

THIS year's British Budget was a memorable occasion and a great performance on all kinds of counts. It innovated new methods of economic controls, it produced dramatic changes in the incidence of direct taxation and, last but not least, it was important politically as evidence of the growing stature of the Chancellor of Exchequer, Mr. Selwyn Lloyd.

Mr. Lloyd did not cover himself with parti-

A DELHI DIARY

MUSIC HATH CHARMS

IN a week in which the hounds of war have been unleashed in Cuba and in Algeria, I might be expected to be in a belligerent, or at least in a militant, mood. Happily, I have found an escape from Politics, Parliament and the Press—the three difficult P's—in a cultural pursuit which has eliminated from my mind all the turbulence that one feels in the outside world. The occasion which wrought this miracle was the Delhi Music Society's presentation in a Pianoforte recital of Adam Harasiewicz, the young Polish piano player who has made history in more ways than one. At the age of 23 he won the coveted Chopin prize which is awarded once every five years for a performance of Chopin by a pianist between the ages of 16 and 32. I do not think the age limit has been any bar to the highest excellence, and, if the verdict on the performance last Saturday is any guide, I may say that Harasiewicz is already one of the world's greatest piano players. Incidentally, he has already won this reputation in many countries outside Poland, and I now place upon him an Indian reputation equal to those that he has won elsewhere.

It was very appropriate that Rajkumari Amrit Kaur, who introduced him in a few well chosen words, referred both to his genius and his youth. I might have added to his charm, because this musician has a smile almost always round the corner of his lips. He could not refrain from a grin when he was referred to as a genius. Near the end when he was driven to play encore after encore, his smile with his request "Now what would you like?" was as engaging as everything that followed. To the demand that he should play the Etude he said simply, "I will play a Mazurka first, so that you may relax. The Etude is so much like the Polonaise, in seriousness," all of which met with additional applause, since almost everything he said or did was just right!

The programme at the Sapru House concert, unlike the All-India Radio broadcast on Sunday, was also just right. It began with the Polonaise in C sharp minor and ended with the Polonaise in A flat major, the grand moving call to arms of Polish nationalism. Practically everything he played—even the funeral march, said to have been composed during one of Chopin's periods of depression — was full of bell-like clarity, each note almost separate from the rest. The programme contained, as is inevitable, some Mazurkas, two on the agenda and two off as encores. The Etude came in as an encore on Saturday, and was included as an original in the A.I.R. concert, but why did the great Polonaise in A flat major not figure on the radio? The net result of the contrasting programmes was to make the Sapru House performance look complete, and the All-India Radio performance niggardly by comparison. Neither the Ballade nor the Etude made up for the absence of the Polonaise and the Sonata in B flat minor. Is All India Radio a little out of touch with what Indian fans of Western music like? I speak my piece boldly. We want every day (and every night) calls to action; the Polonaise and the Song of Russia can be heard over and over again.

THE THREE PRINCIPLES

We have heard a lot recently about the five principles—more honoured in the breach than in the observance. But I propose to enunciate three principles in the context of a particular event, namely, the election of the Deputy Leader of the Congress Parliamentary Party which has been a subject of conversation throughout the week. Most of us took it for granted that Mr. Morarji Desai who had acted as Deputy Leader in the Prime Minister's absence would be elected by a unanimous vote. But we were reckoning without the large personal equation of Delhi. Personal equation has been running high this week and it is known that Mr. Jagjivan Ram has brought to bear on this particular problem a great deal of what might be described as gregariousness. However, this is not one of the principles I am describing. The principles I will mention are the principle of escape by which the Prime Minister is now remaining neutral and argues that this must be left to the Party to decide as it likes. Secondly, the principle of borrowed tensions by which some members of Congress Party are proposing an outsider — Hafiz Mohammad Ibrahim or Dr. Subbarayan — in order that the other claimants might continue their dissensions and differences or rivalries in private. Finally, there is the principle of inconsistency by which the Prime Minister will argue that it is appropriate in a democracy that the electorate should choose its own leader, and at the same time act in Uttar Pradesh differently from the way he acts in New Delhi. On this I can do nothing more than reproduce the naughty cartoonist, whom I have frequently called in to say my piece in these columns, but who has been absent for a long time. What cannot be said can at least be drawn!



"I am emphatically in favour of elections to all party offices."

Courtesy: The Hindustan Times

ARGUS.

THE WEEK'S NOTES

Laos

CEASE-FIRE BEFORE CONFERENCE

THE FIRMNESS shown by Britain (and America) in declining to agree to the Soviet proposal to hold the international conference of the fourteen nations while the question of cease-fire in Laos was kept undecided—and therefore open—has been rewarded. Russia's ambiguity on cease-fire was too patent on the face of her proposal to let Britain (and America) fall into the trap of holding the international conference under the almost certain shadow of continuing civil war and reduce the conference to a farce, unless concessions were made under the threat of increasingly aggressive military offensives. The Co-Chairmen of the Geneva Conference have sent a cease-fire appeal to the "military authorities, parties and organisations" in Laos and they have readily responded to it. The date of the international conference has been fixed on May 12 at Geneva and in the meantime the International Supervisory and Control Commission meeting in Delhi will prepare a report on its functions in Laos and will go on the spot to control the cease-fire on instructions from the Co-Chairmen. But all questions connected with the cease-fire are to be settled by negotiation and ultimate agreement by the "appropriate representatives" of the "military authorities, parties and organizations" in Laos. This significant qualification engrafted upon the cease-fire agreement will need to be constantly kept in view, since it may open up a possible loophole to thwart the cease-fire in the event of differences over who should represent Laos at the Geneva conference.

The considerable delay caused by Russia in accepting the well-established principle of cease-fire preceding a peace conference was not without purpose. Explaining the latest British proposal on Laos to Russia, Lord Home told the House of Lords on April 19 that "the air-lift of arms from communist countries (to the Pathet Lao forces) continues" and the same day Mr. Heath informed the Commons that the military initiative rested with the Pathet Lao-Kong Le forces and the threat of a major offensive being mounted by them remained. The British proposal to order cease-fire on April 20 has been delayed by five days — again, not without purpose. In the meanwhile, the Pathet Lao army has captured the strategic town of Vang Vieng on the junction of the roads leading to the administrative capital of Vientiane and the royal capital of Luang Prabang. The 14-nation international conference will carry its deliberations on the principle of neutrality and non-involvement in military pacts for Laos as laid down in the Geneva Agreement of 1954. The bone of contention at the conference will be the formation of the neutral government. The conference session will unfold the conflicting viewpoints on this crucial question.

Territorial Integrity

THE PENAL BILL

ON MONDAY this week the Lok Sabha passed the Criminal Law Amendment Bill which seeks to provide punishment for the offence of questioning the territorial integrity of the frontiers or any other part of the country or engaging in similar activity in a manner prejudicial to the country's security. This Bill has been introduced rather too late and Government certainly cannot escape genuine criticism for showing unmerited leniency to pro-Chinese elements in this country which have been carrying on subversive propaganda with impunity. This extraordinary latitude will hardly find a parallel in any other country. Mr. Lal Bahadur Shastri was forthright in making no secret of the fact that the activities of the Communist Party in the border areas had forced the hands of the Go-

vernment to put this measure on the Statute Book. The instance which he quoted about the "Janyuga", a Communist paper, expressing regret for the blunder of publishing the UP Government's appeal exhorting the people to fight China's aggression is only a typical case of anti-Indian attitude, which, by virtue of the documentary nature of the evidence, cannot be denied by the Communist Party.

The opposition to the Bill came from a solitary member, the spokesman of the Communist Party. Speaking on behalf of his party, Mr. Indrajeet Gupta tried to conjure up the picture of his party being made a "scapegoat" and of whipping up of "anti-Communist hysteria". This is a straight issue of China's aggressive and violent methods to grab Indian territory on her self-conceived claim that it belongs to her. India certainly cannot be expected to acquiesce in it. No question arises of making scapegoats of any persons or organisations. One thing which the Communist Party of India has persisted in doing with remarkable consistency is to avoid a straight and unequivocal declaration of its view whether it considers the occupation of Indian territory by China as an act of aggression or not. The Government and the people do not need any gratuitous advice from the Communist Party that a peaceful settlement should be negotiated with China. This is what the Government is doing on its own. But no national of this country can be allowed to jeopardise its security by propaganda against its territorial integrity in any form. There is nothing "draconian" about this Bill inasmuch as action will be taken only through the courts of law and a right of appeal to the High Courts can be exercised.

Linguistic Minorities

EDUCATION AND SERVICE

IT IS in the spheres of provision of educational facilities and entry into the service cadres of State Governments that the problem of linguistic minorities seems to assume special importance. This impression is irresistible from the third report submitted to Parliament by the Commissioner for Linguistic Minorities this week. As opportunities of employment increase and get diversified with the many-sided development of the economy, the attraction of government service as a career will wear out. From the long-term angle, therefore, educational problems will retain importance in policies for linguistic minorities.

The Commissioner's report tends to show that, broadly speaking, safeguards for linguistic minorities in the matter of education and government service are implemented in the spirit in which the Constitution has conceived them. The number of linguistic minority pupils receiving education through the medium of the mother tongue up to the secondary stage has continued to increase in the last three years. The Commissioner wants this principle to be extended to dialects. The State Governments are right in disclaiming this novel responsibility. Exceptions may be made where the number of students speaking a dialect is sufficiently large in particular pockets to justify expenditure which will need to be incurred in extending this facility to them. But how many dialects are fit to be adopted as media of instruction? Minority safeguards have no application to university education and the case for their extension at the university level is untenable—it will not be feasible to impart university education through the mother-tongue of the minorities. The correct solution lies in setting up separate colleges for them, which should be affiliated to appropriate universities outside the State, provided there are adequate numbers of students concentrated in the same centre. In any case linguistic balkanization at the university level in the States cannot be countenanced.

In respect of State Government services, the grievances of minorities do not appear to be serious. In most States the regional language is not a compulsory subject at the competitive examinations and successful candidates are under an obligation to pass a qualifying test during their probation. But in some States the effect including the marks obtained in the compulsory translation paper in the grand total is prejudicial to linguistic minority candidates. This ought to be avoided. The demand for recognition of minority languages as official languages loses force since even in no district of any State does the ratio of linguistic minorities to the population approach 30 per cent. Actually it would turn to be very low except in 3 or 4 States.

The Commissioner has appealed for a liberal administration of minority safeguards and his appeal should be heeded by the State Governments. In this sub-continental country with a large diversity in several spheres of life, emotional integration, although it will be slow in coming about, is the eventual solution to the problems of linguistic minorities as it is to a wide range of other problems.

The Commonwealth

ENTER SIERRA LEONE

YESTERDAY, APRIL 27, Sierra Leone achieved the status of a sovereign independent state. She will make a welcome addition to the Commonwealth Club. In her political and economic texture, she is much different from most other African colonies which are being emancipated in rapid succession. British dependencies have generally enjoyed a superior advantage over dependencies governed by other colonial powers in respect of progressive administration run partly by indigenous civil service men, a long period of training in self-government and a fairly good level of educational and political institutions. This small state with a population of 2.3 million got its first legislative council with a nominated minority of non-officials as far back as 1863.

Economic development, started on a concrete scale thirty years ago, has placed emphasis on agriculture, plantations and co-operatives. The discovery of minerals is recent but on an altogether unexpected scale—iron ore, chromite, titanium, platinum and bauxite promise substantial production. There already exists a flourishing trade in diamonds. During the post-war period, the external trade increased nearly six-fold. In 1959 imports were of the order of £23.5 million and exports £21.9 million, showing a deficit of £600,000. The sterling balances of over £6.5 million will provide an initial cushion for the import surplus which will necessarily be incurred for accelerated development of the economy in the wake of independence.

Sir Milton Margai, the Prime Minister, promises to steer a steady course for political progress and economic expansion. He has over eight years' experience in statecraft. As leader of the Sierra Leone People's Party as also of the United Front which negotiated the terms of independence, he enjoys the greatest measure of his people's confidence. He is a bridge between the regional divisions of the country—the colony and the sprawling Protectorate—as also between the tribal chiefs and the commoners. He has made no attempt to conceal his leanings towards Pan-Africanism, but he is too cautious and realistic to allow himself to be hustled by the extreme champions of this emotional movement. His stewardship ensures stability and steady progress for Sierra Leone.

Bastar

REDRESS AND GESTURE

IN RELEASING Mr. Pravinchandra Bhanjdeo, ex-ruler of Bastar, from preventive detention the Madhya Pra-

desh Government has redressed a wrong. The Advisory Board recorded its finding that the State Government had not made out adequate grounds for holding him in detention and it was appropriate that it did not stand on considerations of prestige in dealing with this finding. The picture of the situation in Bastar district appears to be confused, but certainly the ex-ruler's statement that his younger brother, who is now recognized as the ruler in his place, is being used as "a tool" smacks of propaganda intended for the Adivasi population of the district. Seven years back the ex-ruler's father had cautioned the Government of India to withdraw recognition from him because of his observed abnormal traits. Was the father also acting as a tool?

The incident of firing at Lohandiguda in which sixteen Adivasis were killed has been discussed and explained in Parliament. But the demand for a judicial enquiry into the firing may yet be used as a handle by interested parties, knowing its effect on the feelings of the Adivasis. Now that their ex-ruler has been released the Adivasis will appreciate the gesture. An objective probe into the situation in Bastar is essential to ascertain whether any other moves are necessary to assure the population that there is no attempt on the part of the Government to intermeddle with the Adivasi way of life. The State Government's public relations in this troubled district need to be improved.

Tourism

MONUMENTS CALLING

ONE OF the abiding secrets of India's potential to attract tourists from abroad, as also to encourage internal tourism, is her bountiful wealth of historical and cultural monuments. A motivation research conducted by the Pacific Area Travel Association has revealed that 31 per cent of the tourists from America are interested in seeing monuments and architecture in foreign countries. Furthermore, there is a growing and marked preference for travel to countries other than Europe. Both these trends argue for popularising tourist visits to India.

The fact that 31 per cent of the American tourists are interested in monuments does not by any stretch of reasoning mean that the others shun monuments and pieces of architecture. It highlights the priority. This is true in somewhat varying proportions of tourists from other Western countries too. In sum, therefore, the proportion of foreign tourists attracted by monuments is much greater. India can capitalise on this preference by paying greater attention to the upkeep, maintenance and attractiveness of the surroundings of her monuments and make them more appealing externally as they are internally. Jantar Mantar in the heart of the capital city is a typical instance. At the present time a nominal fee is charged for visits to some monuments, while in the case of a number of them no fee is charged at all. The small fee charged at present is intended to meet part of the cost of upkeep and maintenance, but it makes a poor contribution.

Last week Mr. Humayun Kabir disclosed that his Ministry had decided to levy a fee of 20 nP. on visitors to the Taj gardens at night time. It is a good beginning, but such fees bear no relation to the pleasure derived by the visitors. It is time the Government made a comprehensive investigation into the question of fees as they are actually charged at the present time and the level to which they can be raised without putting a disincentive burden on visitors. There is full justification for levying higher fees since they will have been charged for valuable invisible services rendered. In this respect India is miles behind most other countries which do not hesitate to levy a charge on the principle of what the traffic can bear.

The World Abroad

BOOST THAT GRAB INSTINCT

By

ODYSSEUS

ECONOMIC PROGRESS DEPENDS on the efficient working of the grab instinct—the hope of making more money.

This proposition makes some people see red. They say that men ought to make their best endeavours from a sense of devotion to the community. So, undoubtedly, many people do. But, to express it in extremes, a starving man has no margin of strength left to cultivate his social instincts, and, by and large, the better off a man is, the more often can he afford to disregard his acquisitive instinct and to act from selfless motives. You cannot found a Ford Foundation, or a Birla Education Trust, unless you have first made the necessary dollars or rupees.

Some people argue that hospitals, schools, and other good works, should not be left to the vagaries of private initiative but should be in the hands of the state. I readily concede that there is, in many instances, scope for state action in these spheres. But it should be kept within limits. Because, paradoxical as it may at first sound, the bigger the state's sphere of action, the more the acquisitive, and the less the selfless, instincts of the people are cultivated. Where the state undertakes complete welfare from maternity benefits, to free education, hospitals, and old age pensions, the masses' acquisitive instinct for ever bigger and better free benefits is strengthened, and their urge to cultivate their selfless instincts to aid, first, their families, and, secondly, their neighbours, is weakened. Moreover, when it comes to vagaries, those of the private individual are under a mass of family and neighbourly pressures that modify them, whereas the vagaries of government departments, and officially run institutions, are as hard to modify as it is to capture the rock of Gibraltar. The thing can be done, but it takes such time and effort that the ordinary citizen, or villager, without political influence, thinks in terms of trying to placate officialdom rather than to control it.

That the acquisitive instinct is held up to scorn in Socialist pattern states slows their economic advance, because instead of enlisting the interests of the masses in making themselves, and so the nation, richer, the pace is apt to be set by the slowest moving file in a government department. Moreover, if you spread the idea that financial gain is somehow less noble than other motives for work, you are helping to spread the idea that industry and commerce, which should attract the best talent if the nation is to get rich as quickly as possible, are somehow anti-social, or at any rate less noble than politics or government service. Government servants have no reason to scorn business men, and business men no reason to feel inferior. Government service, industry, and commerce should regard each other as partners in a common task—that of fulfilling the national destiny. Each is complementary to the other. Subtract any one of the three, and progress dawdles.

Although he does not spell them out in such detail, it is in the light of such considerations that Mr. Richard C. Smyth, president of Smyth & Murphy Associates Inc., US business consultants, outlines incentive bonus plans for business executives in his use-

ful "Financial Incentives for Management" (McGraw Hill. London. 1960. 66sh.).

In the USA and in the UK, a very large number of companies have bonus schemes, although industries vary. In some, such as retail trade, rubber, textiles, motor cars, and household appliances, over 75 per cent of companies use such schemes. On the other hand, industries such as banking, insurance, transport, and gas and electricity utilities seldom have them. Those industries normally use bonuses in which executives have to make quick decisions involving possibilities of big gains or losses.

Mr Smyth says that statistical analysis shows that those companies which pay the biggest bonuses make the most money and pay the biggest dividends. On an average, US companies tend to pay bonuses of 50 per cent of salary to their chief executive officer, while at the lower levels of management bonuses range from 15 to 20 per cent. In the past, there has been a tendency to pay a lower basic salary if a bonus is paid, but this reduces the incentive because it makes executives regard their bonuses not as extra rewards for better results but as part of their regular salaries which they have a right to expect.

FORD'S BONUS FORMULA

Most companies determine the size of their bonus fund according to a formula. An example is that of Ford Motors which allocates to bonus 6 per cent of the company's income before taxes, but after deducting 10 per cent on total capital invested. The total bonus is distributed among a company's major operating divisions on the basis of each division's performance; profits earned are usually the ultimate criterion, so that the incentive to increase efficiency in each division is strengthened. However, Mr Smyth points out that the allocation of the total bonus fund on a profit basis can pose problems as, for example, when a new division is losing money. So other criteria have to be considered. For example, the General Electric Co. assesses its more than one hundred divisions in terms of profitability; market position; productivity, or the effective use of human, capital, and material resources; product leadership; staff development; employee attitudes; public responsibility; and balance between long and short term goals. For each of these components, GEC formulates common indices of performance, but not common standards. Thus, the rate of return on investment is an index common to all businesses but the standard in terms of this index may be 20 per cent for one GEC department, 25 per cent for another, and 30 per cent for a third.

Bonuses can be distributed among executives on the basis (1) of individual performance; (2) of salaries; or (3) some combination of the two. It is difficult to find objective measuring rods for many executive posts, so that subjective judgements of individual performances may be inevitable. Nevertheless, an effort should be made to reduce the subjective element and Mr. Smyth suggests that one possibility is to identify the most important aspects of each executive post, weight each, and so assess the performance of the individual. For

example, analysis of a purchasing agent's post might be as follows:

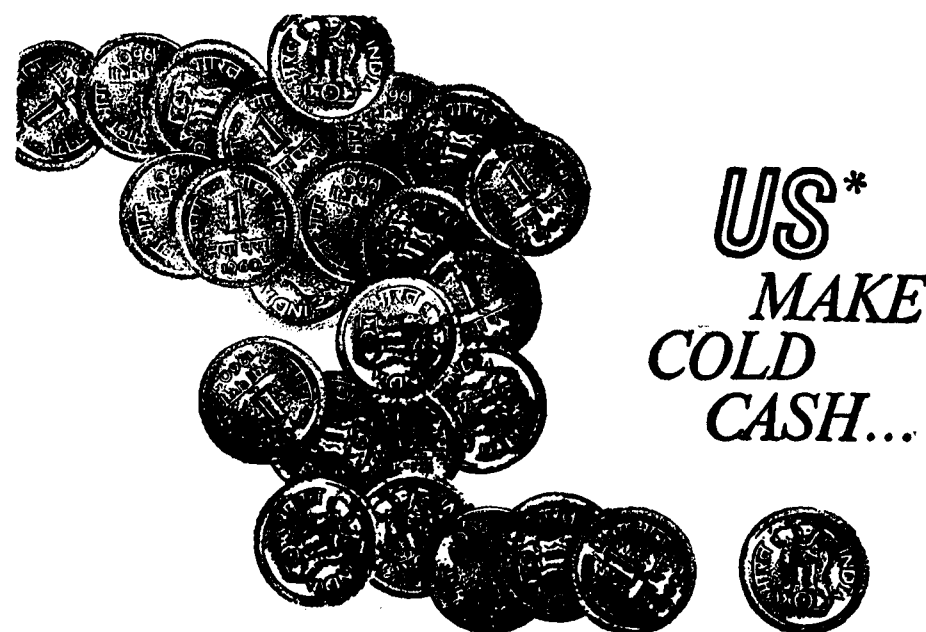
	Weighting
Make sure plant has materials and supplies when needed	25
Keep material and supply costs to minimum	65
Secure best price on unused or obsolete equipment	10
	100

Of course, payment of bonuses is apt sooner or later to raise the old question "Is any man worth Rs 150,000?" Some shareholders argue that there should be a ceiling on the bonus payable to any one executive. Mr Smyth replies that any ceiling tends to stifle incentive and thus nullify the whole object of paying a bonus at all. Also, the most responsible senior executives, at the policy-making level, are those more likely to be affected by a ceiling than any others, yet it is precisely they who can do the most to ensure bigger profits. It is not in the interests of shareholders to discourage these responsible chiefs. Some shareholders urge that the payment of smaller bonuses would leave more for dividends, but this is debatable. For example, in 1955, General Motors paid the enormous bonus of \$95 m. to 13,284 executives. But with the corporation tax at 52 per cent, only \$46 m. of this \$95 m. would have been available as dividends to shareholders, and probably only half of this would have been paid out. Each shareholder might therefore have received only about 8 cents more per share. If General Motors bonus payments still seem large, remember that the company has paid them from 1918,

since when it has grown into one of the world's largest private firms, and that shareholders have reaped handsome rewards from this growth.

Since tax takes 78.3 per cent of income in the highest US tax bracket, US companies have devised what, under US law, are legitimate ways of making bonus payments which reduce taxable income. I have only space to mention one, which seems worth investigating in other countries. This is a share option scheme whereby an executive in, say, the 62 per cent income tax bracket is granted an option to buy, say, 3,000 of his company's shares at \$95 a share, selling on the market at \$100. The option is for five years. After three years, the shares stand at \$145 and the executive exercises his option and buys 3,000 at \$95 at a cost of \$285,000, which he then sells for \$435,000. He has made \$150,000 before taxes. If this \$150,000 were taxed at 62 per cent, he would make \$57,000 on the deal. However, his \$150,000 would in fact be taxed at the maximum capital gains tax, at present 25 per cent, and so the executive has made \$112,500 clear. One great advantage of such transactions is that it enables an able man to accumulate a private fortune of his own in these times of punitive income tax. It is as I have frequently argued here, to nobody's advantage that companies should be managed by purely salaried staff, who have never had the formative experience of taking risks with their own money. Such salaried employees tend to follow administratively safe courses and lack the drive and imagination which starts up new enterprises, which add to the wealth of the nation and give it a thrusting dynamic economy.

(This is the final article in a set of three on financial incentives in business.—Ed.)



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The European Scene

AN ECONOMIC POLICY FOR THE WEST

From Our Special West European Correspondent

PARIS, April 24

THE meeting that was held here on Tuesday and Wednesday of this week (April 18 and 19) of the "economic policy committee" of the Organisation for European Economic Co-operation was, on the face of it, just another routine conference of a rather academic (not to say sleepy) working group set up in 1956 to discuss the economics of inflation. The communique issued after the meeting did little to remove this impression. It announced the formation of two sub-committees to deal with problems of economic growth and with the international repercussions of domestic monetary policy. All the participants swore the customary vows of "a unanimous will to co-operate," and the expert sub-committees were told to report later. In short, the usual sort of ineffectual international economic conference.

In reality, the proceedings were very different. This did not appear in the communique but it was evident before the event, when President Kennedy took the unusual step of receiving the American delegation of "observers" on the eve of their departure from Washington for Paris and made a speech declaring that the Paris meeting "had a great and symbolic significance." The quality of the delegations also indicated that something was changed in the committee's destiny. The American team, for instance, although nominally only of observer rank, was led by Mr. Walter Heller, the President's economic adviser, and included Messrs. W. McChesney Martin of the Federal Reserve Board, Robert Triffin (author of a new world bank plan), Robert Roosa, Under-Secretary of the Treasury, etc. The British, French and other delegations were of similarly high calibre. Moreover the sub-committees whose appointment was the main upshot of the meeting will not be composed of the usual bright underlings, but of top officials who really play a part in forming the economic policies of the 20 member-nations, i.e. of all the non-Communist industrial powers save Japan.

What had happened was this. As everyone now knows, the old Organisation for European Economic Co-operation is on its last legs and will be succeeded later this year by the Organisation for Economic Co-operation and Development, in which the USA and Canada will be no longer observers but full members. To show the importance they attach to this new organism, Canada and the USA were the first (and so far the only) nations to ratify the founding treaty and to lodge their declarations of membership with the host-power, France. (For the OECD will continue to meet in the Chateau de la Muette, Paris HQ of the OEEC.) Rather than wait for the other 18 members to do likewise, so that the OECD will be officially born, the Americans decided to act in a hurry, if not strictly legally. They are treating the OEEC as though it were already the OECD and are not restricting themselves to the role of observers; quite the contrary, they are playing the role of leaders. Their idea is to use the coming months of the OECD's gestation as an experimental period in which many of their ideas on economic co-operation will be tried out.

Now the OECD when it gets going will have three main jobs: the expansion of world trade, aid to developing countries, and the harmonisation of economic expansion

inside the industrialised world. Nothing, that I know, has yet been sketched for its trade division; this will grow naturally out of the OEEC's main department. As for aid to developing countries, American ideas on this subject had an airing at the recent London meeting of the Development Aid Group, and studies were then commissioned that will be ready for the OECD when it is launched. As for the last subject, this is to be prepared by the OEEC committee that met this week in Paris and was given a new lease of life. It is of scarcely less interest to developing nations than the work of the group explicitly dedicated to their assistance, because a co-ordinated aid programme pre-supposes some measure of co-ordination of economic and monetary policy within the Western world.

This is so because, as we have seen in the last few years, one Western nation can be obliged to curtail its assistance to developing countries if another Western nation is stealing its gold reserves by following a different monetary policy. Balance of payments problems can interrupt the flow of aid even though all the aid given by Western countries added together could never by itself endanger the reserves of countries like the USA or the prosperous West European countries. Before the West goes further with a more ambitious assistance programme, it must ensure that each country's reserves are safe from veritable "raids" such as West Germany, for example, has practised on U.S. reserves in recent years. There are, of course, many other reasons why the 20 Western countries should want to co-ordinate their own development programmes (e.g. competition with the Soviet bloc) but this is the aspect of the affair that most concerns developing countries. In other words, the Western nations are not being "selfish" in putting their own harmonious expansion on the same footing as their assistance to backward countries; the first is an essential condition of the second.

The instrument chosen for this end was the economic policy committee of the moribund OEEC. This was set up five years ago to compare notes on anti-inflationary policies in various parts of West Europe. When all the major currencies became convertible for non-residents just over two years ago, and the inflationary danger having become much less acute in West Europe, the committee was given the task of discussing the harmonisation of economic policies. This subject became much more important when currencies were convertible, and more still as freer trade returned, since a discrepancy in economic policies between two nations would soon be punished by a flow of capital, first because of speculation and then by gold movements due to trade losses. This fact has been sufficiently illustrated in the last 12 months to need no elaboration; the considerable gold outflow suffered by the USA because of a difference in trans-Atlantic interest rates will serve as an example. Some measure of co-ordination between, at least, central banks was urgent to avoid violent migrations of capital which could jeopardise the loser-nation's economic expansion (witness the trouble Washington has had to stimulate the sluggish American economy during a period of diminishing reserves) and, possibly, also its assistance to developing nations. Actually, some measure of co-operation has already been achieved in a more or less informal way: there exists at this moment a gentleman's agreement between Western

central banks which has helped the dollar and probably saved sterling from serious trouble in March.

The problem is to systematise and extend this form of co-operation. Not however to codify it. The Americans have a horror of rigid treaties, which Congress would probably reject as limitations on the USA's sovereignty, and anyhow Washington thinks that even if a code contains nothing objectionable it should not look too "juridical" in a field where empiricism and tact are the main question. The Eisenhower Administration was even opposed to too frequent meetings in Paris of the OEEC's economic policy committee, though Heaven knows the five sessions it has held since April 1959 were academic enough. Last year the West Germans proposed a break with this academicism by presenting a "code of good economic behaviour," setting out the objectives that all the members should pursue in concert. The Kennedy Administration is no more inclined to accept a rigid code than its predecessor, but it is, on the other hand, keen to see the economic policy committee meet regularly, in fact to function almost permanently. Hence the shake-up at this week's meeting of that committee, which constituted, declared Professor Triffin, "a revolution in the methods of economic co-operation between the Atlantic nations."

As a trial run for the day when it will become one of the three main divisions of the OECD, the committee allocated to senior officials two important research tasks. The first concerns means to reduce the migration of short-term capital due to discordant monetary policies and, more generally, the effect on the stability and the internal payments problems of the West of various sorts of national economic policies aimed at domestic stability. This is a static problem, or at all events is not concerned with economic expansion. Individual nations use various

monetary measures (less frequently fiscal measures) as correctives, as anti-cyclical weapons, as stabilisers; the problem is what effect such short-term domestic actions have on the short-term problems of other nations. The second task relates to the dynamic problem of long-term expansion. The various nations are expanding at different rates over the longish period: some very fast like Italy, others more moderately like France, others hardly at all like Britain, and one—the USA—is actually in recession (or was until last month). Personally, I doubt whether there is any "problem" here, and it is only an obsession with keeping ahead of the Russians that makes it appear that there is one. Unlike the suicidal and mutually conflicting gold-grabbing game that nations play for reasons of short-term stabilisation, the fact of different growth rates probably just has to be accepted. The "Western alliance" is a political notion and does not denote an economically homogeneous bloc; it is utopian to conceive of equal long-term growth rates throughout the OEEC region plus North America. However, there is the question whether some nations are expanding at the expense of others, using techniques that (temporarily) benefit them and restrain expansion elsewhere. The answer to this question is probably No, but it would be profitable to study it for there is much to be learnt from the various methods used to promote expansion.

Such questions will be examined by the working group appointed this week. It will seek to pin down the exact causes of expansion, show the respective roles of public and private investment and study the relation between expansion and price movements. No overall "Western development plan" will emerge; one cannot imagine plans for expansion that would work both in Italy and the USA, or even in France and Britain. But the West could move toward a common policy or attitude on the major question of the age.

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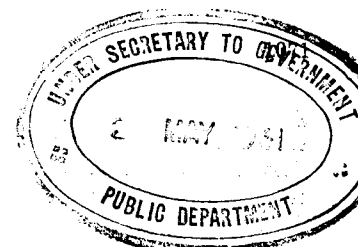
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SPACEMAN DOWN TO EARTH

By ANDREW BOYD



IN one sense, the Soviet rocket experts' success in shooting Major Gagarin round the world in 90 minutes is an illustration of everything that is wrong with Russia. In another sense, it is a hopeful portent for both Russia and the other nations which would like to live Russia more easily than they can do now.

Any visitor to Russia who manages to escape from the officially approved tours of show places, and succeeds in making contact with individual Russians in a normal way, is struck by several things that the official propaganda always suppresses. The individual Russian spends much of his life struggling with the cumbersome inefficiency in organisation that obstructs every kind of activity. He struggles—without much success, in most cases—for a little privacy in a life that is crushingly regimented. His mental horizon is limited, and his natural curiosity curbed, by the thick veil of secrecy that surrounds everything his rulers do not want to be known. And he is apt to have a deep sense of inferiority, an instinctive belief that life is better in the outside world. (I have met this sense of inferiority, astonishingly, even in some of the guides officially appointed to make sure that visitors see only the best things that Russia can offer).

This sense of inferiority among Russians, still remarkably strong after over 40 years of intense propaganda about the superiority of the Soviet system, largely explains the colossal effort now being made to focus attention on the successes of the "space race", the one field in which Russia is incontestably ahead of all other countries. As at the time of the first "sputnik" in 1957, the Russian people is again being told, at great length and with endless repetition, that Major Gagarin's flight is "proof" of the superiority of the Soviet System. On visits to Russia since 1957, I have found the sputnik label on everything imaginable from pencils and notebooks upwards—including filter tip cigarettes packaged in American style; now, the same may be expected again. The foreigner may find it all rather chauvinistically offensive, and reminiscent of the arrogant way in which, for example, the German Nazis used to boast about their fine new motor highways as "evidence" of superiority. But Mr. Khrushchev and his colleagues are quite right in thinking that their people's feeling of inferiority still needs to be treated with massive doses of propaganda.

Their difficulty, however, is that the Russian people are becoming more sophisticated, and impatient with the "circuses" that have so often been served up as a substitute for "bread". It is revealing that "Pravda" and Moscow broadcasts have hastened on to say that success in the space race will surely be followed by improvements in the standard of living of ordinary people. Like many other visitors, I have encountered Russians who, while quite naturally proud of their country's technical achievements, complained angrily—even to a foreigner—about the lavishing of so much money and equipment on rocketry instead of on things that would make everyday life easier. And some Russians have told me that it is nonsense to believe the official Soviet claim that the space rockets are a piece of purely peaceful scientific research; as they saw it, their government would not have spent so much money on rocketry if there was not an obvious military reason for doing so.

Military or not, Major Gagarin's flight, like earlier Soviet exploits in rocketry, was treated as a military secret, to a degree that is possible only in a country like Russia, where there is no independent press, no parliamentary questions, and no freedom of movement for ordinary people, let alone for foreigners. Nothing was revealed about where the Gagarin flight began or ended, for example. Presumably the rocket was launched from one of the Soviet bases in Central Asia, not far from Tashkent, where foreign experts believe Russia does much of its test firing of missiles; but that is only guesswork. In Soviet Asia, all travel, both by foreigners and by Soviet citizens, is rigidly controlled, and vast areas are effectively sealed off. Only in these conditions could such spectacular activities as the launching of huge rockets and the return to earth of space capsules be surrounded in tight secrecy; only a totalitarian government could mobilise its people to rejoice over an exploit of which they had no independent evidence.

Paradoxically, then, when the Soviet government claims this space flight as proof of superiority, it is pointing to something which symbolises some of the worst and most backward features of the Soviet system—features which, one must hope, will be moderated and perhaps disappear as Russia progresses; features which certainly account for much of the uneasiness with which other countries regard Russia now.

The brooding secrecy which makes such a mystery of some aspects of Major Gagarin's flight is all the more striking in view of the tremendous publicity given to strictly selected facts about it. This kind of smothering secrecy, and the tight regimentation required to impose it, are, I believe, becoming increasingly intolerable for intelligent Russians. As information from the outside world seeps in, scepticism about the "line" propagated by the official press monopoly, and irritation at the inadequate news it gives, both seem to be growing, together with a sense of frustration at the restriction of free movement. Curiosity grows with education. Russians, even more than foreigners, would like to know the full story of the Gagarin flight, and they cannot be happy when they consider the "top secret" system that stops them knowing it.

Again, Russians as well as foreigners are now liable to realise that the technical triumph of the flight shows how relentlessly the Soviet planners have concentrated funds, resources, and trained manpower on projects in this military secret field. Reactions to the 1957 sputnik showed that some of them already felt that the priorities imposed by the planners were wrong. Russians are no longer easily satisfied by a few glittering show pieces; they seek a levelling up all round. They contrast Moscow's efficient underground railway with the country's appallingly bad roads. The contrast is even more painful between the absolute priority given to the rocketeers, and the shortages and bureaucratic obstructions that bedevil the life of the ordinary man.

It is difficult to generalise about a whole nation, but I think many other observers share my impression that the Russians, with their revolution over 40 years behind them, are less and less easily mesmerised by

gigantic new projects, and instead are tending to seek satisfaction in their private lives, to the extent that they can win some privacy from their suspicious masters. The Press and the Communist Party ceaselessly denounce these tendencies, and demand that each citizen should put all his effort into organised collective activity; the space rockets are held up as examples of the triumphs of collective work. But the trouble is that the regimented, monopolistic system, with its ruthless distortion of the economy to give top priority to strategic projects such as rocketry, allows very few Russians any real satisfaction from organised collective activity. All such activity is obstructed by a cumbrous bureaucracy in which the higher ranks have little incentive to make changes that might endanger their privileges, while the lower ranks are afraid either to criticise their superiors' policy or to take decisions themselves.

Protest is occasionally voiced, if cautiously. Ilya Ehrenburg, for example, in his latest novel, "The Spring", compares the discontent of a painter making fat fees out of "official" Soviet art with the happiness of another artist who chooses to express himself in his pictures—although this means living in poverty. In a more general sense, many Russians show their desire for a system that would give more encouragement to individual initiative, more freedom to think for oneself, more attention to the little things that matter in every-

day life, more justice for the weak as against the privileged and powerful.

The space rockets, which ought to uplift the imagination of mankind, thus at the same time embody much that is retrograde and undesirable in the Soviet system: top-secrecy, military priority, draconian discipline, fear of authority; the ruthless diversion by a monopolistic state apparatus, immune from criticism, of resources that might have been used for human welfare, but which are instead used primarily for political and military prestige. That is the dark side of these artificial "moons". But there is also, I think, a bright side. It is arguable that the Russians' deep sense of inferiority, to which I have already referred, is largely responsible for their suspicion of foreigners, their readiness to accept absolutist rule, their predilection for secrecy, and the often transparently absurd boastfulness of their official propaganda. If successes in space help to rid them of their feeling of inferiority and some of these difficult attitudes, so much the better. We shall be that much nearer to the day when "co-existence" means what it says, instead of meaning, as it so often does now, a form of "apartheid". Meanwhile, if the claim that the space rockets "prove" the superiority of the Soviet system galvanises other countries into doing more to develop the full potentialities of 'their' systems, so much the better too. But one hopes they will choose more down-to-earth ways of showing their ability to improve the lot of mankind.

Economic Report from the U.S.

ECONOMIC UPTURN

By

GUY SIMS FITCH

WASHINGTON, April 18.

ECONOMIC news of the past week has led more than one usually cautious analyst of the U.S. business scene to offer the judgment that the recession probably hit bottom in February, and that a sustained recovery may well have begun in March. Cited, in particular, are increases during March in personal income and industrial production. The increases reflected adjustments for seasonal factors, which means that they exceeded the expansion one normally expects at this time of the year. Taken as a whole, the personal income of all Americans rose in March for the first time since last October, reaching a seasonally adjusted annual rate of \$409,600 million. This was only a shade below the all-time high reached last October, and represented an increase of \$3,400 million over the February rate. \$1,200 million of the February-March increase represented gains in wage and salary payments, the largest single component of the personal income total. Included was the first rise in manufacturing payrolls since last May, when, it is now generally agreed, the recession began. These income increases are reflected in the March advance in industrial production. The advance was fractional, to 102.4 per cent of the 1957 average from February's 101.9 per cent, but it was the first such rise since last July. Output of both durable and non-durable goods increased. Gains were registered in a variety of industries, including iron and steel, textiles, chemicals, commercial and farm equipment, and such consumer goods as apparel, furniture and some appliances.

There were, of course, earlier scattered signs of an impending economic upturn, such as reported gains in automobiles, steel, copper, building materials, and a number of other industries. But now the turn-around in two of the most important broadly based of the business indicators lends substance to the view that a general recovery in economic activity is in fact under way. To many experts, however, an even more fundamental indication of a general economic resurgence may well have made an appearance a few weeks ago, in the form of a truly monumental study of the National Bureau of Economic Research. A noted private, non-profit group, the Bureau for some 40 years has made a speciality of analyzing business cycle trends. It has pioneered, in particular, in the use of certain sets of statistics, or business indicators, to measure movements in general economic activity. Its latest study, published in two volumes totalling nearly 1,000 pages, represents the result of years of continuing research in this field, refining and bringing up to date its highly respected analyses of economic trends.

On the basis of this latest study, one can conclude that the U.S. economy is passing, or may already have passed, from a stage of contraction to one of expansion. This conclusion emerges from the Bureau's projection of 12 leading indicators — that move up or down in advance of general economic activity. In addition, the Bureau has set up nine coincident indicators, which tend to move with the economy, and six lagging indicators, which tend to follow general economic movements.

For the present discussion, it is the role of the 12 leading indicators that is particularly enlightening. For nine of them have showed definite improvement in the last few months. The factory work week, the rehiring rate in manufacturing, new orders for durable goods, housing starts, commercial and industrial building contracts, the index of stock market prices and the index of industrial raw materials prices all have risen, while factory lay offs and the liabilities of business failure have declined. Interestingly enough, the Bureau's method of analysis has called the turn on every recent swing in economic direction. It admittedly is more difficult, of course, to assay the probable rapidity and duration of upturns or downturns, and the Bureau does not consider itself as essentially a forecasting agency. But its studies appear to confirm the appraisal that this last recession began about May of last year, and has been both brief and mild. What may be even more important, the Bureau's studies have provided a highly useful tool which is being used increasingly not only by economists but also by businessmen and government officials to make more accurate assessments of underlying economic trends. This, in turn, has helped make possible more effective programmes for keeping business swings under closer control, and hence for contributing to economic stability and growth.

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Notice is hereby given that the Board of Directors of this Company have declared payment of a Final Dividend on the Company's Preference Stock for the year ended 31st March 1961 at the rate of £2-14-8.16/49d. per cent less Income Tax at 7s. 9d. in the pound equal to £1-13-6d. per cent. Payment will be made on 25th May, 1961 to those stockholders whose names are registered in the Company's Stock Register on 5th May, 1961.

Applications for transfers received in this office before 12 O'clock noon on Friday, the 5th May, 1961, will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above dividend.

BY ORDER OF THE BOARD
H. C. BOWKER
AGENT.

VICTORIA HOUSE,
CALCUTTA, the 20th April, 1961.

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Adds Directly to Profits

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WORLDGRAM

India

Estimates of National Income: The 8th issue of the annual paper on national income released recently by the Central Statistical Organization reveals that the national income of India (at 1948-49 prices) was Rs. 11,760 crores in 1959-60 and Rs. 11,650 crores in 1958-59 compared to Rs. 10,480 crores in 1955-56 at the beginning of the Second Five-Year Plan. The per capita income at 1948-49 prices has been placed at Rs 291.6, Rs. 292.6 and Rs. 273.6 in the years 1959-60, 1958-59 and 1955-56 respectively.

*

Central Revenue Collections for February, 1961:

The revenue realised from items on which duties are levied and collected by the Central Government in the first eleven months of the financial year 1960-61 amounted to Rs. 741.86 crores. Of this, Rs. 69.42 crores were collected during February, 1961. The corresponding figures for the first eleven months of the financial year 1959-60 and for the month of February 1960 were Rs. 658.87 crores and Rs. 67.46 crores respectively.

*

Indian Standards Convention 1961: This year the 6th Indian Standards Convention is being held at Kanpur. The subjects of topical interest of the convention are productivity in building designs and constructions, certification marking, packaging, company standardization, metric system in engineering industries, universal count system in textiles, housing and preservation of documents, safe use of electricity in homes, and non-destructive testing of metals. Standards conventions which have become an annual feature of I.S.I. activities are held in different industrial centres of the country. Previous conventions were held in Calcutta, Bombay, Madras, Delhi and Hyderabad.

United Kingdom

Big British Guiana Irrigation Scheme Completed: Black Bush Polder—one of the biggest all-British irrigation schemes completed since the war, which includes the reclamation of 30,000 acres of swamp—has been opened by the British Guiana Government. Details of the scheme and the speed and smoothness with which it was carried out was given by the contractors, Pauling & Co. (Overseas) Limited, London. The scheme, which cost £2,750,000 and was jointly financed by the United Kingdom and British Guiana Governments, has been completed one year ahead of schedule and will enable the reclaimed land to yield 17,500 tons of rice a year. It has also provided four settlement areas to accommodate 1,500 families, each of whom will have a 2½ acre house plot and a 15 acre (average) rice field.

Australia

New Textile Fibre From Broom Shrub: The Australian Textile industry is interested in claims by two brothers in Melbourne that they have produced a new textile fibre from a local shrub which grows prolifically in Victoria. The plant is the broom (genista), and the patent holders state that the fibre can be used for the manufacture of all linen goods, as well as canvas, sacking, twine and string. It is claimed that the shrub in cultivation resists climatic changes, and requires little attention. All of it except its thick stem, can be used to produce the fibre, while its leaves also make an excellent dye. Its slim, whip-like branches are processed

chemically and the skin off the branches eventually becomes the fibre. This is subjected to further processing, and is separated finally into four or five grades. The two brothers, Greek-born Demetrius and Efthimios Kondos, did two years' research before they obtained their patent.

Switzerland

Industrial Achievement In The Field Of Nuclear Energy: Two Genevese plants, the "Ateliers des Charmills and the "Ateliers de Secheron" recently received an important order in the field of nuclear energy. The machine to be built is a special one for loading and unloading the fuel elements of a nuclear reactor, called the Dragon. It is an advanced type now being made in the United Kingdom, under the aegis of the Organization for European Economic Co-operation and Development, within the framework of a common undertaking, in which 12 European countries, including Switzerland, are taking part. Offers for the construction of this special machine were submitted to international competition, so that the obtaining of this order constitutes an important success for Swiss industry. The machine in question is the fruit of both studies and experiments undertaken over a number of years already, in the domain of atomic engineering, by the two companies concerned. This machine, which is about 44 feet in height, is built within the reactor pressure vessel and possesses a grapple that can be operated in five distinct movements, which is able to seize and place the fuel elements. These movements directed by remote control, have to be executed with the greatest precision. In addition to the machine itself, the delivery to be made by the two Genevese companies also comprises various accessories to be mounted in the reactor and in the control board.

Italy

Lubricants Factory: Europe's largest lubricant factory with an annual capacity of 2 lakh tons will be erected by Esso Standard Italiana at Rasiom near the Augusta Refinery. The new factory is scheduled to start production in 1963.

*

Floatation Of A Loan: A contract was recently signed between the Southland Development Fund and a Swiss Banking Group for the floating on the Swiss market of a 50 million Swiss francs (over 7 billion Italian lire) bond-loan. The money raised with this loan is to be invested for the industrial development of Italy's depressed areas.

France

Deposits In Savings Bank: In January 1961, the excess of deposits over withdrawals in all savings banks in France was 470 million new francs compared with 417 new francs in January, 1960. This excess balance breaks down into the following categories: 325 million new francs in ordinary savings banks (299 million new francs in 1960), 140 million in national savings banks (148 million in 1960,) and 5 million in credit savings banks).

*

Unemployment In France: On March 1, 1961 the number of unemployed of all ages aided by the French Government was 38,500 compared with 27,000 on 1st February, 1961. Of these respective totals, 27,780 com-

pared with 26,530 were aged less than 60. On the same respective dates, there were 1,48,046 compared with 1,48,922 unsatisfied requests for employment, and there were 28,513 compared with 23,739 unfilled offers of employment.

Austria

Resin Production: After a considerable setback in 1959, Austria's resin industry proved capable in 1960 of making up for the lost territory. The situation on the European resin market changed suddenly last year when South American and British firms started large-scale purchases. In the Piesting valley, Lower Austria, a type of pine is grown, that is remarkable for its high resin yields of excellent quality and that is not to be found elsewhere in Europe except for the Black Sea coast and Southern Spain. Thus, Austria's resin industry was able to derive particularly profit from the change in the market situation last year.

Israel

Rapid Strides in Industrialisation: Industrialisation in Israel has advanced with rapid strides. Industrial output has grown four-fold, Industrial exports excluding diamonds have increased 14-fold. Israel is already making significant parts both in quantity and in quality of the country's army equipment.

Yugoslavia

Exports and Imports in 1960: Yugoslav's 1960 export programme called for 175.2 billion dinars worth of exports. According to the programme the share of industrial product was fixed at 117.3, agricultural products at 53.4 and forestry products at 4.5 billion dinars. The programme called for an 8.4 per cent increase of industrial exports by comparison with 1959, a 72.8 per cent increase of farm deliveries and a 12.5 per cent rise of exports in the forestry sector. The programme was fulfilled by 97 per cent, exceeding the level reached in 1959 by 18.8 per cent. The 1960 import programme called for 226 billion dinars worth of imports. Imports of raw-materials and producers goods was fixed at 143.0 billion, consumer goods 18.2 billion, foodstuffs 4.5 billion, equipment 50.0 billion, while another 11 billion dinars were earmarked for the purchase of various other goods. According to the data of foreign trade statistics, commodity imports in 1960 were valued at 248.0 billion dinars. Raw materials and semi-finished goods for production purposes accounted for 140.6 billion dinars, spare parts 70.8 billion and consumer goods 36.7 billion. Food imports were valued at 22.6 billion dinars.

Brazil

Caterpillar plant Makes Bulldozers: The first Bulldozer was recently unveiled by Caterpillar of Brazil in its Santo Amaro, State of Sao Paulo, Plant. It is identical with the United States' produced model 12-E. This versatile piece of machinery is powered by a 115 HP diesel engine. It has a total weight of ten and one-half tons, six forward gears and two reverse ones, being able to accelerate to over 18 miles an hour. Today Caterpillar is making over 2,000 different parts in its Santo Amaro Plant.

E.C.E.

Coal Situation in Europe: Developments in the European coal situation in 1959-60 and the repercussions on the coal industry are examined in a new report "The Coal Situation in Europe in 1959-60 and

Future Prospects" issued by the Secretariat of the United Nations Economic Commission for Europe. The profound structural changes taking place in the European energy balances are common with those of East and West, says the report. Although the incidents of these changes on the coal market and industries differ in many respects between the two regions and even from country to country, these structural changes have formed the background to the reappraisals of the coal industry's plan that has been made in a number of countries and which are taking place in others. It is now generally recognized that the post-war phase of energy's shortage which lasted upto mid-1957 has given way to a phase of abundance and that this phase is likely to prevail for some years to come. At the time when the demand for energy exceeded the supply, the greatest possible production of coal from European areas was the main target. The reversal as between supply and demand coincided with a marked decrease in prices of forms of energy which were competing with coal from West European areas, in particular fuel oil. The sudden and radical change and the competitive situation is partly due to inequality in competitive conditions which are frequently regarded as incompatible with the principle of fair competition. The recession and the pressure of intensified competition have led to the sellers crisis in the West European coal industry and to the elimination of considerable capacity which is economical according to the new standards.

United Nations

Estimates of World and Continental Population: The table below presents adjusted estimates of the 1959 mid-year population of the world by continental divisions. It should be noted that like those in the Demographic Yearbook, these aggregates do not coincide exactly with the sum of the figures for individual countries because they include, in addition, adjustments for over-and under-enumeration, over-estimation, categories of population not regularly included in the official figures and approximations for those countries which have not yet provided official 1959 data. The estimates in thousands are as follows:

World Total	..	..	2,905,000
Africa	..	..	236,000
North America	..	..	261,000
South America	..	..	137,000
Asia	..	..	1,622,000
Europe	..	..	423,000
Oceania	..	..	16,100
U.S.S.R.	..	..	210,500

E.F.T.A.

Swedish Trade with E.F.T.A.: On July 1, 1960, customs were reduced for the first time with EFTA. During the following six months Swedish trade with the other EFTA countries was characterised by a marked expansion. The imports from these countries increased by 14 per cent, i.e. twice as much as the imports from the EEC countries. The exports to the EFTA countries increased by 20 per cent and those to the EEC countries by 16 per cent. Swedish imports in 1960 totalled 14,888 million kronor and in 1959 12,488 million kronor, whereas the export values were 13,285 and 11,424 million kronor respectively, which means that the excess imports were 1,603 million kronor in 1960 and 1,064 million kronor in 1959. The imports from the EFTA countries represented in 1960 a value of 3,629 million, and in 1959, 3,043 million kronor. The corresponding export figures were 4,567 and 3,852 million kronor.

NEWS IN BRIEF

INDIAN

The National Small Industries Corporation has further liberalised its terms for the supply of machinery to small-scale industrial units on hire purchase basis.

The scheme enabling Government servants to retain with Government their provident fund money for three years after retirement, has been extended for a further period.

Inter-State movement of ghee with differing chemical values is to be completely banned unless sealed under 'Agmark', the seal of purity and quality, issued by the Agricultural Marketing Adviser, Union Ministry of Food and Agriculture.

The Government of India's Study Team on Co-operative Training has recommended that the co-operative movement should ultimately take over the responsibility and programme of co-operative education and training. The building up of Co-operative Unions in all States has been advocated with a view to assuming this responsibility not later than the end of the Fourth Plan.

A note prepared by the Union Ministry of Labour and Employment, reviewing the working of the Code of Discipline and Implementation Machinery, shows that there has been a steady and significant decline in the number of man-days lost since the enforcement of the Code in June, 1958.

It is reported two processes on resin emulsion from cashewnut shell liquid and dispersion resins from cashew nut shell liquid have been developed at Railway Testing and Research Sub-Centre, Chittaranjan.

The first batch of Indian technicians for training in the operation and maintenance of a refinery left for Moscow recently. The trainees will stay in the USSR for a period of nine months during which they would be given intensive course in all aspects of maintenance of a petroleum refinery.

In terms of the ad hoc agreement for the pricing of major petroleum products, between the Oil Companies and the Government in force since April, 1959, reductions in prices offered by the companies were mopped up by the levy of additional duties under the Mineral Oils (Additional Duties of Excise/Customs) Act, 1958, which are borne by the companies themselves so that the prices to the consumer are not affected thereby.

The Government of India has agreed to allot Rs. 12½ lakhs for carrying out comprehensive examinations in order to prepare a project report including preparation of designs for a barrage, in the Tonle Sap Sector of the Mekong River Project.

An improved process for preparing Benzyl Chloride has been developed at the Regional Research Laboratory, Hyderabad, as a result of which higher yields of pure Benzyl Chloride have been obtained.

It was revealed in the Lok Sabha by Dr. B. V. Keskar, Minister of Information and Broadcasting, that only three small transmitters and some spare valves of the total cost of about Rs. 40,000 were lying in stock. Out of these, two transmitters costing Rs. 34,600 approximately were likely to be installed at Madras and Calcutta shortly.

FOREIGN

Another sign that the recession in the US economy is coming to an end is shown in a report by the American Iron and Steel Institute that steel output in the week ended April 15 was the highest in ten months.

It is reported New Zealand will lodge a formal application for membership of the International Monetary Fund, the World Bank and the International Finance Corporation.

Gold and Sterling balances held abroad by the Australian Central Bank continued to rise in the week to April 12, gaining £A2.6 million at £A313 million. The figure has risen by £A14 million over the past four weeks.

The Pakistan Government on the recommendation of the Tariff Commission has raised the import duty on electric motors of sizes upto five horse-power from 12½ per cent to 15 per cent 'ad valorem'. This measure which will remain in force for three years, has been taken to give protection to local manufacturers.

Volkswagen, the West German motor vehicle manufacturer, has now acquired full ownership of the Australian Volkswagen Company, by purchasing the interest held by two Australian concerns, LNC Industries and Regent Motors Holdings.

A meeting of European bankers is likely to be held in Paris at the end of this month or early in May to discuss the question of financial aid to Brazil. It is expected that the meeting will settle the details of a standby-credit designed to help Brazil.

Ohio oil, the US independent company with a stake in an important Libyan oil field, has now received approval from the Spanish Government to build a 25,000 b/d refinery in Northern Spain. It will be built within three years at a cost of about \$18 million.

Signor Mattei, President of Italy's State-controlled ENI-AGIP Oil Corporation, announced recently that it had discovered big new deposits of natural gas in the Abruzzo region, East of Rome, and in Sicily.

Israel is about to join the over-growing list of countries establishing their own petro-chemical industries. A joint venture by Israeli, US and Brazilian interests envisages the investment of £5 million sterling in a complex of four plants in the Haifa area, using materials supplied by the Haifa Refineries.

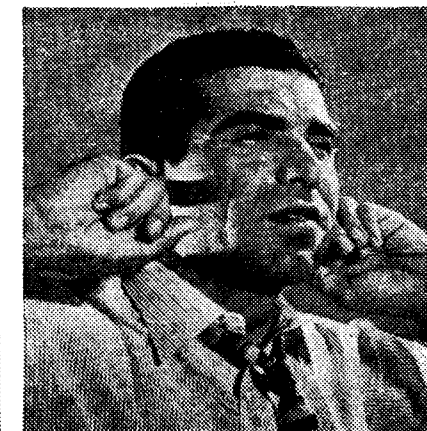
A pilot plant set up by Jamaica pottery, a subsidiary of Worcester Royal Porcelain Company, is now experimentally producing chinaware, ceramic test pieces and glaze compositions in Jamaica.

According to unofficial investigations foreign participation in Austrian companies in 1959 represented a nominal capital of Sch. 3,719.4 million.

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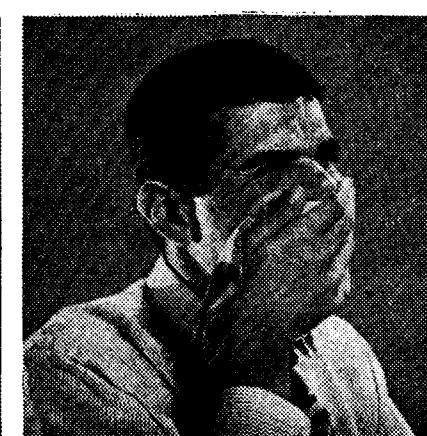
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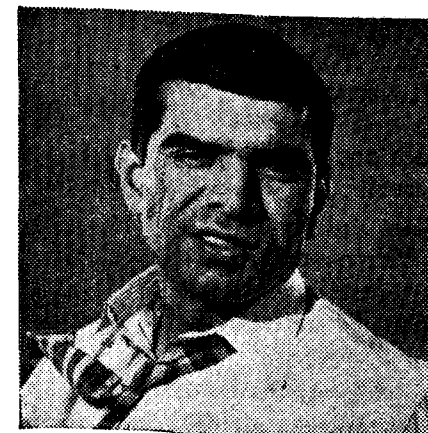
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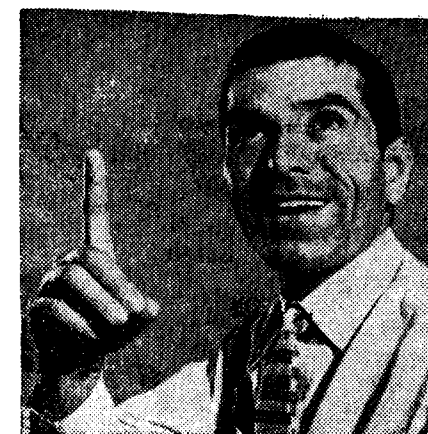
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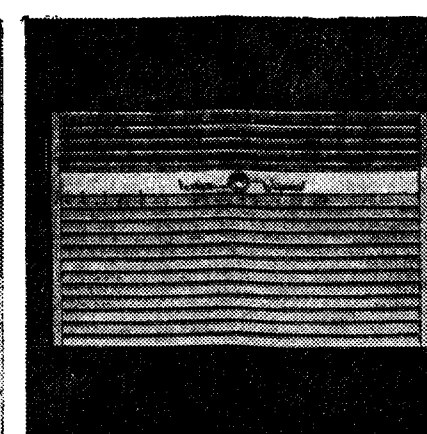
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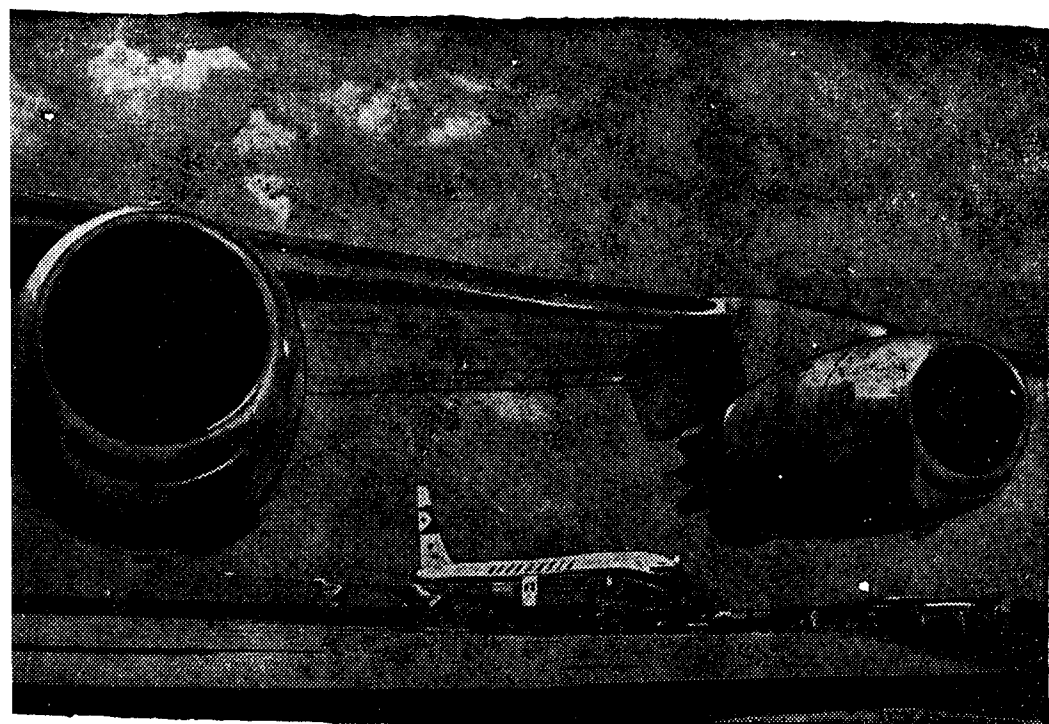
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Special Article

TRENDS OF WAGES & PRODUCTIVITY IN INDIA

By

R. D. VIDYARTHI, Ph.D.

IN the present economic situation of the country when large-scale investment is taking place in the public and private sectors giving an upward turn to prices, and with a foreign exchange crisis, the urgency of stepping up production, augmenting exports and keeping costs within check is being realised at last. The success in tackling these problems, however, depends upon the competitive position of the industry and its profitability. A higher order of industrial efficiency which tends to lower production costs can alone rescue the country from the present economic dilemma. In this context a scientific study of labour costs and productivity is a matter of considerable importance.

It has been observed that over the years material costs have been rising by no small degree and simultaneously earnings of labour have been mounting up under various tribunal awards, collective agreements and the like.

The Census of Indian Manufactures gives details of wages and money value of concessions in respect of 29 industries for which Census is taken. In the following table an attempt has been made to indicate the trend of money and real wages per worker in certain selected industries and the average for all industries:

TABLE I.
MONEY AND REAL WAGES PER WORKER IN CERTAIN SELECTED INDUSTRIES

Industry	1948			1951			1954			1957		
	Wages per Worker (Rs.)	Index of Wages	Index of Wages after Deflation	Wages per Worker (Rs.)	Index of Wages	Index of Wages after Deflation	Wages per Worker (Rs.)	Index of Wages	Index of Wages after Deflation	Wages per Worker (Rs.)	Index of Wages	Index of Wages after Deflation
1. Cotton Textiles	1,107	100	100	1,239	121	112	1,327	124	120	1,457	152	132
2. Jute Textiles	730	100	100	839	124	115	978	138	134	1,053	166	144
3. Iron & Steel	1,284	100	100	1,884	159	147	1,960	158	153	2,150	192	167
4. General and Electrical Engineering	975.9	100	100	1,213.8	124.4	115.3	1,336.1	129.5	125.5	1,493.0	152.5	126.4
5. Sugar	586	100	100	681	125	116	739	130	126	824	162	141
6. Chemicals	803	100	100	1,087	146	135	1,235	159	154	1,433	205	178
7. Paper and Paper Board	805	100	100	1,113	149	138	1,034	132	128	1,248	178	155
8. Cement	679	100	100	1,025	163	151	1,411	214	208	1,381	233	203
TOTAL*	904	100	100	1,063	127	118	1,157	132	128	1,285	163	142

* All the twenty-nine industries included in the Census.

N.B.: 1. Wages include money value of benefits, privileges, etc.

2. The index is represented by simple unweighted wage relatives calculated for each year over 1948.

3. The index of wages has been deflated with the official All-India average consumer price index numbers adjusted with 1948 as base.

It will be observed that in almost all the industries wages have increased between 1948 and 1957 almost uniformly. Taking all the industries into consideration over 1948 there has been an increase of 63 points in money wages and 42 points in terms of real wages. In some of the industries the increase has been of a much higher order.

An analysis of wages and money value of concessions shows that whereas wages which include cash payments, namely, basic wages, dearness allowances, bonuses, over-time payments, shift allowances, leave wages and paid holidays have almost doubled, money

value of benefits or privileges, on the other hand, which include besides the employer's contribution to the provident fund, (i) all payments made by way of pensions, gratuity, retrenchment and lay-off benefits, compensation of work injuries, occupational diseases, maternity benefits, sickness benefits, contributions made to Employees' State Insurance and other social security measures, and concessions in food articles, fuels, household accommodation, electricity, water, sanitary service, transport facilities etc., and (ii) subsidies involved in the operation of medical facilities, educational facilities, recreation facilities, entertainment facilities and other welfare projects such as canteens, creches etc., have

more than doubled. It is thus that a large component of the earnings of labour is directly due to the obligations imposed by various labour laws enacted in recent years.

Higher wages alone, however, would not be re-

garded as hampering industrial growth if they were accompanied by far higher rate of productivity. Productivity is defined as the value added by manufacture per person employed. In the following table indices of productivity in certain selected industries have been given:

TABLE II.

INDEX OF PRODUCTIVITY IN CERTAIN SELECTED INDUSTRIES

Industry	1948			1951			1954			1957		
	Value added per person employed (Rs.)	Index of productivity	Index of productivity after deflation	Value added per person employed (Rs.)	Index of productivity	Index of productivity after deflation	Value added per person employed (Rs.)	Index of productivity	Index of productivity after deflation	Value added per person employed (Rs.)	Index of productivity	Index of productivity after deflation
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1. Cotton Textiles	2,262	100	100	2,176	96.2	115.2	2,003	88.5	93.3	1,917	84.7	93.4
2. Jute Textile	1,235	100	100	1,856	150.3	179.9	1,520	123.1	129.7	1,463	118.5	130.7
3. Iron & Steel	2,624	100	100	3,354	127.8	153.0	4,959	189.0	199.0	5,671	216.1	238.4
4. General and Electrical Engineering	1,470	100	100	1,902	128.5	107.4	1,979	133.7	126.9	2,822	190.6	172.8
5. Sugar	1,718	100	100	1,910	111.2	133.1	2,313	134.6	141.9	2,492	134.6	148.5
6. Chemicals	2,513	100	100	3,831	152.4	182.4	4,474	178.0	187.6	5,932	236.1	260.4
7. Paper and paper board	1,811	100	100	3,249	179.4	214.7	3,167	174.9	184.3	3,794	209.5	231.1
8. Cement	2,212	100	100	3,346	151.3	181.1	5,759	260.3	274.4	4,168	188.4	207.8
Total*	1,862	100	100	2,127	114.2	136.7	2,175	116.8	123.1	2,452	131.7	145.3

* All the twenty-nine industries included in the Census.

N.B.: 1. Productivity has been measured in terms of value added by manufacture per person employed in an industry.

2. Index of productivity has been deflated to eliminate price factor with the official index number of wholesale prices adjusted with 1948 as base.

From this table it may be observed that on the whole productivity has increased by about 8.6 points between 1951 and 1957. One disconcerting feature is that while wages have been continuously rising, productivity has fallen in 1954 over 1951 by about 13.6 points whereas in the same period wages rose by 10 points. Similarly between 1951 and 1957 while wages rose by 24 points productivity rose by only 8.6 points. In the cotton textile industry productivity has been on the decline except in 1951 when it rose by 15 points. In the jute industry too the highest increase was in 1951. It fell sharply in 1954 and did not show any significant improvement later. On the other hand, in iron and steel, general and electrical engineering, sugar, chemicals, paper and cement industries, productivity has increased which may be attributed to the high degree of mechanisation which has been achieved in these industries during the period under review.

A study of the increase in employment of capital indicates that greater productivity in metallurgical and engineering industries and chemicals has been due more to the degree of mechanisation achieved. This is borne out by the information given on page 1081 in regard to total fixed capital employed per worker in certain industries and also the average for the 29 industries covered by the Census.

Between 1948 and 1957 taking all industries into consideration, capital employed has increased by about 152 points. In textile industries like cotton and jute while capital employed has increased in varying degrees,

and so have money and real wages, productivity has shown a falling trend. On the other hand in those industries like iron and steel, general and electrical engineering, chemicals, paper and cement where productivity has shown discernible increase, capital employed has also increased either to the same degree or much more than the increase in productivity. The irresistible conclusion is that the part played by employment of increased capital on increasing productivity is more significant than by any other single factor. This is borne out by the fact that in order to have an increase in productivity of about 45 points, emoluments have been increased by 42 points whereas total fixed capital employed per worker has increased by 152 points.

In short, increases in real wages have been higher than in productivity for which higher rate of increase in productivity is necessary to bring India in the front row of big and powerful industrial nations. Labour and management should devise ways and means of reducing the unit cost of production on the one hand and increasing productivity on the other. In a competitive economy and in a buyers' market increased costs cannot be passed on to the consumers. In an expanding economy it may be expected that over the years national output would rise more rapidly than population making possible a greater 'per capita' consumption of goods and services and higher living standards. This is what happened in the U.S.A. But in the case of India sustained effort at planning is a new experience and

will take time to produce results. Under such circumstances efforts to push up wage rates faster than productivity will react mainly on the price level and may effect little if any gain in living standards. Be-

sides, it will tell heavily upon India's ability to compete in foreign markets. India has to make a great effort in order to be able to catch up with industries of other countries and compete effectively in world markets.

TABLE III.
TOTAL FIXED CAPITAL EMPLOYED PER WORKER IN CERTAIN SELECTED INDUSTRIES

Industry	Year			
	1948	1951	1954	1957
1. Cotton Textiles	Amount (Rs.) .. 717	1124	1328	1833
	Index (Nos.) .. 100	156.8	185.2	256
2. Jute Textiles	Amount (Rs.) .. 719	1051	1228	1884
	Index (Nos.) .. 100	146.2	170.8	262.0
3. Iron & Steel	Amount (Rs.) .. 4051	4021	5160	11006
	Index (Nos.) .. 100	99.3	127.4	271.7
4. General and Electrical Engineering	Amount (Rs.) .. 1612.5	2380.0	2737.1	2887.3
	Index (Nos.) .. 100	147.6	169.7	179.1
5. Sugar	Amount (Rs.) .. 1928	1979	2201	3166
	Index (Nos.) .. 100	102.6	114.2	164.2
6. Chemicals	Amount (Rs.) .. 3688	4812	11775	11374
	Index (Nos.) .. 100	130.5	319.3	308.4
7. Paper & Paper Board	Amount (Rs.) .. 2964	5424	5821	8744
	Index (Nos.) .. 100	183.0	196.4	295.0
8. Cement	Amount (Rs.) .. 3711	7256	10783	15599
	Index (Nos.) .. 100	195.5	290.6	420.3
9. Total*	Amount (Rs.) .. 1266	2961	2817	3190
	Index (Nos.) .. 100	233.9	222.5	252.0

* All the twenty-nine industries included in the Census.

A Letter to the Editor

FROM BALLOONS TO BRASS TACKS

The Editor,
The Eastern Economist, New Delhi.
Sir,

Your timely article "Ideology and Reality" has indeed focussed the searchlight from the ever-expanding balloons of doctrinaire socialism on to the ever-elusive brass tacks of economic realism. Even granting that our spiritual heritage makes incentives irrelevant, and the average Indian is Gita-motivated in the mundane matter of wanting the fruits of his labour, is there a more effective and more economical way of ensuring the four basic requirements quoted by you viz., (1) National consciousness with the desire to work for national unity; (2) Avoidance of waste, both human and material; (3) Sustained disciplined hard work; (4) An intense desire to progress against all odds, than a single-minded effort for nation-wide education, especially of the women. More so, because, every time you open a school, you can close a prison and close a hospital. When you educate a boy, you educate a man; when you educate a girl, you educate a family.

Not all the lavish schemes for National Discipline, nor all the hackneyed exhortations for unity, nor the best conceived legislation to ban this and penalize that, will yield the unfailing results happily assured by educated motherhood. This is true at all levels, particularly of the social strata which provides the highest statesmanship and wisdom to effect this "simultaneous transformation in economic, social, and political spheres in a peaceful and democratic manner."

What a price we are paying to learn the elementary wisdom that prevention is better than cure, and that it is better to put a strong fence round the top of the cliff, than an ambulance down in the valley! There is nothing else which can ensure that even the most perfect constitution does not become a mere scrap of paper, particularly in so divided a country whose fatal pock marks of preventive detention and "dangerous Patronage" (your page 963) already spell a speedy death to the substance of freedom.

NEW DELHI,
April 17, 1961.

Yours etc.,
SHANTHI RANGARAO.

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THE BUSINESS WORLD

Wanted: New Tools for Export Drive

WHAT are the chances of raising India's annual exports to the level of Rs. 800 crores per annum on the average during the Third Five-Year Plan as compared to the average of Rs. 615 crores during the Second Plan? There are, on doubt, numerous factors which have operated in the past to vary India's exports and some of them, such as international recessionary trends are out of our control. But there are certain other factors which lie within our grip and which can be utilised in order to raise the level of India's exports. Two of these are the exploration of foreign markets for our goods through new marketing tools and the reduction in the cost of our manufactures so as to compete both in quality and price with other countries.

The first factor has come in for considerable discussion in recent months, though no concrete measures have been taken so far in order to press it into service. It is a well known fact that India's exports have relied heavily on traditional items, such as, tea, jute manufactures and cotton textiles. With the rising tempo of industrial development in the country the supply of industrial goods is rising steadily and it is here that an encouraging scope for expansion in the export trade lies. Unfortunately, no serious attempts have been made to explore the potential markets for India's new goods. This can only be done by conducting on the spot market surveys in foreign lands. There are fast developing markets in East Africa, the Middle East and the South-East Asian region where India's new industrial products can find a ready market. Indian firms have not ventured so far to examine the peculiarities of these markets. They have not attempted to enlist the services of experienced organisations in marketing research to find for them the "facts" about these markets. They have failed to adopt the strategy of aggressive selling abroad to raise India's exports. The President of the Indian Council of Foreign Trade at the recent Export Convention held in New Delhi stressed this point in these words: "Extensive and constant on-the-spot studies should be made of the markets and the manufacturer or exporter should make it a point to produce and supply such type of goods that are needed in the export market instead of trying to sell

what they are making or offering for sale in the domestic market". It may be stated that market analysis is a continuing process and unless the business houses keep themselves informed about the trends in these markets through their own experienced marketmen or through consultants, it may not be possible for them to capture new markets or to consolidate the gains already made.

Even after the markets for India's new engineering goods have been located, the question of competition will need to be tackled. It is no use throwing up hands in despair, saying that we are not in a position to face competition with Japan and other industrially advanced countries who have a low cost structure. If the cost price of our products is not in line with the international price level, some drastic measures will need to be taken. Indian manufacturers will without doubt need incentives so as to meet the losses for sales in the international markets. What form should these incentives take? There is an erroneous impression in this country that the consumer should be made to pay for the losses incurred by our exporters in the foreign markets. Taken to its logical conclusion, this approach might lead to disastrous consequences by imposing a crushing burden on the domestic consumer. One of the most fruitful suggestions put forward in this regard relates to the linking of new import licences for industries with exports. It should be made necessary for every new unit to export a certain fraction of its product abroad. Unless some such restrictions are imposed and the Indian manufacturers are forced to sell abroad, the future for India's export does not look very bright.

In the sphere of small-scale industries particularly, the Government will have to provide proper incentives if the objective of enhanced exports in the coming years is to be achieved. The cost structure of our industries in certain respects has become extremely rigid. Wages, for example, which are generally linked with the cost of living indices continue to rise from year to year. The raw material prices also have been under pressure. In these circumstances, without the active support of the Government through "fiscal incentives", our exports have no chance of looking up.

Labour Policy in a Vacuum

By
CROESUS

BY some fortuitous coincidence, both the President of the Employers' Federation of India (E.F.I.), Mr. Naval H. Tata, and Mr. Surendra P. Hutheesing, President of the All-India Organisation of Industrial Employers' (A.I.O.I.E.) devoted their presidential addresses at the last annual general meetings of these respective organisations to the urgent need for reorientating the labour policy of the Government. Despite the vigorous

defence of the Government's labour policy by the Gujarat Chief Minister, Mr. Jivraj Mehta, who inaugurated the 28th Annual Session of the A.I.O.I.E., at Ahmedabad, last week-end, it should be evident to anyone from his speech itself that conditions as they are in this country are still not ripe enough for experimenting with some of the innovations which the authorities are impatiently trying to introduce. As Mr

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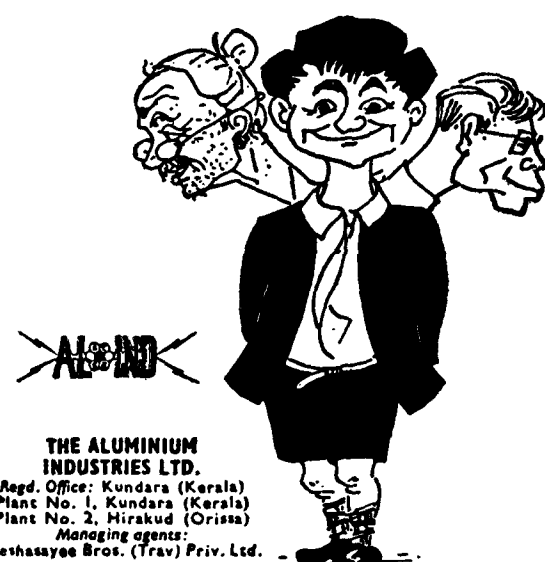
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Hutheesing rightly pointed out in the course of his speech, "economic development is an intricate complex of activities. Such words as "social justice", "participation of workers in management", "socialism" and even "democracy" can be easily stretched to the point of meaninglessness. At the 28th Annual General Meeting of the E.F.I. also Mr. Tata made this point, and perhaps more specifically, when he said: "In outlining the labour policy of our country, the primary concern of the Government has been the attainment of the goal of social justice, particularly in respect of the industrial workers. The enthusiasm with which this laudable objective is sought to be attained has made the authorities underrate and ignore, to some extent, the hard economic facts which govern the implementation of the principle of social justice. To evolve a wage structure, measured in terms of social justice, is (or is it "may be"?) a legitimate prerogative of the State; but whether such a wage level can be sustained by the national economy is a question which requires serious consideration....."

If Mr. Tata confined himself thus to the question of whether a given wage level could be sustained by the national economy, Mr. Hutheesing went a step further to make the point that, even if a given wage level could be sustained by the national economy, the wage rate in a given industry must bear relation to its capacity to pay. "It is sometimes conveniently forgotten," he said, "that the wage rate that an industry should pay must be related to the wage rate that the industry can pay in the particular economic circumstances in which the industry finds itself. The capacity of the industry to pay a level of wages depends upon the particular conditions of productivity and demand. What may be feasible for one industry may not be feasible for the other, for the demand for labour is derived from the general state of demand for the product and the specific condition of production and cost. Again, the wage rate that an industry can pay must take into account the requirements of an industrial growth. In this broader perspective, the problem of wage payment forms part of general problem of economic growth." This is precisely what Mr. Tata also meant when he remarked that "we are passing through a period where the impact of economic factors on labour policy has assumed such proportions that labour problems cannot be treated in isolation."

In order to prove this thesis, Mr Hutheesing instanced the example of the sugar industry which is finding it extremely difficult to implement the recommendations of the Wage Board. Of course, wages do not constitute the only component of the cost or price structure of a commodity. There is also the price of raw materials. It is the unfortunate lot of the sugar industry to be faced with demands for an increase in both wages and price of raw materials, namely, sugarcane. However justified, however desirable or however important from a political point of view these increases may appear to be, the fact remains that, if Indian sugar has to be exported, as it must be if our sugar economy is not to be disrupted again, the sugar industry is not only in no position to increase the present levels of wages and cane prices, but will in fact, have to reduce them; alternatively, the exported sugar must be subsidised by the Indian consumer or the taxpayer. How anomalous this would be becomes patent when it is noted that India is among the first three largest producers of sugarcane in the world and that our total production of white sugar alone has exceeded the total internal demand (this should normally have brought down sugar prices to the consumer, unlike today).

In this context, it is not clear how any government can be so cavalier as the Gujarat Chief Minister to

make a sweeping statement that, "if an industry has no capacity to pay, it has no right to exist". However, he was careful enough to add the proviso "except for national reasons." Even here, he insisted that a 'living wage' should be assured to the workers. The thesis that no worker should be denied his 'living wage,' as Dr. Mehta put it, will not be disputed by even the most reactionary employer today. But what this term 'living wage' constitutes, or ought to constitute, should be beyond dispute if the unfortunate controversy that followed the decision of the 15th session of the Labour Conference in respect of the "need-based" wage is not to be repeated. It is necessary also to refer here to the constructive suggestion of Dr. Mehta when he observed that what we should aim at is a "living wage" for each worker and the gap between the "living wage" and the "minimum wage" (it is significant that he did not use the expression the "need-based" wage) should be adjusted by taking into account the paying capacity of the industry.

Now, the need for any adjustment in wages stems primarily from the changes in price levels, mainly in the upward direction. Although it is difficult precisely to fix the responsibility on any one agency for rising prices, it would be dogmatic to assert that it is the manufacturer alone that is responsible for soaring prices and to accuse him of extortionate profit, as some people are apt to do. To quote Mr. Tata, "such inflationary pressures as we have experienced in recent years have not, in all cases, been unconnected with labour policy decisions." Government can not any longer disclaim a share in the responsibility for the soaring prices. It is not merely the generous awards in industrial disputes of our industrial tribunals but also the taxation policy of the Government that is responsible for this trend. According to the E.F.I. President, approximately 20 per cent. of the ex-mill price of cloth goes to the Union Government by way of excise duty. This is, of course, in addition to the tolls exacted by the different State Governments by way of sales taxes not only on the finished product but also on raw materials.

What is not easy to understand, in these circumstances, is the attitude of the powers-that-be who, while continuing to maintain that there is no discrimination between the public sector and the private sector as regards labour matters, and also to insist on the private sector, whenever there is a rise in the cost of living, offsetting this rise by increasing the quantum of dearness allowance almost mechanically, are not, at the same time, prepared to ask the public sector industries also to follow suit. This is not only a "dual standard of social justice," as Mr. Tata described it but also an indictment on the public sector of its incapacity to pay its employees dearness allowance on an automatically adjusted scale or on a sliding scale as prescribed by its own industrial tribunals for the private sector. In pointing this out, it must not be assumed that the industrial employers always raise this bogey in order to take shelter behind a fallacious theory. What is suggested is that the whole question needs to be considered by all those who have the interests of the country at heart.

Both the E.F.I. President and the A.I.O.I.E. chief also dwelt on the highly controversial question of bonus. Fuel was added to the fire of this controversy, as it were, by the recent announcement of the personnel of the proposed Bonus Commission by the Union Labour Minister. Fortunately that issue has been settled, at any rate, for the time being; it is, I am afraid, bound to take a long time before a satisfactory solution is found. Bonus, which began as a "voluntary gesture", has since come to be described as "ex-gratia payment"

and, lately, as "compensation against sub-standard wages." It is the last interpretation naturally that has evoked very sharp differences.

Be that as it may, as Mr. Hutheesing maintained the demand for bonus of the kind obtaining in our country is almost unheard of in other countries. An uncertain element like bonus can have no place in any wage structure. There is, therefore, ample scope, as he suggested, for the Bonus Commission to think whether or not bonus is an appropriate method of adding to the emoluments of labour. Mr. Tata, however, was more emphatic. "It is neither in the interest of the workers nor of the employers," he said, to continue this form of uncertain annual payments, because it raises hope in

the minds of the workers, which, if unfulfilled, through no fault of the employer, would result in a feeling of serious frustration." In order to ensure industrial peace, he said: "I for one would be happy if this uncertain element is eliminated through suitable adjustment in the wage structure." It would have been helpful to all concerned, had Mr. Tata outlined the adjustment he has in view. That would perhaps have provided a constructive alternative to the bonus system and we would have known the reactions to it of both the workers and the Government. Anyway, it is not too late even now, and it is to be hoped that he will avail himself of the next public utterance that he makes to think aloud on this subject.

Business Notes

Textiles

MORE QUOTA FOR THE MILL SECTOR

IN VIEW of the increase in the rate of growth of our population and the resulting rise in the demand for cloth consumption during the Third Plan period, the call of the Government to the cotton mills to step up their production by 10 per cent during this period is understandable. Needless to say, the textile industry will readily respond to this call, provided, of course, the various difficulties in their way are removed. If, in the course of his presidential address at the 19th Annual meeting of the Saurashtra Millowners' Association, held in Ahmedabad, last week, Mr. Shantilal Mangaldas still reiterated the millowners' plea that the quota of cloth production assigned to the mill sector during the Third Plan period should be adequately increased, it is probably because he feels this is the only way to augment cloth production in the country. Now the total output in the country in 1960 was only 7,243 million yards, made up of 5,048 million yards of mill cloth and about 2,195 million yards of handloom and power loom production. According to the Draft Outline of the Third Plan, it will be remembered, the target has been fixed at 9,300 million yards, which means an additional production of a little over 2,000 million yards above the total output recorded in 1960. The problem then is how best to allocate this additional production among the various sectors of the industry so as to achieve the total output desired. It is natural that every sector should claim a maximum share out of the additional production needed, but it is upto the authorities to be pragmatic in their decisions; they should be influenced not by rosy promises for the future but by actual records of production so far. On this reckoning, Mr. Mangaldas was justified in holding that the non-mill sector of the industry would not be able to deliver the goods and insisted that the responsibility of the failure of any of other sectors to achieve the target should not be fixed on the mills, as is sought to be done so often. It is significant that speaking for the mill sector, he assured the Government that the mills could increase their output by ten per cent if they were assured of the right type of cotton in adequate quantities, as also fuel in time. In this connection, the President of the S.C.M. Association also suggested that permission be granted for the expansion of the units which have an installed capacity of less than 25,000 spindles and 600 looms in order to increase cloth production in the country. This will also make for more economical production.

Referring to the difficulties being faced by the mill industry, Mr. Mangaldas urged that either the Central Government or the concerned State Government should actively persuade labour unions to come to a definite arrangement with the managements so as not to impose unjustifiable additional burdens on the industry by way of wage-bills unrelated to productivity. At the same time, he did well to ask for a reasonable assurance from the

Government that it would not bring pressure on the industry again to reduce prices, as the industry has already done its utmost in this behalf.

Jessop and Company

POWER: THE MAJOR BOTTLENECK

THE CHAIRMAN of Jessop & Co. Ltd., Sir B. P. Singh Roy, in his speech, dwelt at length on the difficulties faced by the Company at its 29th Annual General Meeting. Shortages of steel, transport facilities, foreign exchange, electric power, and finance were described by the Chairman as the major hinderances responsible for not attaining higher results in production. Difficulties in obtaining import licences were responsible for a shortfall in production of Electric Multiple Unit Coaches. The Chairman emphatically stated that unless this difficulty of licences was removed, it would not be possible to place orders for the equipment abroad which in other words meant a gap in the production of EMU coaches. Apart from the dislocation that this inevitably would cause in the company's manufacturing programme, the shortfall in EMU production is to be regretted because of the pressing demand for such coaches. However, to fill the gap in production, the Coach Works is to take up the manufacture of Broad Gauge Motor and Parcel Vans and Broad Gauge Well Wagons. Strenuous efforts were also being made to raise production of diesel road rollers.

The major bottleneck, the Chairman emphasized, was felt in regard to finance and electric power. Although it may be possible to raise more finance by borrowing from the banks against securities, but that would not be sufficient for expansion and rehabilitation programme. Under the circumstances, it appears that share capital may have to be raised further. In regard to power the need was to remove the shortage at the earliest, as without it, it may be difficult to operate the Company's Works on both the shifts.

New Venture

TYRE TUBE VALVE MANUFACTURE

FOR THE manufacture of tyre tube valves, a new company has been formed under the name of Schrader-Scovill Duncan Ltd., with an authorised capital of Rs. 2 crores. In the beginning the Duncan Brothers and Company Ltd., Calcutta, will hold 49 per cent shares and the rest will be held by the Scovill Manufacturing Company, a world-wide reputed concern for the manufacture of tyre tube valves. Public participation in the share capital will be invited at a much later stage.

The formation of this company is the result of an agreement concluded recently between the Scovill Manufacturing Company, U.S.A. and Duncan Brothers & Co. Ltd. First of its kind in India, the plant will be

located near Bombay and will commence operations in 1962. Incidentally, Duncan Brothers & Co. Ltd., are the first in this field who have been recently associated with the setting up of plants for Woolcombing and manufacture of Carbon Black. As the manufacture of tyre tube valves is a highly specialised process, the technical know-how will be provided by the Scovill Manufacturing Company, who have already established plants in the U.K., Canada, Australia, France, Brazil and Mexico.

The establishment of this new venture is heartening in the sense that with the manufacture of tyre tube valves in this country, a considerable amount of foreign exchange spent on their import would be saved. Since Schraders have no manufacturing operations in Asia or Africa, it is expected that tyre tube valves manufactured here might be exported to neighbouring countries and thus help augment country's foreign exchange earnings.

Fertilisers

REFINERY GAS AS FEEDSTUFF

A CONTRACT for the annual supply of 50,000 tons of refinery gas for a minimum period of 10 years by Burmah Shell to the Fertiliser Corporation of India was signed in Bombay last week. The contract, which joins the private and public sectors in a common goal of meeting India's vital requirements, is the largest in India for the supply of petroleum products. The Trombay fertiliser project would be the first in India to use refinery gas. It is expected to start production towards the end of 1963 or early in 1964 at the annual rate of about 350,000 tons of fertilisers (equivalent to 90,000 tons of nitrogen and 40,000 tons of phosphate) and involves a capital outlay of Rs. 25 crores.

The refinery gas will be used as feedstock for the manufacture of nitrogenous fertilisers, using the well-known Shell gasification process, — a process developed by Shell scientists for the production of nitrogenous fertilisers using any petroleum feedstock. The advantage of this process, namely its ability to use any type of petroleum feedstock, makes a significant contribution towards solving the imbalance of the oil industry in India.

The Chemical Construction Company of the United States was recently given a contract for the supply of equipment and plant for the Trombay fertiliser project. The contract is to be financed out of a loan of 30 million dollars given by the Development Loan Fund.

Small-scale Industries

PROBLEMS AND SOLUTIONS

THE PROBLEMS faced by the small-scale industries in India and their possible solutions were the subjects of Mr. G. V. Puranik, Chairman of the All-India Manufacturers' Organisation's speech at the A.-I.M.O. and Small-Scale Industries Convention held on 21st April in New Delhi. While expressing satisfaction at the emphasis laid by the Planning Commission in the Draft Outline of the Third Five-Year Plan on the need for improving technical and organisational efficiency of small-scale industries and pointing out that the actual investment in village and small-scale industries in the private sector will be about Rs. 225 crores against an investment of Rs. 100 crores originally estimated in the Second Plan, Mr. Puranik stressed the need for raising the financial allocation in the public sector for small-scale industries from Rs. 107 crores to Rs. 232 crores as recommended by the Small-Scale Industries Board,

The point was made that the areas benefited by various schemes for the development of small-scale industries were mainly urban which were already de-

veloped and were in a position to command required facilities like power, water, drainage, market, etc. It was the plea of the Organisation that at least half the number of proposed industrial estates should be set up in rural areas and that each State should set up a semi-autonomous corporation for the development of industrial estates. It was also argued that much of the overhead costs, for example, power, roads, drainage, etc. should be provided by the Government because it is not possible for small entrepreneurs, with their meagre resources, to arrange for land, buildings and other facilities. A plea was also made for the Government to see that supplies of raw-materials and machinery were made available to small-scale industries to the required extent. Opening of raw-materials depots in strategic centres, as recommended by the Small-Scale Industries Board, should also receive the favourable consideration of the Central and State Governments.

Mr. Puranik also made the plea for the need for small-scale industries receiving a progressively larger share of orders placed by various purchasing authorities of the Central and State Governments, Defence Services and the Railways. He also recommended setting up of a polytechnic in every district to meet the shortage of skilled workers and supervisors in small-scale industries. He urged collection of adequate statistics of production for future planning. His suggestion of a detailed survey of the various large industries in the public and private sectors for determining the items which can be produced during the next five years by the small-scale industries as feeders or ancillaries is worth pursuing.

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FROM THE CAPITAL'S CORRIDORS

TAX CONCESSIONS

IN the Lok Sabha last week, the Finance Minister, Mr. Morarji Desai, announced certain additional tax concessions while moving the Bill to give effect to the financial proposals of the Government of India for 1961-62. Taking into account the views expressed during the general discussions in Parliament and the criticisms received from the trade and the public, the Finance Minister had announced certain concession while replying to the general discussion in the Lok Sabha on March 17. Since then, further discussion seems to have convinced him about the necessity of making further adjustments which will help in removing general hardships without sacrificing substantial revenue.

A relief has been proposed in respect of inferior coffee only. As it would be possible to distinguish inferior varieties of coffee from plantations or arabica coffee, the evasion of revenue could be avoided. He has proposed to give relief by reducing the duty on robusta and liberia varieties of coffee to the original level of Rs. 41.35 per quintal.

The concession announced on March 17 in respect of powerloom units having three or four looms was not considered adequate. The self-employed weavers working in small units with three or four looms found it hard to retain their position. The Finance Minister has now proposed to give complete exemption to all powerloom units with three or four looms manufacturing cotton, rayon or silk fabric provided they work only one shift. The same benefit is extended to powerloom units manufacturing woollen fabrics, if the number of looms engaged does exceed two and the units work only one shift a day.

The proposal to levy a higher rate of duty on fabrics produced on automatic looms has been primarily formulated with a view to export promotion. It is proposed to withdraw this surcharge in respect of 70 per cent of the production. The duty has been linked up on the balance with exports so that the surcharge will be actually payable only on the quantity by which the exports made by a manufacturer during any half year fall short of 30 per cent of the fabrics produced by him on automatic looms during the same period.

The Finance Minister has introduced a compounded system of levy by which the manufacturer would be able to pay the duty on yarn woven into fabric by composite mills, together with the existing duty on fabrics at the rate of 1.2 per square metre of the fabric produced. Cotton yarn on count up to 40 if issued in hanks has been exempted from duty.

In respect of new excise duty on woollen yarn, instead of ad valorem assessments, compounded facilities have been given and provision for alternative specific duty for all woollen yarn has been made. For worsted yarn the specific rate would be Rs. 2.10 per kg if the yarn is 60s and above, Rs. 1.60 per kg if the yarn is below 60s. For other than worsted yarn the rate at 40 nP per kg. has been proposed. While the average incidence of these will be slightly lower than that on the basis of all the ad valorem rates, it will also eliminate administrative defects.

In the budget proposals the Finance Minister had exempted from duty small manufacturers of glass and glasswares, chinawares and procelainwares employing not more than 5 workers. In view of the genuine difficulties of cottage units, the exemption has been extended to all manufacturers of glass and glasswares who do not employ more than 20 workers, do not use power and use only broken or waste glass as raw materials. Similar concessions have been proposed to be extended to the manufacturers of chinawares and porcelainwares who do not employ more than 15 workers. Similarly the

limit of concessions to manufacturers of cosmetics and toilet preparations has been increased from 50 kg per month to 75 kg. per month.

The Finance Minister has proposed to exempt 25 per cent duty chargeable on copper and brass sheets, circles etc. which are issued out from the rolling mills without trimming and cutting. Corresponding concession in case of bronze sheets and circles will be 20 per cent. This is to provide some relief to small utensil manufacturers who have to pay full duty on untrimmed sheets, a part of which is left as scrap. Exemption is also being given in respect of strips of copper and copper alloys used for making zari, stars, spangles, anklets etc.

In consideration of the established practice of the manufacturers of patent or proprietary medicines to issue samples, duty free clearance has been allowed in respect of clinic samples issued for laboratories, hospitals etc. upto a maximum limit of 5 per cent of the total duty paid. Plastic moulding powder manufactured from scraps of plastics have also been exempted from duty.

The refrigerators used for cold storage depots etc. for preservation of food will not be subject to duty. Air conditioning machinery employed not for comfort but for preservation of food will, therefore, be exempt from duty. Moreover, the countervailing duty paid at the time of import of compressors when used in refrigerators produced in the country will also be adjusted.

Customs duty on "textiles manufactures not otherwise specified" was increased from 50 per cent to 100 per cent. Duty on nylon twine imported for the manufacture of fishing nets will be at 50 per cent ad valorem in cases in which import licences are issued on the recommendation of State Directorates of Fisheries.

Customs duty on newsprint, unglazed or machine finished in reels was enhanced from Rs. 3.10 per quintal to Rs. 7.50 per quintal and on newsprint of other sorts imported in reels from Rs. 3.60 per quintal to Rs. 9.0 per quintal. Relief has been proposed by reducing the rate of duty on the former category of newsprint to Rs. 5.00 per quintal and that on the latter to Rs. 5.50 per quintal. Many small newspapers make use of newsprints in sheets on which the duty was raised from Rs. 4.10 per quintal to Rs. 10.30 per quintal. The duty on this category of printing paper has been reduced to the pre-budget level of Rs. 4.10 per quintal.

Along with the increase in excise duty on rayon yarn, the customs duty was also increased to include the countervailing duty. Now the customs duty has been proposed to be reduced to the extent of 65 nP. per kg. for yarn of below 75 deniers and correspondingly less for other varieties.

DIRECT TAXES

The tax structure applicable to foreign companies has been proposed to be simplified. According to the provisions contained in the Finance Bill the dividends received by a foreign company from a non-subsidiary Indian company formed after March 31, 1959 and before April 1, 1961 are taxable at 53 per cent while dividends received from such an Indian company formed on or after April 1, 1961 are taxable at 40 per cent. It is proposed that the rate applicable to the dividends on both these categories may be fixed at 40 per cent.

As far as the proposal to restrict the allowance of entertainment expenditure in computing the taxable income from business is concerned, the limit prescribed in the case of companies has no adequate justification. The proposal to disallow in respect of non-company assesseees may lead to genuine hardship in some

cases. An amendment has been proposed so that in the case of non-company assesseees the status quo may continue.

The proposal to allow initial depreciation for houses build by employers for the residence of low paid employees has been extended so that the scope of this concession would apply to the buildings which are constructed to meet the welfare requirements of such employees such as hospitals, schools, canteens, libraries, etc.

The Finance Minister saw no justification for the abolition of the tax on bonus shares, particularly on bonus shares issued out of share premium amounts. Similarly he expressed his inability to accept this suggestion that the reduction of the tax rates from 63 per cent to 50 per cent in the case of royalties paid to foreign companies should apply to all payments of royalties whether they are in pursuance of agreements entered into before or after April 1, 1961.

The net effect of all these concessions including those announced on March 17, is expected a revenue loss of Rs. 6.14 crores in full year.

FOREIGN ASSISTANCE: SECOND PLAN

The total amount of authorised external assistance in the form of loans and grants, both in the public and private sectors, up to March 31, 1961 was Rs. 1,857.68 and Rs. 652.82 crores respectively. At the end of the Second Plan period Rs. 1,030.29 crores had been utilised out of the authorised loan of Rs. 1,857.68 crores. An amount of Rs. 827.39 crores is, therefore, carried forward to the Third Plan. The authorised loan for the Second Plan period comprised Rs. 1,604.11 crores in foreign currency and Rs. 253.57 crores in rupees. At the end of the Second Plan period out of the amount utilised Rs. 936.59 crores was in foreign currency and Rs. 93.70 crores in rupees, leaving a carryover of Rs. 667.52 crores in foreign currency and Rs. 159.87 crores in rupees. The authorised grants totalled Rs. 652.82 crores up to the end of March, 1961. Out of this Rs. 234.95 crores had been spent by the end of the Second Plan period, leaving a carryover for the Third Plan on April 1, 1961 of Rs. 417.87 crores. The authorised amount of grants comprised Rs. 395.96 crores in rupees and Rs. 256.86 crores in foreign currency. Out of the amount utilised Rs. 5.08 crores was in rupees and Rs. 229.87 crores in foreign currency, leaving a carryover of Rs. 390.88 crores in rupees and Rs. 26.99 crores in foreign currency.

FOREIGN ASSISTANCE: THIRD PLAN

The fourth meeting of the consortium countries and institutions interested in development assistance to India, convened by the World Bank, was held in Washington on Tuesday, April 25. Previous meetings were held in August 1958, March 1959 and September 1960. The meeting, was presided over by the Chairman of the World Bank, Mr. Eugene R. Black. The representatives of the Governments of Canada, Germany, Japan, the United Kingdom and the United States of America attended the meeting. The International Monetary Fund and the Governments of Austria, France, Denmark, Norway and Sweden sent observers. Italy has declined to attend. Leaders of the delegations were Mr. J. F. Parkinson of the Department of Finance of Canada, Dr. Hans Henckel of the Ministry of Economics of Germany, Mr. Makoto Watanabe of the Finance Ministry of Japan, Mr. Denis Rickett of the U.K. Treasury and Mr. John M. Leddy of the U.S. Treasury.

The meeting was convened to review India's foreign exchange requirements for the period of the Third Five-Year Plan and to consider the amount and nature of the further external assistance which might be made available to meet these requirements. Mr. B. K. Nehru, India's Commissioner-General, was in New Delhi last week to apprise himself with the latest balance of payments position and the foreign assistance requirements of the Third Five-Year Plan.

According to the latest available estimates, foreign assistance required for the Third Five-Year Plan is placed at 5,500 million dollars. This estimate is based on rough calculations; the actual assistance required may be much more. The estimates are exclusive of surplus commodity assistance, such as under P.L. 480 from the United States. The balance of payments position indicates that India needs, immediately, 638 million dollars, 300 million dollars for repayment of debt and 100 million dollars for new projects in the Third Plan. Remaining 238 million dollars are required to sustain India's economy. Unless this minimum sum of 638 million dollars were forthcoming, India would default in payment of its dues; 127 million dollars to the International Monetary Fund and 43 million dollars to Germany in addition to private sector firms.

The meeting of the Aid India Club is, therefore, very significant for the Indian Economy. The U.S. Administration, it is learnt, is willing to go all out to help India. It has, however, been delayed by the lack of Congressional authority to provide aid immediately. The decision of the U.S. Congress on the aid programme for under-developed countries will not be known before July. The U.K. has already indicated the amount of initial credit it could give (30 million) and so has West Germany (400 million marks). The final picture will be available only after the meeting. It is expected that for the Third Plan larger proportion than hitherto received will be 'untied.'

It is gathered that the following industries in the private sector are likely to be considered at the Aid India Club, for which foreign exchange will be needed during the Third Plan period.

	(Rs crores)	
	Total Third Plan Outlay	Foreign Exchange Component
Non-ferrous metals	60.00	30.00
Industrial machinery	99.28	54.00
Machine tools	20.00	11.00
Structural fabrication, railway wagons, etc.	10.50	5.00
Tractors, earthmoving equipment, etc.	10.00	6.00
Ball bearings	9.00	5.00
Electric Motors and transformers	11.00	7.00
Cables and wires	13.00	8.00
Other electrical industries	8.00	5.00
Heavy chemicals	39.00	16.00
Miscellaneous chemicals	9.00	4.00
Drugs and Pharmaceuticals	10.00	3.00
Dyestuffs	7.00	2.50
Rayon and staple fibres	75.00	45.00
Paper, paperboard, newsprint	89.00	31.00
Cement	50.00	10.00
Refractories	22.00	10.00
Plastics	25.00	10.00
Rubber manufactures (including synthetic rubber)	28.00	12.50
Industrial gases	10.00	6.00
Cotton textiles	52.50	17.50
Sugar	100.00	11.50
Other large scale industries	54.90	26.26

CONTROVERSY OVER COAL FIELDS

The West Bengal Government has, it is learnt, given notice to the Union Government of its intention to move the Supreme Court to declare the Coal Bearing Areas (Acquisition and Development) Act, 1957, ultra vires of the Constitution on the ground that the Centre was not competent to enact the legislation. The State Government has already filed a suit in the court of the Subordinate Judge, Asansol, against the National Coal Development Corporation praying for permanent injunction against acquisition proceedings in the Raniganj coalfields in West Bengal. The Coal Bearing Areas

(Acquisition and Development) Act provides for greater public control over the coal mining industry and its development through acquisition by the State of unworked land containing coal deposits. Till the end of March 1961, the Union Government had acquired about 14,500 acres of land for coal mining under the Act and had sanctioned compensation amounting to over Rs. 33 lakhs, of which Rs. 28.73 lakhs had been paid.

SUPPLY OF SPARES

Fifteen contracts have been concluded with U.S.S.R. for the supply of spares. The basis of the contracts were: The price of spare parts valued at Rs. 2.1 crores included in the original contract was at the notional average price per ton which was agreed to be paid for the main plant and equipment. (ii) In the case of non-proprietary articles such as Ball and Roller Bearings, competitive quotations were invited and the Soviet offer was found to be the cheapest. (iii) In other cases the prices were settled by mutual negotiations.

MANUFACTURE OF DRUGS

A company, Indian Drugs & Pharmaceuticals Limited, has been registered to implement the four drug plants to be set up with Soviet collaboration; four units being (i) Antibiotics Unit at Rishikesh; (ii) Synthetic Drugs Unit at Sanatnagar, Hyderabad; (iii) Surgical Instruments and Medical Appliances unit at Madras; and (iv) Phyto Chemical Unit at Neriyanamangalam in Kerala. Detailed project reports are expected shortly from Messrs Technoexport of Moscow, with whom the contracts have been placed.

PAPER MACHINERY

Licences under the Industries Act, have been issued to two parties for the manufacture of paper machinery in Calcutta and Ahmedabad respectively. It is proposed at present to issue licences to two more parties for the manufacture of paper machinery in Saidapet (Madras) and Poona respectively. The location of the units to which licences had earlier been given are: Jamshedpur (Bihar)—One unit; Dalmianagar (Bihar)—One unit; Calcutta (West Bengal)—Three units; Rourkela (Orissa)—One unit; Shahbad (Mysore)—One unit; Bombay (Maharashtra)—One unit; and Poona (Maharashtra)—One unit.

ORISSA MINING CORPORATION

The Orissa Mining Corporation Limited, a joint venture of the Central Government and the Government of Orissa was incorporated in 1956 for the purpose of raising, assembling and transporting iron ore and other minerals and also for organising transport facilities to and at Paradip port. The authorised capital of the Corporation is Rs. 50 lakhs and the paid-up capital is Rs. 15 lakhs.

Actual mining was started in Tungaisuni and Maharaipur mines in June-July, 1957. A third mine was started in January, 1960. The production of iron ore from these mines was 32,224 tons, 47,450 tons and 48,908 tons for the years 1957-58, 1958-59 and 1959-60 respectively. The Corporation has been granted further mining leases for iron ore and manganese in Bonal area and prospecting licences for iron ore, manganese and chromite. Chromite production is expected to commence in 1961-62. The minimum programme envisages a target of 8 lakh tons of iron ore, 25,000 tons of chromite and 20,000 tons of manganese by the end of Third Plan. The Corporation has secured from the State Trading Corporation a contract for 50,000 tons of iron ore on F.A.S., Calcutta basis for disposal of its Sakradibi ore.

INVESTMENT OF L.I.C. FUNDS

Finance Minister, Mr. Morarji Desai, set at rest any controversy over the decision by the Government of India on the Estimates Committee's recommendation that all investible funds of L.I.C. should be taken over by the Government. In a reply to the debate on the Finance Bill in the Lok Sabha, Mr. Desai pointed out that it was not a simple matter which could be disposed of easily. The present policy of investment, he declared, would

stand until a decision to the contrary was taken, after a thorough examination.

NEW PIPE LINES

A legislation is likely to cover the requirements of future pipe-lines in the country. It has been decided that in view of the proposed construction of product pipe-lines from Barauni to Calcutta and Barauni to Delhi in the foreseeable future, the legislation for acquiring right of way may be processed in consultation with the States of West Bengal, Bihar, Uttar Pradesh, and the Union territory of Delhi. Ministry of Railways have, it is gathered, agreed as a very special case, to the placing of Oil India's crude oil pipeline on the railway bridge over Brahmaputra.

MINING DISPUTE

The Government of India have, it is learnt, referred for adjudication to the Industrial Tribunal, Bombay, the dispute existing between the manganese mine owners in the States of Maharashtra and Madhya Pradesh and their workmen. The schedule in regard to the dispute reads: Whether the state of affairs in the manganese industry as a whole, excluding the Central Provinces Manganese Ore Company Limited, in the States of Maharashtra and Madhya Pradesh has substantially improved since the quarter ending December, 1959 and after signing of the agreement on December 14, 1959 between the Mineral Industry Association and the Rashtriya Mangane Khandan Prantik Kamgar Sangh? If there is substantial improvement, whether the concerned mine owners are in a position to pay bonus to the workers in their manganese mines and if so to what extent?

ASSISTANCE TO SUGAR FACTORIES

Owing to a substantial increase in production during the current sugar season, many of the sugar factories were faced with genuine difficulties by way of finding adequate financial resources to enable them to pay their dues to cane-growers and hold such large stocks over a period of months. In order to assist them to tide over this temporary difficulty, and only as a very special case, the Government of India have agreed to allow sugar factories to defer up to a maximum of three months, the payment of 25 per cent of the total excise duty including additional excise duty, payable on each consignment of sugar (other than Khandasari or Palmyra sugar) when it is cleared from the factory or other authorised non-duty-aid premises for storage. It is added that the grant of this extraordinary facility would be limited only to actual clearances made on or before September 30, 1961, and will not in any case be extended beyond that date.

WELFARE FACILITIES FOR MINERS

The tripartite Industrial Committee on mines other than coal, at a meeting held in Delhi and presided over by Mr. Gulzari Lal Nanda, Union Minister of Labour & Employment and Planning, approved a proposal to set up an Iron Ore Labour Welfare Fund, on the pattern of the Coal Mines Labour Welfare Fund. The Fund would be utilized for the benefit of the labour employed in the iron ore mining industry in regard to the improvement of housing, public health, sanitation, water supply and medical, educational and recreational facilities. The Fund would be created out of a cess to be levied on the iron ore production. It is estimated that Rs. 30 lakhs would be needed to provide for welfare measures on a satisfactory scale to about 41,000 workers engaged in this country.

Regarding the extension of Minimum Wages Act to employment in various non-coal mines, Mr. Nanda gave a directive that all formalities required in this connection should be completed expeditiously. A time limit, he pointed out, should be fixed for all the various stages necessary in applying the Act. It was agreed that a notice of 14 days should be given under the Code of Discipline before a strike or lockout was resorted to in the iron ore mines. Apart from this the report and recommendations of the Manganese Poisoning Enquiry Committee were adopted.

COMMODITY NEWS AND NOTES

BAISAKHI LAC CROP 1961

According to the preliminary estimates of the Baisakhi lac crop 1961 issued by the Indian Lac Cess Committee, a total quantity of 6,75,000 maunds is expected to be produced this year as compared to 8,95,000 maunds last year and a normal production based on the average of 10 years preceding 1960 of 7,36,000 maunds.

The crop is below average this year as due to a very small katki crop in 1960 there was shortage of brood at the time of infection. The prices of sticklac have also been low which has been discouraging to the cultivators.

The total production of 6,75,000 maunds is made up of Bihar 3,10,000 maunds, West Bengal 1,05,000 maunds, Madhya Pradesh 1,94,000 maunds and 66,000 maunds for other States.

Abstract General Preliminary Report on the Baisakhi Lac Crop for the year 1961, as compared with the finals for last two years along with the normal yield (average of final estimates of 10 years preceding 1960), State by State.

(All estimates are in maunds)

State	Preliminary 1961	Final 1960	Final 1959	Normal yield (average of final estimates for 10 years preceding 1960)
Bihar	3,10,000	4,32,000	3,34,000	3,31,000
Madhya Pradesh	1,94,000	2,80,000	2,04,000	3,16,000
West Bengal	1,05,000	1,12,000	66,000	1,33,000
Maharashtra	25,000	25,000	12,000	25,000
Uttar Pradesh	25,000	28,000	16,000	13,000
Orissa	4,000	4,000	4,000	3,000
Gujarat	4,000	5,000	4,000	6,000
Other Indian States	8,000	9,000	10,000	9,000
Total (Indian Union)	6,75,000	8,95,000	6,50,000	7,36,000

Remarks: The crop is late this year in Madhya Pradesh and is expected towards the end of May. If the prices remain at the current un-remunerative levels only part of the crop reported above may arrive. The estimates for 1960 are being revised.

EXPORT OF RAW WOOL

During 1960 exports of raw wool fell by 72 per cent to 30.6 million lbs. as compared with the 1959 exports of 42.1 million lbs. This was preceded by a 24 per cent rise during 1959 over the year 1958 when shipments totalled 34 million lbs. The 1960 figures are the lowest since 1955. This fall in exports has been due to the wide disparity between rates in Indian and in foreign markets. Exporters have been unwilling to follow the market down to the lower levels it has touched during the year, and so sales to the traditional markets (U.S.A. and U.K.) have dropped. Russian buying may have been an important factor.

This country took 7.8 million lbs. — 23 per cent more than in 1959. When it is expected that Russia, (buying wool with funds accumulated from a Rupee payment agreement) is likely to enter the market, sellers hold back for better prices.

Statistics of the internal consumption of indigenous wool are confusing. In spite of the shortage of imported wool, the organised mill sector apparently used slightly less in 1960 than in 1959. But reports from the major as well as the smaller outlying markets are that stocks are not accumulating. Where then is the surplus, it is asked.

BEARING THE LOSSES ON EXPORTS OF SUGAR

The Government would bear the losses sustained in the export of sugar, at least for the first year, if the sugar industry agreed to implement the wage board award to sugar factory workers, said the Food and Agriculture Minister, Mr. S. K. Patil, in the Lok Sabha, while replying to the debate on demands for grants for his Ministry. Hitherto the industry had borne these losses. Ruling out any immediate possibility of lifting controls on the sugar industry, the Minister said if all controls on sugar were lifted now, prices would collapse and the whole industry would "go to dogs." It would not be in the interests of cane-growers either, he added. Mr. Patel denied there was any crisis in the sugar industry. The difficulty in export, Mr. Patil said, was that the internal price of Rs. 700 a ton was about Rs. 300 higher than the international price. Mr. Patil said that subsidies asked to cover export losses should not be grudged because the sugar industry which was the "milk cow" has yielded in the last ten years excise of Rs. 250 crores to the Centre and Rs. 100 crores to the States.

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COMPANY AFFAIRS

BHARAT COMMERCE: A NEW LOOK

It may be recalled that Bharat Commerce and Industries Ltd. was facing a crisis in 1954 when there was a debit balance of more than Rs. 42 lakhs in the accounts of the Company. In the annual report of 1954, the Directors had mentioned that the shareholders were asked to decide whether the company should be taken into liquidation or the activities of the company be continued in some other spheres. It may now be recorded that the confidence reposed by the shareholders in the Directors and the then Managing Agents of the Company has been more than justified. In a span of seven years, the financial position of the Company has undergone a complete metamorphosis. Against a debit balance of over Rs. 42 lakhs in 1954, the Company now enjoys a sound financial position.

During the year to December 31, 1960, there was a trading profit of Rs. 36.10 lakhs. Apart from the current provisions, a sum of Rs. 9 lakhs has been provided on account of depreciation for the previous years. In view of the satisfactory results, the Directors have decided to pay dividend on both preference and equity shares. For preference shares dividend is for 1959 and 1960, at the rate of 9 per cent per annum subject to taxation. Dividend on equity shares is proposed to be paid at the rate of 50 nP. per share of Rs. 10 each.

There were 17,600 ring spindles and 8,864 doubling spindles installed in the mills at the end of 1959. During the year 1960, 2,640 ring spindles were added, thus bringing the installed capacity to 20,240 ring spindles and 8,864 doubling spindles at the end of 1960. As reported last year, the Directors had planned to raise the capacity of the plant to 30,000 ring spindles. Owing to delay in the delivery of machines, the expansion programme could not be implemented in time. The Directors now expect that the expansion would be completed by about the middle of the current year.

The Directors of the Company have added that they have been exploring the possibilities of expanding activities of the Company. A composite textile mill with 302 automatic looms and 15,000 spindles situated at Nanjungud near Mysore belonging to Kapila Textiles Mills Ltd., (in liquidation) was advertised for sale on February 18, 1961, under orders of the High Court of Mysore, Bangalore. The Company's bid for Rs. 22 lakhs being the highest was accepted by the Official Liquidator subject to the confirmation of the said High Court. Objections against the said sale have been filed by a party. The decision of the High Court is awaited. The Company has also received a licence for the manufacture of H.T. and L.T. Porcelain Insulators in the State of Rajasthan. Efforts are being made on the part of the Directors to acquire another Staple Fibre Spinning Unit for which negotiations are going on. A few other schemes are also engaging the attention of the Directors who are endeavouring to find some new avenues which may have reasonable chances of being profitable.

PREMIER FERTILIZERS

Among the new industries licenced by the Government of India, Messrs. Premier Fertilisers (Managing Agents: Emcete & Sons Private Limited, Madras) have been licenced to manufacture 16,500 tons of sulphuric acid and 40,000 tons of superphosphate per annum. The Company has taken steps towards implementing their project at an early date. The formal inauguration of civil works at their newly acquired site at Cuddalore O.T. was performed recently by their Chairman, Shri M. Ct. Muthiah. Contracts for the civil works have been finalised and actual construction work is being taken up and is expected to be completed in six months. The foreign contents of the plant and machinery are likely to be shipped between April and

August, 1961. According to present indications the factory is expected to go into production by the end of this year.

ESCORTS LIMITED: PLANS FOR EXPANSION

The Board of Directors of Escorts Limited New Delhi, in their meeting held recently have recommended a gross dividend of 16 per cent to the shareholders. The shareholders under Section 15C would enjoy the benefit of tax-free dividend up to the extent of about 25 per cent of the dividend. The total profits of the Company for the year ended December 31, 1960, are Rs. 24.28 lakhs. The Board of Directors have recommended Rs. 3.05 lakhs as Development Rebate Reserve and Rs. 2.70 lakhs as General Reserve (Rs. 1.90 lakhs in 1959).

Escorts Limited, it is reported, are putting up a factory for the manufacture of motor-cycles and scooters, for which the Company has obtained an Industrial Licence and 23 acres of land in Faridabad (near Delhi). The Company has negotiated the purchase of plant and machinery under long deferred terms of payment to the extent of Rs. 1 crore. All payments for these projects are payable in rupees and no foreign exchange is involved. The Company has further decided to increase the production capacity of Pistons from 300,000 to 500,000 per year. Similarly, the subsidiary companies viz. Goetze (India) Private Ltd. and Sharpedge Private Ltd. have planned to expand their production.

The Company has made satisfactory progress in setting up the factory for X-Ray equipment under Westinghouse Licence and expect to be in production before the end of the year. Pistons manufacture has progressed according to plan.

The Directors also added that the Company has been given Industrial and Import Licences for manufacture of Railway Shock Absorbers and Heating Elements. To meet the capital requirements for all the new projects the Board of Directors have decided, subject to the permission of the Controller of Capital Issues, to issue new Rights shares on the basis of 1 for 1 Equity share at a premium of Rs. 3 per share. Similarly, the Directors have also decided to issue 9 per cent Preference shares to the extent of Rs. 8 lakhs; most of which are expected to be allotted to the foreign collaborators against technical 'know-how' and supply of plan and machinery.

THE STANDARD MILLS CO., LTD.

Registered Office:
"Mafatlal House", Backbay Reclamation,
BOMBAY-1.

NOTICE

NOTICE is hereby given that the Sixty-Sixth Annual General Meeting of the Shareholders of THE STANDARD MILLS COMPANY, LIMITED, will be held at the Registered Office of the Company at Mafatlal House, Back Bay Reclamation, Bombay, on Tuesday, the 16th day of May, 1961 at 4-00 P.M. (S.T.) to transact the business as specified in the Notice dated 31st March, 1961 already posted to the Shareholders of the Company individually.

By Order of the Board of Directors,
FOR THE STANDARD MILLS CO., LTD.
MAFATLAL GAGALBHAI & SONS,
BOMBAY, Managing Agents,
31st March, 1961.

N.B.: A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF, AND A PROXY NEED NOT BE A MEMBER.

Managing Director's Speech

THE DUNLOP RUBBER CO. (INDIA) LTD.

MR. JOHN LUCKHAM'S REVIEW

The 35th Annual General Meeting of The Dunlop Rubber Co. (India) Ltd., was held in Calcutta on 27th April, 1961. Mr John Luckham, Managing Director, said:—

Gentlemen,

The Directors' Report and Accounts have been in your hands for some time, and with your permission I will take them as read.

THE YEAR'S TRADING:

Our Ambattur plant reached full production during the year and even with higher output from Sahaganj, we were still unable to meet the demand for our products. With the increasing demands of Government, vehicle manufacturers and transport operators, a difficult situation arose in the Replacement market for truck and bus tyres. In consultation with the Government of India we took a leading part in moves by the Tyre Industry to encourage the formation of Tyre Dealers' Associations to ensure equitable distribution of the sizes in short supply at list prices, and I am glad to say that the majority of these Associations have functioned efficiently and to the satisfaction of both Government and truck operators. The manner in which this task was carried out reflects great credit on both tyre dealers and consumers.

Our tyres continued to find ready acceptance with consumers and we were able to make increased supplies of our Highway truck and bus tyres, which proved extremely popular. Our car tyre remains the first choice of the discriminating motorist.

There was a further increase in bicycle production during 1960 and it became difficult to meet all the demands made on us for cycle tyres and rims. However, I am glad to say that we were able to step up our exports of cycle tyres to South East Asian markets and thus make a contribution to Government's export drive.

Sales of Industrial Rubber Products increased partly as a result of additional output from the Vee Belt expansion, mentioned in my speech last year. The equipment for an expansion of Conveyor Belting manufacture has been installed and trial production is in progress. With the increasing demand for this product during the Third Five-Year Plan, we are confident of utilising this capacity in full.

Dunlopillo sales showed a further gain but despite the substantially higher output achieved through increased productivity, we were still unable to meet the demand. The requirements of the car manufacturers show an upward trend and the fulfilment of the targets of the Third Five-Year Plan for vehicle production will necessitate an increase in our manufacturing capacity.

EXPANSION PLANS

You will see from the above that there is still a big demand for many of the Company's products which cannot be met, and the Directors have in hand a further major expansion of the Company's business, particularly in respect of our factory at Ambattur. This will require a substantial amount of foreign exchange and in order to arrange this a short visit to the U.K. was recently undertaken by myself and your Finance Director. I am pleased to say that, subject to Government approval, we are able to report that Dunlop Rubber Company Limited, London, are prepared to put the necessary sterling at our disposal initially in the form of a loan to be converted to equity capital at a later date. Negotiations and discussions with Government are now in

progress but the Directors are not yet in a position to put forward their recommendations regarding capital reorganisation.

RAW MATERIALS:

The consumption of natural rubber in India has been rising at a faster rate than production, and we are therefore increasingly dependent on imports. However, there are signs that long-term steps are being taken to improve production. Moreover the opening of the Government sponsored synthetic rubber factory in 1962 and the development of plans to produce locally other important raw materials such as rayon, rim strip, carbon black and certain rubber chemicals will greatly reduce the industry's import requirements, and so save foreign exchange.

FINANCE BILL, 1961:

The recent Budget proposals did not change the rate of Company taxation but they did enhance the amount of tax payable by companies through reducing the allowance in respect of Development Rebate from 25 per cent to 20 per cent. However, the increase in certain customs duties will have an adverse effect on costs whilst the relief in respect of excise duty on cycle rims will not benefit our Company. The introduction of a slab system for charging excise on cycle rims on the same principle as cycle tyres, would have been more equitable.

The reduction of the tax on bonus issues from 30 per cent to 12½ per cent is a step in the right direction but we are of the opinion that this tax should not be applied to Reserves created on account of Share Premiums.

PROFIT AND LOSS ACCOUNT:

The profit for the year after providing for depreciation, interest and taxation was Rs. 1,24,56,228 compared with Rs. 1,18,04,533 for 1959. As you will have seen from the Directors' Report, the profit after tax as a percentage to sales declined from 4.56 per cent last year to 4.08 per cent. This was almost entirely due to the high cost during 1960 of imported natural rubber, which we were not able to recover fully in our selling prices.

Excise duty is almost Rs. 1,72,00,000 higher than 1959 due to the higher volume of sales on the one hand, and the new levy of excise duty on cycle rims which was effective from 1st March, 1960, which accounted for approximately Rs. 59,00,000 of the increase. It is relevant at this stage to mention that the high excise duties leviable on our products absorb a considerable amount of working capital which earns nothing for the Company. This is a matter which is constantly under consideration by your Directors, and was represented to the Reorganisation Committee for Central Excise Duty when they visited Sahaganj recently.

The Tyre industry has borne a major burden of excise duty for many years and now the net has spread from the finished article to include certain raw materials, and has also been imposed on certain process materials inside the factories. The administrative difficulties and additional work which these latter extensions involve are considerable.

The amount of Bank Overdraft Interest this year has also substantially increased due to the higher working capital requirements arising from our increased trading activities and the increase in the rate of interest from 5½ per cent to 6 per cent from 1st October, 1960.

As you will have already observed, a sum of Rs. 17,00,000 has been transferred to Development Rebate Reserve and a sum of Rs. 37,50,000 is appropriated to General Reserve.

The Directors are recommending an ordinary dividend for 1960 at the rate of 21.5% subject to tax, which is the same rate as last year.

BALANCE SHEET:

The net increase in Fixed Assets during the year was approximately Rs. 22,00,000, principally on account of Plant and Machinery. Stock Inventories increased by Rs. 84,00,000 on account of the higher level of output and sales, coupled with the increased cost of raw material previously mentioned.

Investments have risen by approximately Rs. 2,00,000 due to increased deposits with the Madras Electricity System and the Railways.

Sundry Debtors have increased in line with the larger volume of sales, as have also the current balances with the Customs, Railways and other authorities.

On the liabilities side, the larger borrowings through bank overdrafts, usance promissory notes and acceptances have been necessary to finance the larger working capital required for the greater volume of output from both our factories.

INDIANISATION AND MANAGEMENT TRAINING:

In pursuance of our policy of progressive Indianisation of the Management cadre we continue to pay special attention to training which we regard as being of vital importance. Our staff must be kept fully conversant with the latest techniques and methods of manufacture and with future technical and production developments in the Dunlop Group. We are fortunate in being able to send selected personnel to our associated factories in the United Kingdom, Germany and France, and in recent months eleven senior employees from our factories have been overseas for this purpose. It is hoped that foreign exchange restrictions will not prevent us from continuing this policy.

There are also growing facilities for normal management training within this country and in particular I would like to express our appreciation for the good work which has been done by the Administrative Staff College at Hyderabad. We are taking full advantage of the opportunities which that institution offers and several of our Managers have already completed a course there.

EMPLOYEE RELATIONS:

Last year I mentioned in my review the labour unrest early in 1960 at the Sahaganj Factory. Since then I can report that labour relations there have been satisfactory. Established negotiating procedures have been followed, go-slow tactics have been discontinued, and discussions between Management and workers have been fruitful, particularly in respect of increased productivity, with greater reward to our workers. I am hopeful that our relationships with our employees in both factories will continue to be good, and that our future problems can be satisfactorily solved in the constitutional framework that exists.

We have worked towards building up a team spirit throughout our factory organisations, which will stand us in good stead in the future. Working and living conditions for our employees are regularly considered, and improvements have been made in welfare facilities and factory working conditions.

I believe there is a growing realisation that the Company's achievements are attributable to everyone concerned — shareholders, management and employees, whether in the factory or the office. All are inter-

dependent and the success and welfare of the Company relies on the contribution each one makes.

I am sure that you will wish to join the Directors in extending their sincere thanks to all who have continued to give staunch and loyal service.

NOTE: THIS DOES NOT PURPORT TO BE A RECORD OF THE PROCEEDINGS OF THE ANNUAL GENERAL MEETING.

A CORRECTION

THE MYSORE SUGAR COMPANY LTD., BANGALORE

The following two paragraphs 'A' and 'B' be read respectively before and after the Chairman's Speech published in the issue dated April 7.

'A'

Speech of the Chairman, Sri V. Venugopal Naidu at the 27th Annual General Meeting.

The Twenty-seventh Annual General Meeting of the Mysore Sugar Company Ltd., was held at the Registered Office of the Company at Bangalore on Thursday the 30th March, 1961, under the Chairmanship of Sri M. Mallaraj Urs — in the absence of Sri V. Venugopal Naidu, Chairman and Managing Director, who is on foreign tour. Moving the adoption of the Report and the Accounts, the Chairman made the following speech at the meeting:

(Speech published in the issue dated April 7.)

'B'

The Report and the Accounts for the year 1959-60 were adopted and a dividend of 30% subject to deduction of tax was approved. Sriyuts T. Shamanna and Dharmaprakasha L. S. Venkaji Rao, were elected as Directors in place of the two retiring Directors.

With a vote of thanks to the Chair, the meeting terminated.

BANGALORE,
Dated 31st March, 1961

T. HANUMIAH,
Secretary.

Note: This does not purport to be a report of the proceedings of the General Meeting.

THE SASSOON SPINNING & WEAVING COMPANY, LIMITED

Registered Office:
"Mafatlal House", Backbay Reclamation,
BOMBAY-1.

NOTICE

NOTICE is hereby given that the Eighty Eighth Annual General Meeting of the Shareholders of THE SASSOON SPINNING & WEAVING CO. LTD., will be held at the Registered Office of the Company at Mafatlal House, Back Bay Reclamation, Bombay, on Monday, the 15th day of May, 1961 at 4-45 P.M. (S.T.) to transact the business as specified in the Notice dated 31st March, 1961, already posted to the shareholders of the Company individually.

By Order of the Board of Directors,
For M. G. Investment Corporation Private Limited,
ARVIND N. MAFATLAL,
Director,
Managing Agents.

BOMBAY,
31st March, 1961.

N.B.: A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF, AND A PROXY NEED NOT BE A MEMBER.

Company Meeting

JESSOP AND COMPANY LTD.

CHAIRMAN, SIR B. P. SINGH ROY'S ADDRESS TO THE SHAREHOLDERS AT THE 29TH ANNUAL GENERAL MEETING

Gentlemen,

It is with pleasure that I welcome you today at the Twenty-Ninth Annual General Meeting of your Company. For want of suitable and comfortable accommodation in your Head Office, it was decided to hold the Meeting in the Room of the Bengal Chamber of Commerce. I hope this meets with your approval.

As it will appear from the Board of Management's Report, the year ended 31-10-1960 was not free from difficulties. The early part of the year was badly affected by shortages of steel. Things are no doubt better now but we have a long leeway to make things really satisfactory. Though the availability of steel has improved, we find ourselves hampered by shortage of transport facilities both in bringing materials to our Works and in removing finished products. The shortage of foreign exchange also affects us as many other concerns.

A factor which affected the working of the year under review was the prolonged delay in establishing manufacture of the new BOX wagon which replaced the old four-wheel covered goods wagon which was one of our chief lines of production. Because of the shortage of certain components, which the Railways had contracted to supply, the outturn of these wagons in the year ended 31-10-1960 was only 145, representing sales value of about Rs. 61 lakhs. At such a rate of output production was uneconomical. It should be realised that these wagons replace an older type of which we had thirty years manufacturing experience so that production ran at over 2,500 a year, or about Rs. 300 lakhs. The effect on the working of the Company is therefore obvious. The position has since improved, and is still improving, but it has a long way to go before the old level can be reached.

Another factor affecting the year's working was the contract for Electric Multiple Unit coaches. This was an entirely new venture and like all new ventures, relatively unremunerative in its early stages when all the teething troubles must be overcome. With the rapid industrialisation of the country, a company like yours is expected to make its contribution to the development of our industries and in that connection the undertaking of new lines of manufacture by this company is not only desirable but essential.

We expect to complete delivery of the 18 Electric Multiple Units (3 coach) for Bombay in June, 1961. After some considerable delay we were given in June, 1960 a further order for 21 E.M. Units (3 coach) with two spare Motor coaches and 35 Special Trailers for Bombay. I regret to state that the import licence for the special electrical and mechanical equipment required has not yet been issued in spite of sustained efforts on our part. Until the import licence has been received it is not possible for us to place order for the equipment abroad and this means that there will be a gap in production of E.M.U. coaches of approximately 7 to 9 months. Apart from the dislocation this must inevitably cause in our Works due to break in continuity of manufacture, this short fall in E.M.U. production is even more regrettable at this time when there is a pressing demand for such coaches.

In order to fill the gap in production the Coach Works will take up the manufacture of Broad Gauge Motor and Parcels vans and Broad Gauge Well wagons. The expansion to the Coach Works which I mentioned in my address last year, is now nearing completion.

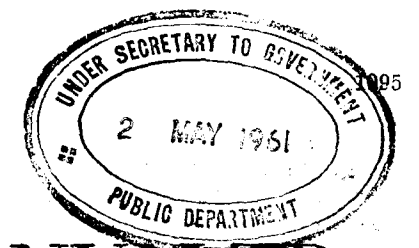
Much of the essential plant for the new Bogie Works, which has been set up to manufacture the all-welded bogie for the Box wagons, has now arrived and is being installed. Although further plant has yet to be received, we are now transferring manufacture of the BOX bogies to this Works and this should ease the load on the Structural Works where this work is at present carried out.

The demand for our diesel road rollers continues unabated and we are making strenuous efforts to raise production beyond the target of 200 rollers per annum. With this end in view we are setting up a new works on our own land in Dum Dum, which will specialise on the manufacture of road rollers and allied equipment. Apart from freeing capacity in the existing Structural and Mechanical Works where our road rollers are at present built, the new Works will be better equipped to meet the growing demand which will rise further with the tremendous increase in road building in the Third Five-Year Plan.

We have now finalised arrangements with our collaborators, Messrs. Aveling-Barford Ltd., England, to manufacture the transmission for our road rollers and the necessary amendment to our manufacturing licence has already been obtained from the Government of India. All the special purpose plants have been ordered from abroad and when these are finally received towards the end of the year, we shall be able to take up the production of the transmission and will then have achieved almost 100 per cent indigenous content as the engine is now made in Madras.

We are experiencing the greatest difficulty in recruiting skilled craftsmen for our Works. The shortage of skilled workmen is a factor which must retard expansion of the Engineering industry unless immediate steps are taken to train our young men along the right lines to meet the growing demand. This matter has been given the fullest consideration by your Board and it has been decided to extend the present Apprentice Training Scheme by setting up a Training School on land we have in Dum Dum.

You will have seen from the published accounts and the Board of Management's report that the Works' output during the year under review was Rs. 906 lakhs as compared to Rs. 648 lakhs during the previous year. This represents an increase of 40 per cent which, I hope you will agree, is a remarkable achievement in the course of one year. Owing to the still uncertain supply position of matching steel and of components, particularly those which have to be imported, it is rather hazardous to make a forecast of output during the current year 1960-61, but the trend of production in the first few months indicate that the year's output will probably increase by about 30 per cent over that of 1959-60. Our order book is excellent and the demand for our products continues to be good.



As you will have read in the daily press, there is an acute shortage of electric power prevailing at present and should the position deteriorate any further, severe cut in the supply to our Works may be imposed with most serious results. Your Board is watching the position anxiously.

Since my address was printed there has been further deterioration in the supply of electric power due to the closing down of the Cossipore Generating Station. We have now been advised by the Calcutta Electric Supply Corporation that from the 17th April, 1961, they have arranged to let us have our maximum power demand between the hours of 8-30 a.m. and 5-30 p.m. but no industrial power will be made available to us outside this period. This means that those sections of your Works which operated on both day and night shifts will be restricted to working on a single shift only. This will necessitate the laying off of several hundred workmen while output will be seriously affected.

I understand that while the immediate power crisis is likely to be relieved by the 8th May, 1961, no real improvement can be expected for a further 6/8 weeks.

I hope that no efforts would be spared to remedy this serious situation which would affect production not only of your Company but industrial output in general in this region.

As you must have noticed, the company's financial position has improved considerably in the last two years, but the continued rise in production and the need for expansion and rehabilitation are creating ever-increasing demand for additional finance. If, in addition, any important new line is taken up, demand for capital will be still greater. Your Board has, so far, avoided raising further share capital, which understandably would place additional burden on you, but I am afraid this cannot be postponed indefinitely. We have recently had the limit of our borrowing from bank increased by Rs. 50 lakhs. Our securities may be adequate for getting some more accommodation from the bank and we may succeed in doing so but this will be too inadequate for our needs. Moreover, it is not only desirable but essential to maintain a

proper balance between share capital and our borrowing.

In the Board of Management's Report the circumstances leading to the decision to buy over Jessops — Calcutta Ltd., London, and to convert it into a wholly-owned subsidiary of your company have been fully explained. The London company has become a wholly-owned subsidiary with effect from 27-3-1961. I need only mention here that the purchase of that company has been effected on very favourable and satisfactory terms.

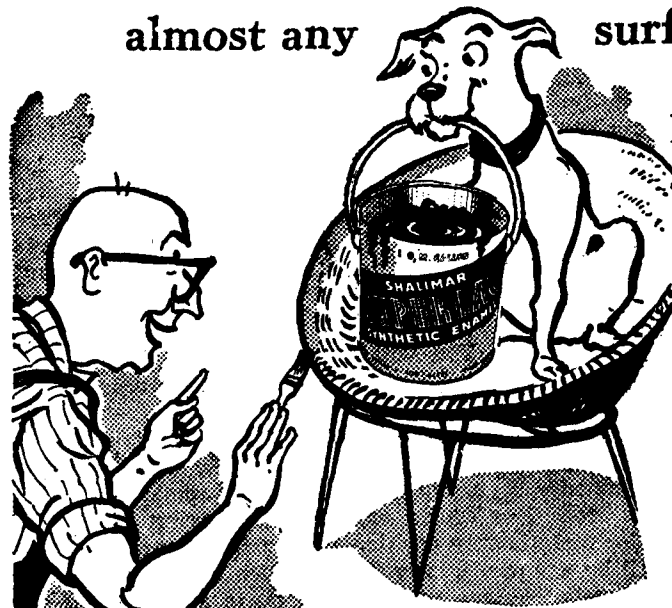
The enactment of a law towards the close of 1960 regulating the payment of dividend on Preference shares has since set at rest the unfortunate controversy in this regard created by the Finance Act of the same year, although the solution is not wholly satisfactory from the point of view of the shareholders affected. For the financial year 1958-59 they received a gross dividend of 7.41% and a net dividend of 5% after deduction of income tax, whereas from 1959-60 onwards these figures will be 6.50% and 4.55% respectively.

Gentlemen, I would like to make mention of the most valuable asset your company possesses. I refer to the team of Staff and Workmen built up over the years and whose loyalty and hard work have enabled your company to prosper and grow to its present size inspite of some serious difficulties it had to face in recent past due to reasons well known to you. I am sure you would wish me to express our sincere thanks to all those in the company's employ who have contributed to the excellent results shown in the accounts before you. We are now about to complete the preliminary work necessary for the introduction of the incentive system at our Works, to which I referred in my address last year. As I then explained, this requires the most careful consideration as we handle a wide range of products.

Finally, I cannot close without referring to the retirement at the end of March this year of Mr. S. S. H. Sitwell, a Member of the Board. Mr. Sitwell has been in the company's employ for over 32 years and we will greatly miss his wide experience and guidance.

This does not purport to be a record of the Proceedings of the Annual General Meeting.

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Calcutta • Bombay • Madras • New Delhi • Kanpur.
(Exporters to Burma & Ceylon)

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Food articles & Tobacco	Liquor & Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures			All Commo- dities
					Inter- mediate Products	Finished Products	Total	
1953-54	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1955-56	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1
1960-61	120.0	110.0	119.6	145.4	130.5	122.8	123.9	124.8
January 1960	117.5	100.9	116.8	130.9	121.6	115.1	116.0	118.8
February	118.0	96.0	117.3	131.6	120.5	115.6	116.3	119.5
March	117.0	96.4	117.8	131.9	121.3	116.1	116.6	118.9
January 1961	116.4	111.2	120.0	154.7	133.9	126.5	127.5	125.6
February	116.3	111.2	119.8	159.4	134.2	128.4	129.2	126.7
March	117.6	114.2	121.3	159.1	137.2	128.1	129.4	127.5
4-3-1961	117.2	112.8	121.1	159.2	136.1	128.0	129.1	127.2
11-3-1961	116.8	114.2	120.3	159.1	137.2	128.5	129.8	127.2
18-3-1961	116.8	115.1	121.5	159.6	138.5	128.5	129.9	127.3
25-3-1961	118.2	114.6	121.3	158.5	136.8	127.4	128.7	127.5
1-4-1961	118.2	113.5	120.8	155.5	136.0	126.0	127.4	126.6

*Revised.

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

Period	Bombay		Delhi	Calcutta	Kanpur	Nagpur	Jubbulpur	Madras June 1936=100	Ludhiana	Jamshedpur	All India
	Bombay	Bombay June 1934=100 Ahmedabad July 1927=100									
1939 (Aug.-Dec.)	103	—	—	—	105	104	—	106	—	—	—
1954	342	359	244	138	327	408	373	341	148	140	138
1955	322	338	217	130	321	371	364	321	134	135	132
1956	336	352	244	142	347	424	397	358	152	146	145
1957	352	368	259	150	364	448	422	374	157	157	152
1958	376	394	274	150	384	468	447	401	157	169	161
1959	393	412	308	158	384	469	498	429	166	173*	168
1960	401*	420*	296	158*	397*	476*	512*	462*	167	166	171*
June	403	422	297	154	399	460	510	462	167	164*	171
July	404	423	302	160	406	484*	515	467	169	164*	174
August	402	421	304	160	410	484*	515	470	169	168*	174
September	399	418	302	161	403	489	520	472	167	168*	173
October	402	421	304	162	396	488	517	477	171	164*	173
November	404	423	300	159	392	489	509	484*	171	168*	171
December	400	419	297	160	385	478*	507	488*	169	167*	171*
1961 January	400	419	296	161	385	480	—	470*	171	166*	170*
February	—	—	—	163	—	487	—	474*	172	164*	170*
March	—	—	—	164	—	483	—	479*	—	—	—

†Base 1944=100. *Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT) WEEK ENDED

	21-4-1961			14-4-1961			7-4-1961			31-3-1961		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	121.35	118.95	120.10	121.85	119.10	120.83	120.30	117.65	119.30	121.15	118.85	119.66
Silver (per kilogram)	203.50	200.50	201.92	204.25	200.95	202.75	203.65	198.85	201.68	202.95	200.60	201.55

RESERVE BANK OF INDIA
ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES					ASSETS				
	Notes in Circulation	Notes Held in Bank- ing Dept.	Total Notes Issued (a)	Gold Coin & Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percent- age of (a)	Rupee Coin	Rupee Securities	Total Assets
1955-56*	1,339,39	17,08	1,356,47	40,02	656,52	696,53	51.35	106,87	533,06	1,356,47
1956-57*	1,475,77	18,75	1,494,52	40,02	545,61	585,63	39.95	115,93	755,22	1,494,52
				(117,76)		(663,37)	(44.37)			
1957-58*	1,529,36	23,18	1,552,53	117,76	329,65	447,41	28.79	1,30,06	975,06	1,552,53
1958-59*	1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
1959-60*	1,730,90	19,86	1,750,77	117,76	167,62	285,38	16.30	131,50	1,333,83	1,750,77
Average of Fridays										
Jan. 1960	1,766,07	14,42	1,780,49	117,76	163,01	280,77	15.77	130,31	1,369,41	1,780,49
Feb. 1960	1,803,57	18,74	1,822,31	117,76	163,01	280,77	15.41	126,73	1,414,81	1,822,31
March 1960	1,836,41	16,63	1,853,04	117,76	163,01	280,77	15.15	124,00	1,448,28	1,853,04
Jan. 1961	1,911,58	16,83	1,928,41	117,76	128,01	245,77	12.75	124,35	1,558,29	1,928,41
Feb. "	1,936,01	18,78	1,954,79	117,76	128,01	245,77	12.58	121,75	1,587,28	1,954,79
March "	1,970,51	14,91	1,985,42	117,76	127,01	244,77	12.33	119,42	1,621,24	1,985,42
Week-Ending										
17-3-1961	1,971,97	19,89	1,991,85	117,76	128,01	245,77	12.33	118,87	1,627,22	1,991,85
24-3-1961	1,968,70	24,09	1,992,79	117,76	128,01	245,77	12.33	119,81	1,627,22	1,992,79
31-3-1961	1,984,74	7,84	1,992,59	117,76	123,01	240,77	12.08	119,62	1,632,20	1,992,59
7-4-1961	2,039,91	9,88	2,049,79	117,76	123,01	240,77	11.75	121,82	1,687,20	2,049,79

BANKING DEPARTMENT

(Rs. Lakhs)

Period	Deposits					Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad†	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Gov- ernment	Other Gov- ernments	Banks	Others	Total									
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
1955-56*	60,11	19,85	53,77	18,31	152,04	35,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
1956-57*	57,52	14,10	52,46	19,73	143,81	91,21	245,02	18,91	5,69	64,77	4,89	85,34	51,82	13,60
1957-58*	54,61	11,28	81,00	111,38	258,27	84,36	407,63	23,30	4,81	40,47	32,90	77,91	213,92	14,32
1958-59*	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,18	25,57	28,23	65,83	284,49	11,73
1959-60*	55,50	23,24	79,61	123,48	281,83	83,18	450,01	19,94	15,54	28,97	25,53	88,92	258,90	12,22
Avr. of Fridays														
Jan. 1960	54,26	23,94	81,52	120,76	280,49	86,67	452,16	14,48	39,44	46,55	21,53	106,74	210,48	12,93
Feb. 1960	54,68	25,82	75,76	107,57	263,83	92,51	441,34	18,82	19,84	41,08	23,97	123,39	200,73	13,52
March 1960	54,19	41,86	83,07	96,73	275,86	110,21	471,06	16,71	18,36	33,02	25,06	143,45	220,44	14,03
Jan. 1961	53,48	19,71	79,56	93,82	246,57	110,37	441,93	16,91	57,41	19,54	41,17	145,24	144,11	17,55
Feb. "	61,59	20,90	72,74	91,55	246,78	112,68	446,95	18,87	51,64	26,19	37,71	152,41	142,06	18,07
March "	61,08	20,34	72,56	91,25	246,03	125,10	456,13	15,00	33,81	26,22	44,51	168,25	148,97	19,38
Week-Ending														
10-3-1961	55,42	6,27	73,87	88,95	224,51	115,40	424,90	11,48	37,75	30,84	48,71	158,24	118,71	19,17
17-3-1961	72,70	18,12	71,76	90,10	252,67	123,19	460,86	19,97	38,73	32,19	51,00	168,81	130,72	19,45
24-3-1961	53,37	33,63	74,47	98,51	259,98	129,86	474,84	24,18	30,04	25,54	42,18	173,17	160,34	19,39
31-3-1961	76,46	28,99	70,85	87,96	264,25	136,39	485,64	7,94	39,17	13,24	39,02	195,50	180,95	19,82
7-4-1961	54,56	8,31	70,60	89,42	222,89	131,58	439,47	9,97	55,55	11,31	70,69	146,78	125,21	19,96

* Average of Fridays. ** Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. † Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. ‡ Includes cash and short-term securities.

INDIAN UNION

NET NATIONAL OUTPUT AT 1948-49 PRICES

(Rs. Billion)

Period	Agriculture, animal hus- bandry and ancillary activities (a)	Mining, ma- nufacturing and small enterprises (b)	Commerce, transport and com munications (c)	Other Services (d)	Net domes- tic product at factor cost (e)	Net-earn ed income from abroad (f)	National Income (g)
1948-49	42.5	14.8	16.0	13.4	86.7	-0.2	85.5
1949-50	43.6	14.6	16.4	13.8	88.4	-0.2	88.2
1950-51	43.4	14.8	16.6	13.9	88.7	-0.2	88.5
1951-52	44.4	15.2	17.3	14.3	91.2	-0.2	91.0
1952-53	46.0	15.8	17.9	15.0	94.7	-0.1	94.6
1953-54	49.8	16.5	18.3	15.7	100.3	0.0	100.3
1954-55	50.3	17.0	19.1	16.4	102.8	0.0	102.8
1955-56	50.2	17.6	19.7	17.3	104.8	0.0	104.8
1956-57	52.5	18.4	20.8	18.2	109.9	0.1	110.0
1957-58	50.1	18.6	21.1	19.2	109.0	-0.1	108.9
1958-59	55.6	18.8	21.9	20.4	116.7	-0.2	116.5
1959-60*	54.0	19.7	22.5	21.6	117.8	-0.2	117.6

NET NATIONAL OUTPUT AT 1948-49 PRICES

(Percentage Distribution)

Period	Agriculture, animal hus- bandry and ancillary activities (a)	Mining, ma- nufacturing and small enterprises (b)	Commerce, transport and com munications (c)	Other Services (d)	Net domes- tic product at factor cost (e)	Net-earn ed income from abroad (f)	National Income (g)
1948-49	49.1	17.1	18.5	15.5	100.2	-0.2	100.0
1949-50	49.4	16.6	18.6	15.6	100.2	-0.2	100.0
1950-51	49.0	16.7	18.8	15.7	100.2	-0.2	100.0
1951-52	48.8	16.7	19.0	15.7	100.2	-0.2	100.0
1952-53	48.6	16.7	18.9	15.9	100.1	-0.1	100.0
1953-54	49.7	16.4	18.2	15.7	100.0	0.0	100.0
1954-55	48.9	16.5	18.6	16.0	100.0	0.0	100.0
1955-56	47.9	16.8	18.8	16.5	100.0	0.0	100.0
1956-57	47.7	16.7	18.9	16.6	99.9	0.1	100.0
1957-58	46.0	17.1	19.4	17.6	100.1	-0.1	100.0
1958-59	47.7	16.2	18.8	17.5	100.2	-0.2	100.0
1959-60*	45.9	16.8	19.1	18.4	100.2	-0.2	100.0

NATIONAL INCOME AND PER CAPITA INCOME

Year	National Income		Per Capita Income			
	At current Prices	At 1948-49 Prices	At Current Prices	At 1948-49 Prices	At Current Prices	At 1948-49 Prices
	(Rs. Billion)		(Rs.)		(Rs.)	
1951-52	99.7	91.0	274.0	250.1	274.2	250.3
1952-53	98.2	94.6	266.4	256.6	265.4	255.7
1953-54	104.8	100.3	280.7	268.7	278.1	266.2
1954-55	96.1	102.8	254.2	271.9	250.3	267.8
1955-56	99.8	104.8	260.6	273.6	255.0	267.8
1956-57	113.1	110.0	291.5	283.5	283.4	275.6
1957-58	113.9	108.9	289.8	277.1	279.6	267.4
1958-59	126.0	116.5	316.5	292.6	303.0	280.2
1959-60*	128.4	117.6	318.4	291.6	302.3	276.9

* Preliminary.

(a) Including forestry and fishery, (b) Comprising professions and liberal arts, Government services (ad- ministration), domestic service and house property.

1 Billion = 1,000,000,000

INDIAN UNION

NET NATIONAL OUTPUT AT CURRENT PRICES

(Rs. Billion)

Period	Agriculture, animal husbandry and ancillary activities(a)	Mining, Manufacturing and small enterprises	Commerce, transport and communications	Other Services (b)	Net domestic product at factor cost	Net earned income from abroad	National Income
1948-49	42.5	14.8	16.0	13.4	86.7	-0.2	86.5
1949-50	44.9	15.0	16.6	13.8	90.3	-0.2	90.1
1950-51	48.9	15.3	16.9	14.4	95.5	-0.2	95.3
1951-52	50.2	16.8	17.9	15.0	99.9	-0.2	99.7
1952-53	48.1	17.0	17.8	15.4	98.3	-0.1	98.2
1953-54	53.1	17.7	18.0	16.0	104.8	0.0	104.8
1954-55	43.5	18.0	18.1	16.5	96.1	0.0	96.1
1955-56	45.2	18.5	18.8	17.3	99.8	0.0	99.8
1956-57	55.2	20.0	19.6	18.2	113.0	0.1	113.1
1957-58	52.8	21.2	20.7	19.3	114.0	-0.1	113.9
1958-59	62.4	21.7	21.5	20.6	126.2	-0.2	126.0
1959-60*	61.8	23.0	21.8	22.0	128.6	-0.2	128.4

(a) Including forestry and fishery.

(b) Comprising professions and liberal arts, Govt. services (administration), domestic service and house property.

* Preliminary.

NATIONAL INCOME AND PER CAPITA INCOME

Index Numbers

(Base: 1951-52 = 100)

Year	National Income		Per Capita Income			
			Based on 1941 and 51 population census figures		Based on 1941, 51, and 61 population census figures	
	At current prices	At 1948-49 prices	At current prices	At 1948-49 prices	At current prices	At 1948-49 prices
1951-52	100.0	100.0	100.0	100.0	100.0	100.0
1952-53	98.5	104.0	97.2	102.6	96.8	102.2
1953-54	105.1	110.2	102.4	107.4	101.4	106.4
1954-55	96.4	113.0	92.8	108.7	91.3	107.0
1955-56	100.1	115.2	95.1	109.4	93.0	107.0
1956-57	113.4	120.9	106.4	113.4	103.4	110.1
1957-58	114.2	119.7	105.8	110.8	102.0	106.8
1958-59	126.4	128.0	115.5	117.0	110.5	111.9
1959-60*	128.8	129.2	116.2	116.6	110.2	110.6

SHARE OF PRIVATE AND PUBLIC* SECTORS IN NET DOMESTIC PRODUCT

(Percentages)

(Rs. Billion)

Period	Net Output of				Net Output of			
	Government Enterprises		Private Net domestic Product		Government Enterprises		Private Net domestic Product	
	Government Enterprises	Government Administration	Private Net domestic Product	Net domestic Product	Government Enterprises	Government Administration	Private Net domestic Product	Net domestic Product
1948-49	2.8	4.6	92.6	100.0	2.4	4.0	80.3	86.7
1949-50	3.0	4.5	92.5	100.0	2.7	4.1	83.5	90.3
1950-51	3.0	4.5	92.5	100.0	2.9	4.3	88.3	95.5
1951-52	3.2	4.5	92.3	100.0	3.2	4.5	92.2	99.9
1952-53	3.1	4.7	92.2	100.0	3.1	4.6	90.6	98.3
1953-54	3.0	4.7	92.3	100.0	3.2	4.9	96.7	104.8
1954-55	3.8	5.4	90.8	100.0	3.6	5.2	87.3	96.1
1955-56	4.2	5.7	90.1	100.0	4.2	5.7	89.9	99.8
1956-57	4.2	5.4	90.4	100.0	4.8	6.1	102.1	113.0
1957-58	4.5	5.8	89.7	100.0	5.1	6.6	102.3	114.0
1958-59	4.1	5.8	90.1	100.0	5.2	7.3	113.7	126.2
1959-60	4.1	6.3	89.6	100.0	5.3	8.1	115.2	128.6

* Central, State and Local.

INDIAN UNION

PROGRESS OF MINERAL INDUSTRIES IN THE SECOND PLAN

Industry	No. of Factories			Installed Capacity			Actual Production		
	1956	1959	1960	1956	1959	1960*	1956	1959	1960*
1. Abrasive Grains (Tons)	1	1	2	864	864	2,064	527	626	890
2. Asbestos Cement Sheets ('000 Tons)	6	6	6	141.0	210.0	239.6	119.8	179.3	205.5
3. Cement (Mil. Tons)	28	32	32	5.70	8.32	8.57	4.93	6.83	7.69
4. Ceramics									
(i) Glazed Tiles ('000 Dz.)	4	4	5	870.0	919.2	1,173.2	454.7	707.2	767.9
(ii) Insulators									
H. T. ('000 tons)	6	6	7	512.3	4.6	4.7	62.2	2.6	2.5
L. T. ('000 tons)	11	12	13	7,324.5	7.5	8.0	4,732.1	3.3	4.1
(iii) Sanitarywares ('000 tons)	14	18	18	2.7	8.8	8.8	2.7	5.6	6.0
(iv) Stoneware (other kinds) ('000 tons)	26	24	24	15.8	11.3	11.5	7.1	7.9	7.7
(v) Stoneware Pipes ('000 tons)	18	19	19	56.4	67.9	67.9	37.7	57.6	56.4
(vi) Whitewares ('000 tons)	38	43	42	17.4	40.0	40.0	15.1	28.9	27.2
5. Enamelwares (Mil. Pcs)	22	22	22	30.0	30.0	30.0	15.2	14.5	13.0
6. Glass and Glasswares									
(i) Bottlewares ('000 tons)	90	93	94	140.5	210.9	223.1	62.4	100.6	110.3
(ii) Glass shells (Mil. Pcs.)	3	3	3	27.4	27.4	43.2	35.9	38.8	42.5
(iii) Laboratory Glasswares ('000 tons)	12	15	16	6.0	6.7	9.4	3.4	5.2	4.8
(iv) Lampwares ('000 tons)	81	82	82	33.2	34.7	45.8	19.9	18.8	19.6
(v) Miscellaneous Glasswares ('000 tons)	28	29	29	19.9	21.4	14.3	3.0	6.5	6.7
(vi) Sheet Glass (Mil. sq. ft.)	4	4	4	100.6	106.6	121.0	47.6	80.6	78.1
(vii) Table and Pressedwares ('000 tons)	75	80	80	40.4	64.6	77.7	28.2	36.6	39.0
(viii) Thermos Flasks ('000 Dozens)	2	6	6	77.3	297.3	297.3	48.3	124.1	121.3
7. Graphite Crucibles (Mil. Nos.)	12	15	15	1.9	1.0	1.0	0.1	0.9	0.9
8. Liquid Gold ('000 Ozs.)	N.A.	5	5	N.A.	456.0	456.0	N.A.	170.7	168.6
9. Pencils (Mil. Gross)	13	14	15	1.3	1.6	1.7	0.6	0.8	1.1
10. Refractories ('000 tons)	33	42	46	444.0	724.3	814.3	318.4	500.1	538.5

Timber and Cellulose Industries

Rayon

1. Continuous Filament Acetate Rayon Yarn ('000 tons)	1	1	1	1.8	1.8	1.8	1.4	1.4	1.9
2. Continuous Filament Viscose Rayon Yarn ('000 tons)	2	4	5	8.2	17.5	21.1	7.3	14.9	18.6
3. Cellophane ('000 tons)	—	1	1	—	1.8	3.5	—	1.6	2.1
4. Viscose Staple Fibre ('000 tons)	1	1	1	5.4	21.3	21.3	7.9	20.2	21.5
5. Paper and paperboard ('000 tons)	21	21	25	211.9	321.0	400.0	193.4	294.0	350.0

Newsprint and Carbon Paper

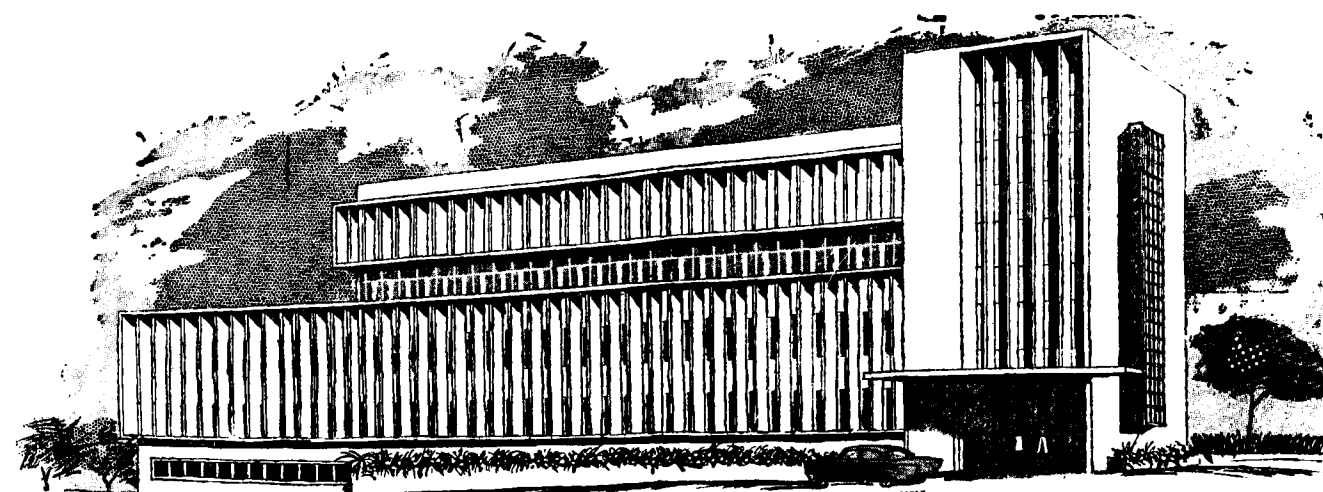
6. Carbon Paper (mil. boxes of 100 sheets)	N.A.	5	5	N.A.	2.7	2.8	N.A.	2.8	2.6
7. Duplicating Stencils ('000 reams)	N.A.	3	3	N.A.	28.0	28.0	N.A.	60.3	47.4
8. Newsprint ('000 tons)	1	1	1	30.0	30.0	30.0	10.8	21.2	24.0
9. Typewriter Ribbons ('000 Dozens)	N.A.	5	5	N.A.	216.2	216.2	N.A.	147.4	126.1

* Estimated.

INDIAN UNION**PROGRESS OF LEATHER AND RUBBER INDUSTRIES IN THE SECOND PLAN**

Industry	No. of Factories			Installed Capacity			Actual Production		
	1956	1959	1960	1956	1959	1960*	1956	1959	1960*
Rubber Manufactures									
1. Belts									
(i) Fan Belts (Mil. Nos.)	6	7	7				0.7	1.0	1.1
(ii) Vee Belts (Industrial) (Mil. Nos.)	4	5	5	0.87	1.25	1.30	0.3	0.7	0.9
2. Camel Back (Mil. Kgms.)	N.A.	10	10	N.A.	2.8	3.0	N.A.	4.6	4.9
3. Dipped Rubber Goods (Mil. Dozens)	15	13	13	45.6	40.3	44.4	26.0	28.9	32.7
4. Ebonite ('000 Kgms.)	14	14	14	525.7	627.5	583.6	95.1	114.8	123.4
5. Hoses									
(i) Radiator Hoses ('000 Nos.)	9	9	9	590.5	588.3	546.3	248.8	214.9	252.7
(ii) Vacuum Brake Hoses ('000 Nos.)	4	4	4	1,080.0	1,080.0	1,080.0	551.6	470.0	316.0
(iii) Other type of Hoses ('000 Metres)	14	14	14	3,421.9	3,460.0	3,460.0	2,012.7	3,433.0	3,480.0
6. Latex Foam Sponge ('000 Kgms.)	7	7	7	668.6	759.0	N.A.	805.6	1,087.0	1,243.0
7. Rubber Components of Railway Fittings (springs) ('000 Nos.)	4	4	4	1,536.0	1,536.0	1,536.0	1,655.5	1,260.0	611.0
8. Rubber Footwear (Mil. Pairs)	18	19	19	43.1	45.8	48.8	36.1	39.3	42.3
9. Tyres									
(i) Automobile									
(a) Giant ('000 Nos.)	2	3	3	694.7	847.2	974.5	642.1	813.3	903.5
(b) Motor ('000 Nos.)	2	2	2				260.3	273.1	335.9
(c) Motor Cycle ('000 Nos.)	2	2	2	322.3	343.4	366.6	35.3	52.4	95.4
(ii) A.D.V. ('000 Nos.)	1	2	2	32.1	63.7	47.2	28.0	41.5	48.4
(iii) Aero (Nos.)	2	2	1	5,364	5,940	4,320	3,356	1,834	3,125
(iv) Bicycle (mil. Nos.)	6	9	9	7.1	12.1	14.6	6.3	9.5	10.8
(v) Cab ('000 Metres)	3	3	3	379.9	391.6	391.6	88.5	65.0	63.0
(vi) Off-the-Road (Nos.)	2	2	2	6,372	6,372	3,000	2,115	3,376	3,713
(vii) Tractor ('000 Nos.)	2	2	2	26.2	30.6	38.0	30.8	35.1	46.8
10. Tubes									
(i) Automobile									
(a) Giant ('000 Nos.)	2	2	2	681.7	666.0	775.0	612.5	726.1	806.4
(b) Motor ('000 Nos.)	2	2	2				255.2	322.4	348.8
(c) Motor Cycle ('000 Nos.)	2	2	2	376.7	392.4	458.2	50.8	77.2	98.8
(ii) A.D.V. ('000 Nos.)	1	2	2	44.1	99.4	67.2	37.3	56.9	62.9
(iii) Aero ('000 Nos.)	2	2	2	3.6	4.5	2.9	2.3	1.1	1.0
(iv) Bicycle (Mil. Nos.)	5	8	8	7.6	12.6	13.8	6.4	10.0	12.5
(v) Off-the-Road ('000 Nos.)	2	2	2	6.4	6.4	5.8	1.8	2.3	2.8
(vi) Tractor ('000 Nos.)	2	2	2	24.0	34.9	42.4	30.7	35.0	50.6
11. Water-proof Fabrics (Mil. Metres)	12	13	13	6.0	5.8	6.2	2.4	3.3	3.5
Leather Industries									
(By organised units)									
Tanned Hides									
(a) Chrome Tanned (Mil. Hides)	13	13	12	1.68	1.58	1.55	0.74	0.65	0.77
(b) Vegetable Tanned (Mil. Hides) (In terms of Cow hides)	24	32	32	3.42	4.42	4.42	1.68	2.47	2.60
Leather Footwear									
Indigenous Type (Mil. pairs)	12	12	12	—	—	—	2.91	4.10	3.77
Western Type (Mil. pairs)	12	12	12	5.97	6.69	7.01	3.62	4.14	5.30

* Estimated.



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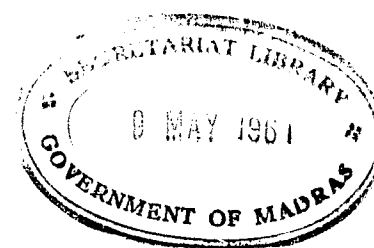
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The Eastern Economist

MAY 5, 1961

The State of India's Payments

THERE has been resoundingly good news this week; the more gratifying because it appears at one of the weakest spots of the economy. This is the powerful shot in the arm that India's balance of payments are likely to receive by the two agreements signed on Monday by which the United Kingdom has committed herself to provide a credit of Rs. 53 crores for India's Third Plan. Of this, Rs. 13 crores is "free" immediately and, it is believed, that of the remainder, Rs. 20 crores will be 'untied' and will also be available for support of our current balance of payments. In this imaginative gesture, the United Kingdom's understanding of India's difficulties has shown itself in a practical and, perhaps, in a symbolic manner. It is hoped that it will provide an example for imitation, which is still the sincerest form of flattery. Of particular interest is the point that the loan is for a period of 25 years and no repayment of any kind is required till 1966 and there is also a further possibility of some years of "grace". Even if this transaction stood alone, it would change the sense of crisis in India's immediate payments problem. But there is also evidence that in the preliminary Aid-India meeting in April, the United States proposals for assistance for two years were substantially larger than previously envisaged, and, while many loose ends need to be tied up before the next meeting at the end of May, the United States outlook might be comparable in opportunity and understanding with Britain's.

It is possible now to review the state of India's payments in the light of concrete assistance that has come from Britain and the preliminary conversations in Washington which suggest a lively sense of favours to come. India's balances which were down in the week ending April 21 to Rs.

128.8 crores will receive about Rs. 10 crores "free" from Germany, and Rs. 10 crores from Britain and, therefore, will rise very early to Rs. 148 crores. Thereafter, the behaviour of the balances will be subject to the adverse payments in the lean months, and there will be need of utilisation of the British additional credit as well and some American untied assistance. It is a reasonable presumption that the balances will not go substantially below Rs. 110 crores at the end of the adverse period of India's trading account, which might be still October. Thereafter, there is some ground for the belief that they might recover in a few months to the figure of Rs. 150 crores. During the Third Five-Year Plan, this is likely to be the amplitude of movements of the sterling balances — about Rs. 150 crores in the good season and about Rs. 110 crores at the low point at the end of the bad season. If, in fact, the dimensions of the movement can be kept within these figures, they would permit of an import licensing policy similar to the one currently in force. One can look upon this conclusion with a far lighter heart than one could dare to present to the figures released in the first week of April.

It may be that the turning point in India's economy is also being reached on the rupee front. It has been noticed that the aggregate deposits of the banks were Rs. 20 crores higher than on March 31 in each of the weeks ending April 7, 14 and 21. This looks as though an auspicious season for the economy is arriving. At any rate the stock exchanges seem to have sensed the two hopeful indications of recovery on the foreign exchange and rupee fronts. It is hoped that they will not allow optimism and pessimism to overtake operations unduly. All in all, however, there is justification for subdued optimism in the light of the latest turn in economic events.

Laos: After the Cease-Fire

AT long last, fighting stopped on the vital fronts south of Vang Vieng in Laos on Tuesday night. On Wednesday "talks" on a general cease-fire were taking place according to General Phoumi Nosavan, but at the time of writing the precise nature of the decisions reached does not seem to indicate a final agreement on the line of the cease-fire. Nevertheless, the cease-fire itself is a temporary victory. The real danger is that this temporary success will lead the Indian public to believe that all is well in Laos. This is very far from being

the case. Much more will be heard of Laos, just as a good deal more is to be heard from the Congo. Indian opinion, which is now beginning to wonder whether the Congo venture has been worth the price, should be kept informed of the dangers of the Laos situation. Undoubtedly, the situation is different in that we have a greater interest in Laos which is nearer home. But, equally, the fact that the Cambodian Head of the State, Prince Norodom Sihanouk, has come out clearly with the view that he will not

lend his good offices for a settlement makes things more difficult, and it is probably true that the Laotian King's opposition to the proposed Geneva Conference makes the constitutional position of intervention very questionable. In the Congo at least, the United Nations was called in by what seemed at that time to be the highest constitutional authority. In the confusion which prevails in Laos, the King alone can be deemed to be the only constitutional authority of the State, and since the King is not a party to the Geneva Conference, one wonders how the Conference can decide on a solution without involving itself in intervention contrary to the principles of the United Nations.

On the other hand, even if the Geneva Conference is not held, the position is by no means stable. The Pathet Lao have used every day of their military advantage to control a larger, and more strategic, area in Laos. The cease-fire has thus found them in a position of strategic advantage. Should the King resist an agreement acceptable to the Pathet Lao, undoubtedly it will be in a position to resume hostilities and possibly to secure an overwhelming military success. It is not unlikely that it will suit the USSR to let the Pathet Lao reopen hostilities, should the King be unable to obtain a solution. It is extremely unlikely meanwhile that a Geneva solution will cut the Gordian knot.

The Nunmati Refinery: An Uneconomic Venture

THE Nunmati refinery, the first one to be set up in the public sector, will perhaps go down in the economic history of India as a monument to the colossal waste of the limited resources available for the country's development. The inordinate delay in setting up this refinery, as also the second one at Barauni, has already cost the country over Rs. 200 crores in foreign exchange. Had these two refineries been commissioned into production according to the world standards of utilisation of an oil reserve in two to three years' time after striking oil — Nahorkatiya oilfield was found to be commercially exploitable as long back as 1953 — India would have saved all this valuable foreign exchange. Apart from this loss, the cost of setting up the Nunmati refinery is also going to far exceed the original estimates. The refinery was expected to cost only about Rs. 11 crores — Rs. 13 crores if the cost of the township and water supply, etc., is included. This estimate has already been revised upward to nearly Rs. 19 crores and by the time the refinery, along with its township, is completed, another Rs. 4 to 5 crores would have been spent, bringing the total cost to approximately Rs. 23 crores. This cost by all standards is exorbitant for a refinery having a capacity of 0.75 million tons; probably with a similar investment a far bigger refinery—having nearly four times the capacity of the Nunmati refinery—could have been set up near Calcutta as recommended by the Experts Committee appointed by the Union Government in 1955 under the Chairmanship of Mr. S. S. Vashist.

The Vashist Committee's report today, perhaps, lies buried in some pigeonhole of the Union Ministry of Fuel. The report was not made public allegedly in "the public interest". This Committee, after careful consideration of all the possible sites for setting up a refinery to process the Nahorkatiya crude, including Gauhati, Barauni, Faqirabad and Tejpur, had unanimously recommended the putting up of a 2.5/3 million tons capacity refinery at Budge Budge, near Calcutta. The reasons put forth by the Committee for its

There are thus as many uncertainties now as there were at the beginning. It is a mistake to assume that a cease-fire, which merely removed current hostilities, in itself provides any solution. Nor is it clear that the physical presence of the International Commission in Laos — which the Russians have held should follow a cease-fire — contains much promise of success though there is no point in an International Commission's staying in Delhi once it has been formally appointed. It should go forthwith to Laos, but unwise hopes should not be attached to the physical presence of the Commission there. The Polish member of the Commission, independent as he has always been, will be subject to pressures, and, on the whole, the Canadian member will follow the British line influenced by American overtones. Since on matters of policy a majority decision will not be effective and unanimity is to be secured, India's third vote of the Chairman may be of no avail. Thus one can look upon the cease-fire with very little satisfaction. A way is now open for a long process of diplomatic manoeuvring for position, which means that Laos will be unsettled for many months to come. It is vital that India should not, in these circumstances, commit herself to a course of action which will depart from our strictly neutral position in the controversy.

selection of the site were sound indeed. The Committee, it is understood, had pointed out that apart from the considerations of setting up a refinery on the sea coast in line with the latest trends all the world over, Budge Budge had a distinct advantage in respect of availability of labour, construction costs, marketing of its products, etc. Besides, the requirements of the Assam region were already being met by the Digboi refinery of the Assam Oil Company, which after meeting these requirements fully was even exporting quite a good proportion of its products to the neighbouring States of West Bengal, Bihar, Bhutan and Sikkim. An added advantage of setting up a refinery near Calcutta would have been that the pipeline which was proposed to be laid for bringing crude from Nahorkatiya to the refinery could have been utilised at a later date, when the crude reserves of this oilfield had been exhausted, to transport its products to Assam areas.

All these weighty considerations were thrown to the winds and crucified at the altar of politics. The site chosen for the Nunmati refinery is not an ideal one. The Manager of the refinery, Major-General Sardanand Singh, makes no secret of it. This is also evident from the mounting cost of construction. The Nunmati refinery stands on soft soil in a seismic belt; to safeguard the structure reinforcing of foundations has had to be done at a tremendous expense. The cost of setting up the refinery has also gone up appreciably due to transport bottlenecks. The river transport and the ghats near Gauhati were not designed to handle heavy and over-sized equipment. The meter-gauge railway system that connects Assam with the adjoining States has also proved to be a big handicap in transportation of machinery and equipment for the refinery. The only advantage which was sought to be achieved by locating the refinery at Nunmati has also proved to be elusive. The main consideration that prevailed for selecting Nunmati as the site for this refinery was that it would have opened up new employment avenues for the Assamese. A visit

to the refinery would show that the labour employed there has been imported not only from the adjoining States of West Bengal and Bihar, but also from such far off places as U.P., Nepal and Punjab.

The transport bottleneck which the refinery will have to face in marketing its products can also not be ignored; the refinery will have to market its products for a considerably long time to come outside the Assam region. For this purpose, a products pipeline may have to be laid at an appreciable cost. Besides, the pipeline that connects the Nunmati refinery to Nahorkatiya oilfields will practically go waste in another 15 to 20 years' time; the crude reserves of Nahorkatiya — estimated at around 44 million tons — would be exhausted by then. In view of all these facts, one is inclined to infer that the Nunmati refinery will be an uneconomic unit whose cost of production may be anything up to 60 per cent higher than that of a refinery located at a more suitable site.

Confusion in Madhya Pradesh

DR. KATJU has invited upon himself the verdict of inability to steer the affairs of his State with a firm grip which any Chief Minister must possess. His stewardship is being challenged not only by the Opposition Parties but, often times, by those who are supposed to strengthen his hands and stand solidly behind him. Perhaps, he is not a solitary Chief Minister to find himself in this predicament. Others who are placed in a similar awkward position are victims of the machinations of adventurous aspirants to power. While Dr. Katju is not free from this menace, which plagues the Congress Party in many States, he has exposed himself to the serious and genuine charge that he is failing to keep himself armed with aids and resources without which no head of government can control and direct the administration of the State.

His blunder over Bastar has brought a bad name not only to himself but to the Government of India, which, acting on his advice, withdrew recognition from Maharaja Pravinchandra Bhanjdeo, the ruler of the tribal district. It need not be disputed that this ex-ruler has his own eccentricities — some of them intolerable. There could be no greater proof of his eccentricity than his quixotic threat to revive the Chamber of Princes. But they could have no more than nuisance value to Dr. Katju's Government. The irritation which he continued to cause after his deposition deserved only to be ignored. But instead, Dr. Katju took the hasty and impatient decision to put him under preventive detention, with the result that, when the State Advisory Board returned a verdict of no substantial grounds disclosed to justify detention, he had to retrace his step with loss of face.

It is not only in regard to the ex-Ruler that Dr. Katju has erred but he has erred in assessing the Adivasis too. Their opposition to a Government-nominated priest at Danteshwari in substitution of the ex-Ruler could have been easily anticipated. Apart from this highly emotional issue, the Adivasis have numerous economic grievances, like deprivation of free gains from the forest wealth of the district, which impelled them to muster in hundreds for a spectacular demonstration. The theory that these demonstrators (some of whom were under the influence of liquor) were hirelings is as stupid as it is hollow. Inferences about their intention to indulge in acts of violence were drawn too hastily and without sufficient warrant. The police of-

Nothing, of course, can be done now to undo the blunder which has been committed. The refinery is at an advanced stage of construction; it is likely to be commissioned by the end of the current year. There is, however, need to avoid such mistakes in future. Present is hardly the time for allowing politics to override all economic considerations. The money that could have easily been saved from this costly venture by adhering to the Vashist Committee's report could have been better utilised for putting up some gas-based industries in Assam. That should have placated the local politicians.

The Nunmati refinery suffers from another defect as well — and a major one. The refinery at present has only one distillation unit which will have to be shut for at least one month every year for overhauling. During that period this lifeline of valuable industrial fuel would go dry creating undue complications. It is hoped that a standby distillation unit will be provided at the refinery at not-too-distant a date.

officials, responsible for this serious miscalculation of judgment, resorted to firing on the Adivasi mass and the result was that the twelve fatal casualties at Lohandiguda made a deep scar on the hearts of these innocent people and generated intense bitterness and resentment. Bastar, although outwardly quiet is seething with unrest. There can be no question of the restitution of the ex-ruler, but it is crystal clear that assuaging the masses and removing the present feeling of unrest has now become a matter which will have to be tackled at a level higher than Dr. Katju's Government.

Mr. Nehru was brutally outspoken in castigating the Congress leaders of Madhya Pradesh for their lukewarm or neutralist attitude to the riots in Jabalpur, Saugar, and so on. But the reaction of these misguided persons to the castigation is best exemplified in the resolution which the Pradesh Congress Committee adopted on communal disturbances. The pacifying role which Congressmen played in these occurrences has been asserted and a scape-goat has been made of officials who have been censured for their "inefficiency, slackness and untactful handling of the situation."

Conflict between the ministerial wing and the organisational wing which has now become chronic in the Congress Party is the curse of Madhya Pradesh also. The PCC Chief, Mr. Moolchand Deshlehra, has been an active rival to Dr. Katju and if collecting of signatures against the Cabinet Ministers is freely resorted to by the PCC, it is only one of the weapons of harassment used against the Chief Minister. In Madhya Pradesh regionalism is a great source of worry and weakness. The Gwalior region (virtually co-extensive with the former Madhya Bharat) and Vindhya Pradesh bear a grudge of subordinate treatment at the hands of the dominant group from Mahakoshal. Extreme demands continue to be made on the Chief Minister, including regional representation on the Cabinet. It is no argument to urge that Dr. Katju can bear no responsibility for these root causes of the mess that is witnessed in Madhya Pradesh. It was precisely to curb factionalism and regionalism that the High Command relieved Dr. Katju from the Central Cabinet to wear the difficult mantle in the former Madhya Bharat. Who can say that he has measured up to expectations? His age and health make it all the more necessary that a careful search ought to be made to effect a change at the helm of affairs in Madhya Pradesh.

A DELHI DIARY

FROM PRECEDENT TO PRECEDENT

IF procrastination is the thief of time, may it be that procrastination is also the solvent of some political tensions? Perhaps for this reason the Prime Minister — the supreme doctor of the Congress Party's choice — has decreed that elections for the Deputy Leaders — not one but two — should be held only during the next session of Parliament. There is here not any religion of escape, but, as I have discovered, for the first time, a policy broadening from precedent to precedent. Quite unknown to me — such is the state of my ignorance — history provided a solution of the current tangle ten years ago when Maulana Azad agreed to allow Mr. Gopalaswami Iyengar to be a Deputy Leader of the Party in another House. Thus, it comes about that in deciding to have two Deputy Leaders, the Prime Minister has not invented a device which keeps both Mr. Jagjivan Ram and Mr. Morarji Desai in the field, but merely revived a solution which looks as though for all time it will continue to provide dual deputy leadership. Thus, in the best of all possible words, procrastination and precedent have effected a temporary solution of the kind which I described last week as a buried tension.

As to exactly what is buried, my friends keep on giving me their own analyses of the extraordinary situation which arose before, and, in a sense, after, the Prime Minister cut the Gordian knot on Monday. Some of my friends tell me that this is a purely "personal" contest for future leadership of the Congress Party. Others tell me that it is a conflict between the Right and the Left, since rumour has it that Mr. Krishna Menon has been working behind the scenes for Mr. Jagjivan Ram, and so, they say, has been Mr. K. D. Malaviya. In some (undefined) sense, they are scions of the Left. I have not been able to verify either of these statements and I publish them here as hearsay for anyone to question. Finally, there is the suggestion that the contest is not a personal one or a Right and Left one, but a straight issue of Hindi-speaking areas against non-Hindi-speaking areas. Uttar Pradesh and Bihar cannot, it seems, be easily relegated to a subordinate position in the future scheme of things, and, therefore, it appears that claims must be contested here and now to every senior office in the Congress Party. It is possible that not one, but all three, of the aforesaid factors are operating. But one can be a journalist in Delhi and earn one's living the hard way — as I do — and be blissfully ignorant of these undercurrents which my friends clearly see, but which I am unable to locate. All in all, however, the events of the last fortnight have left in me, as in most people here, a sense of deep disappointment that the struggle for power should have reached the lengths that it has done while the Prime Minister is still here to warn and admonish. Even his declaration that a Deputy Leader of the Party was "unimportant", failed to vacate aggression, if I might so describe the operations that have sullied the fair name of the Congress in this capital city. But, perhaps, democratic politics is like that, and the best way to settle an issue is to face a hard election with a certain amount of hard feeling, before and after. Only it seems to me that none of the hard feeling will disappear when the approach is as emotionally powered as it was on this occasion.

FAITH ABROAD

I must move to a happier subject. This is the expression of the faith that we have received this week from the United Kingdom and the United States (the latter a little vague still) in respect of the financing of the Third Plan. The noises that I hear from afar sound too good to be true, but the two agreements signed by Sir Paul Gore-Booth and Mr. L. K. Jha, our Secretary for Economic Affairs, last Monday, are con-

crete enough. "The Eastern Economist" has said its piece separately, but I insist on saying a slightly different one. This is that India's foreign exchange for the Third Plan, which seems to have caused much anxious concern, is likely to be the lesser of the two gaps on which our progress is poised. The greater crisis is disorderly development with inflation which, to my mind, is a more dangerous disorder than the merciful restriction of the Plan by the absence of foreign exchange in a "rush", with printed rupees overflowing. Ordered development is, according to Colin Clark, a much better kind of growthmanship — happy word! — than the 'hit and run' methods which we tend to adopt when we get good gusts of fortune in the form of foreign exchange windfalls from abroad. In the Second Plan, for example, the cutting back of the Plan in 1957, particularly in transport, was a major disaster as anyone who has studied the current movements of coal can abundantly illustrate. I am hoping very much, now that some foreign exchange has arrived, it will not be eagerly seized by all and sundry so that we will have nothing left to utilise on expanding transport and power (or is it power and transport?). Who, having gone through the last fortnight in Delhi, (and I am told a somewhat worse fortnight in Calcutta) can fail to appreciate that power is, in our age and time, the only manna from Heaven? Let us not make a mistake, particularly in mid-summer, and bring in any amount of machinery in any industry in preference to power, if it means shutting off fans in the middle of the day and lights at dinner time. I propose nothing more or less than a hard core in the Third Plan in which the power targets shall be raised by 20 per cent while everybody scrambles for the remainder. The most important thing to be done in the revision of the Third Plan is to capture the economic heights again, and to let fierce competition fight for the leavings. No doubt, in the socialist pattern of society, this will be described as the worst form of competitive capitalism, but I still think that rationing by the market is much better than that by decree of the Planning Commission. If power is short, everything else stagnates. I might say it is the second stage of that profound truth — "where wealth accumulates, men decay".

FROM BEARS TO BULLS

The week, I am told, has led to a massive onslaught by bulls on bears. I am neither myself a bear nor a bull and cannot describe the experiences incidental thereto, but careful reading of economic journals seems to suggest that Indian bulls are working on the side of history. There is bullish fever in Wall Street following, it seems, a purely negative point, the absence of a deep recession, and stock markets are even going up — inexplicably — after Cuba. In Britain there has been a tonic in the form of Mr. Selwyn Lloyd's Budget, although, as a good economic historian will tell you, the upward movement began long before it. Can it be that, when the whole international world is getting cloudier and cloudier, the business world thinks that the new worlds to be conquered in outer space suggest that some momentous technological expansion of markets is imminent?

THAT MYSTERY OBJECT AND THE LOO!

From the mysteries of high finance — foreign exchange and bull-bear business — I only ask a question in regard to the mystery object seen by residents of Diplomatic Enclave at 11 P.M. on Monday. It was not a shooting star or a flying jet; what was it? I am deeply concerned. Signs and portents are appearing too close to me for my comfort. I am, therefore, leaving Delhi shortly for a long vacation; I wish my Delhi Diary readers luck; they'll need it. The Loo also — here she comes!

ARGUS.

May 5, 1961.

THE EASTERN ECONOMIST

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THE WEEK'S NOTES

Birth Centenary

RABINDRANATH TAGORE

ON MONDAY, May 8, Rabindranath Tagore's birth centenary will be celebrated all over India and also in several other countries. The spontaneity and enthusiasm with which the celebrations are being organised form a tribute to his literary excellence and to the philosophy of life which he propagated and practised. If "Gitanjali" brought him into the limelight of world fame, there are Tagore's other works which are no less shining. His published verse and dramas, we are told, amount to 150,000 lines, or their equivalent; while his non-dramatic prose—novels, short stories, autobiography, criticism, and essays of many kinds—is more than twice as much; and there is a mass of uncollected material which is being periodically released through the "Visvabharati Quarterly". He was a life-long devotee of Nature and her beauty in countless forms and to him Nature was an open book from which he could draw endlessly. With him it was a passion to interpret the varied and ever-changing moods and forms of Nature to which he gave concrete expression in prose and verse. It is this innate quality which has enabled him to hand down to his own generation and generations to follow a wealth of ideas, dreams and thoughts. This invaluable legacy has been a profound source of joy and inspiration to thousands in this country as well as abroad.

The most apt description of Tagore can be found in Nehru's "The Discovery of India" where he says: "Tagore, the aristocratic artist turned democrat, with proletarian sympathies, represented essentially the cultural tradition of India, the tradition of accepting life in the fullness thereof and going through it with song and dance..... Tagore was primarily the man of thought..... he had a world outlook and was at the same time wholly Indian". Rabindranath's personal creed and conviction are best told in his words: "There are two things you must carry with you everywhere as an old student of the Visva-Bharati. Never give up your freedom of mind to friend or foe. Keep the windows of your mind open and free. Fanaticism is death to the human mind. And secondly, never think of any man, however little he might appear, as anything less than a man, a member of the great community of mankind, and never, as the member of a caste or a community or a nation or a race". It was his constant endeavour throughout his long life of eighty-one years to bring the message of love and peace to a world torn by greed, jealousy and rivalry. His faith in the essential oneness and indivisibility of humanity and in the 'one world' ideal was unshakable. His God is with and within man in the vices and virtues, in the sorrows and sufferings, in the dust and dirt of his daily life. In his vision, God and man merged to make a complete entity. Man was to him the most sublime of all truths, the apex of God's creation. He looked forward to the opening of a new chapter in man's history with the spirit of service and sacrifice.

MOTILAL NEHRU

TOMORROW, MAY 6, marks the end of the week-long birthday centenary celebration to honour the memory of one of the foremost builders of Free India — the late Pandit Motilal Nehru. He lived the full biblical span of life of three score and ten. His association with politics dates to the early part of his career at the bar, but his association with the Indian National Congress goes back to 1892 in which year he appeared on the Congress platform as a member of the reception committee at the organisation's session at Allahabad. With Gandhiji's emergence on the political scene came

his conviction that the country was ripe for mass struggle and he showed the heroic spirit in him in discarding without the least hesitation his adherence to the moderate creed and plunging into field of battle ready to take any risks as a deliberate choice. In 1921 the entire country was moved by the noble spirit of sacrifice of this Amir, who, overnight, became a Fakir — in the service of his nation and his people. For a full decade until his death he was second to none in guiding the destinies of the freedom struggle, of course, with the exception of Gandhiji. Anand Bhavan at Allahabad, which he handed over to the Congress, became the hub of all political activity. Motilal Nehru fought many a constitutional battle with the British Government inside the legislature, but it is by the battles he fought outside that he will be remembered more in history.

His heroic spirit was matched by honesty and candour. In 1930, without the least hesitation, he confessed to a sense of failure in promoting unity between the two major communities in the country. Next to freedom, no cause was dearer to his heart than that of communal unity. In an age where religious prejudices vitiated the national cause, he had the vision to see that not religious differences but economic grievances were really at the root of disunity. The message which he gave, only a year before his death, to base Hindu-Muslim unity on an economic basis should ring clearly even today when the elusive problem of communal unity is demanding the most anxious attention. It is only proper that the Centenary Committee is raising a fund of Rs. 10 lakhs in his memory to institute an annual award of Rs. 5,000 to a national of this country who makes the greatest contribution to the cause of promoting Indian unity.

Uttar Pradesh

THE ELUSIVE ACCORD

THE MANNER in which Mr. C. B. Gupta is facing the logical consequence of his elevation to the office of Chief Minister of the State should give enough cause to the High Command to grow wiser — and perhaps sadder. Under the Congress constitution Mr. Gupta cannot simultaneously hold the two top positions of Chief Minister of the State and President of the Pradesh Congress Committee. After his capture of the position of Chief Minister it is obligatory on him to resign the office of President of the PCC. This rule of disqualification to hold two posts simultaneously in the Ministry and the PCC executive also applies to Mr. Gupta's lieutenant, Mr. Mangla Prasad, who is the General Secretary of the PCC and also a Minister in his cabinet. The Congress President has addressed a strongly worded letter to Mr. Gupta reminding him bluntly that the moment he accepted the office of Chief Minister he ceased to be the President of the PCC and the same position arose in the case of Mr. Mangla Prasad.

Nevertheless, the indomitable Mr. Gupta has deliberately chosen to take his own time to decide when the formal election of new office-bearers in the PCC should take place. Here it must be recalled that since the two secretaries of the PCC are the nominees of the President of that Committee, their reappointment also becomes necessary. Mr. Gupta has taken time to entrench himself in the PCC even when he would not formally be in it. He has agreed to Mr. Nehru's nomination of Mr. A. P. Jain as President. Naturally, the General Secretary ought to be chosen with the consent of the PCC chief. All along Mr. Gupta has attempted to create the impression that he is relinquishing his hold on the PCC by giving up the

office of President, but at the same time he has been insisting with unusual perseverance that Mr. Mangla Prasad should remain the General Secretary. It is only now as the date of the PCC meeting — May 15 — is approaching that Mr. Gupta is reconciling himself to the inevitable. He has given up his untenable stand as regards Mr. Mangla Prasad as General Secretary and, according to reports, he has reached an agreement with Mr. A. P. Jain to the effect that the present two secretaries would retain their positions. Whether this is the result of an accord or of Mr. Gupta's uncompromising attitude can be anybody's guess. Mr. A. P. Jain's capacity to function effectively as President of the PCC will depend in a substantial measure on the calibre of the new General Secretary to withstand, whenever occasions arise, the pressure of the two secretaries who enjoy the blessings of Mr. Gupta. Mr. Gupta has managed to take enough time to consolidate his position inside the PCC and he has rushed forward with the appointment of many of the district observers for the forthcoming general election. But the dissident group of the ex-Ministers (in the Sampurnanand Cabinet) obviously will not oblige him and diplomacy for accord will now shift to the controversial issue of nominations of district observers.

The Congo

TURN OF THE TIDE ?

MR. KASAVABU'S bold bid to seek the greatest measure of agreement, among the three factions in the Congo which really count, by free discussion at the round table conference convened at Coquilhatville was certainly a brightening feature in the tedious drama of politics in that trouble-torn country. The preliminary talks between the parties to explore the area of possible concord, which normally precede any round table conference, were not held by Mr. Kasavabu. This crucial fact easily explains the subsequent developments at the Coquilhatville conference which have completely stalemated the talks. Mr. Gizenga, the leader of the Lumumba group, who is in a position to deliver the goods within his sphere of influence around Stanleyville, has not so far participated. Not much is known about the success which has attained Mr. Kasavabu's efforts to ensure his co-operation.

But at the very outset of the conference it became clear that Mr. Tshombe was absolutely in no mood to tolerate Mr. Kasavabu's agreement with the UN authorities for removal from the Congo of any foreigners (advisers, mercenaries and the like) who are there without the authority of the UN. His vehement denunciation of this agreement was the signal for an endless war of debate at the conference. It was quite evident that Mr. Tshombe would not surrender his claim to his supposed independent status in Katanga and hopes of bringing him round to the acceptance of a really effective central government authority emanating from Leopoldville have receded further than before. Nevertheless, his Belgian advisers who had accompanied him to Coquilhatville were put under arrest. Then followed quick developments culminating in the detention of Mr. Tshombe under military guard. The only liberty allowed to him was that of attending the round table conference. He continues to remain under detention at Coquilhatville as officially disclosed on behalf of Mr. Kasavabu.

With only one party left to operate freely at the conference, it is not at all clear what purpose it may serve. Even assuming that Mr. Tshombe, conducted to the conference under the Central Government's military guard, "participates" in the talks and an agreement is evolved, it will be of little effective force as any agreements obtained under duress can be. The Katanga Government can at any time repudiate it and that Government's strong man, Mr. Monongo, the Minis-

ter for the Interior, is there to do what Mr. Tshombe is prevented from doing. This is not to blame Mr. Kasavabu for the turn of events as it has actually taken, for it should be easy to appreciate that the course which has been adopted under his name was conceived and carried out by Col. Mobutu. In fact, report at one time had it that the Colonel had put even Mr. Kasavabu under arrest. This well meant turn of the tide to keep the Congo middle of the road and free from pressures either from Belgium or Russia has come to an abrupt stop. But the situation in the Congo goes on changing only in an atmosphere of confusion and it may be that Mr. Tshombe may see reason to abandon his untenable attitude backed by an external sanction.

Legal Practitioners

CONSOLIDATING THE LAW

THE DISCUSSION in the Lok Sabha on the Bill to amend and consolidate the law relating to the legal practitioners, the Bar Councils and the constitution of an All-India Bar was inspired by the basic urge to elevate the dignity and status of the profession of law. A forceful expression of his urge was the unanimous support given to the demand that the Chief Justices should be associated with the Bar Councils. But this issue was pre-judged by the judges themselves. Mr. A. K. Sen informed the House that the decision of the Chief Justices not to participate in the Bar Councils was communicated to him while the Bill was pending consideration before the Select Committee. Nothing could be done at this stage to alter the situation. Here it would be pertinent to ask how far the English precedent in this behalf and the purpose behind it could have been of value to India. In Britain the association of judges is highly cherished to raise the dignity of the Bar Councils and the profession as also to create an atmosphere, following the example of the judges, to keep the members of the profession aloof from involvement in politics. It is an undisputed fact that the association of the judges with the Bar Councils would have undoubtedly gone to raise their dignity. But about isolation from politics, it is difficult to be confident that this object would have been achieved here in India. On the other hand, it is likely that the partiality for politics might have possibly spread from the bar to the bench. Already, there are reasonable grounds for misgivings that a questionable convention is sought to be created. The Government's policy of conferring diplomatic and political assignments on retired High Court judges is bound to exercise positive, though indirect, influence on the judges about their likely post-retirement prospects in this novel sphere.

As for the financial status of legal practitioners, on which their position as props of justice depends, views were expressed in opposite directions. At the one end, there ran the argument that ceilings should be placed on the fees, and therefore on the earnings, of practitioners on the ground that justice should be made cheap. This argument rests on two apparent fallacies. First, it is wrong to presume that a ceiling is desirable and can be enforced on legal practitioners' earnings and that talent could flourish in an atmosphere where incentives are choked up. Second, it is an error to think that the high cost of justice is due to the fees payable to advocates. At the other end came the suggestion that a monthly emolument of Rs. 150 should be paid to each beginner advocate for a period of five years or until he commands practice sufficient to bring him within the application of the Income-tax Act. Charity would most assuredly strike at the root of dignity. Further, there is no reason why the legal profession should be singled out for such a privilege in discrimination against other professions of value to the society. It was appropriate that both the viewpoints were rejected.

The World Abroad

QUESTION MARKS OF INDIAN HISTORY

By ODYSSEUS

ALTHOUGH BRITISH RULE in India ended fourteen years ago, British interest in India, measured in terms of the spate of books that continue to be published about all aspects of Indian history and civilisation, is perhaps greater than ever before. The latest addition to the overflowing library of British books on India is Mr. Michael Edwardes's "History of India From the Earliest Times to the Present Day". (Thames & Hudson. London. 1961. Price 45sh.)

Is there anything new to be said about Indian history? Yes, because all histories of the past are meant to answer the questions being asked in the present, and as values, judgments, and interests, change with every generation, no definite history, putting the past into perspective once and for all, can ever be written. No history would be written if the historian were merely trying to slake our thirst for knowledge or facts. That Aurangzeb held Sivaji captive in Agra is a fact. But facts are of no value unless they are interpreted. Once interpreted, they offer an enrichment of the spirit, which leaves the reader better equipped to enjoy, or a lesson which enables him the better to cope with, the realities of contemporary life. The degree to which he is better equipped depends on the experience of men and affairs and the judgment that the historian is able to bring to his interpretation. The best histories are, of course, written by those who approach their subject with the detached interest of the academic scholar, but I hazard the guess that the best of the best histories have not been written by men who have been nothing but scholars all their lives. For example, before Macaulay published his great History of England in 1839 he had been called to the bar, had been a Member of Parliament, and Law Member of the Government of India. Among modern historians the late Louis Namier saw active service in the 1914-18 war, and was a member of the Foreign Office for several years, while the late Maulana Azad brought a life-time of experience in politics and public service to his writings.

An historian amasses vast arrays of facts in his researches. From these he selects what he regards as of interest to his readers, i.e., as relevant to the questions that press on us today. As the German historian, Max Weber, said, each historian not only asks his own questions but chooses which he will ask from a variety of possible questions. Because men feel dissatisfied with the choice of questions and the explanations that satisfied their fathers and seek to uncover new meanings for themselves, history is subject to continuous re-interpretation.

A CURIOUS FACT

It is a curious fact, which opens up vistas of interesting speculation, that (prior, at any rate, to the advent of the British) India's chief literary class, the Brahmins, were not much interested in the writings of history. As Mr. Edwardes observes, quasi-historical works do exist, but they are usually half romance and half history, in which it is difficult to decide which statement refers to the real and which to the imaginative. Most contemporary, pre-British, Indian historical material comes from Greek, Latin, Chinese, and Muslim writers.

I throw out the suggestion that Hindus felt little urge to ask questions of their past because the cohesiveness of the caste structure acted as a steel frame which preserved the peoples of India socially amidst the political vicissitudes of rising and falling kingdoms. As a broad, and certainly over-simplified generalisation, I suggest that the Indian social structure's powers of absorption over all foreigners, until the British arrival, removed incentives to seek explanations of present woes from the past.

But, as has often been observed before, the difference between the British and other foreign invaders was that the British did not settle in India and, retaining their links by sea with their own civilisation, had also the material strength to impose profound changes on the centuries-old Indian pattern.

The first to feel the need to tackle the riddles of India's past were 18th century British administrators, like Warren Hastings, who asked in effect "What is there in India's past which can help us to solve the problems of our relations (a) with the peoples inside our territories and (b) with the other powers in the subcontinent?" Next, the early 19th century British writers, Elphinstone, Montgomery Martin, Thornton, Keene, James Mill, Wilson, and others, asked "What lessons does Indian history suggest that would render our administration more efficient?" If you are interested in the questions that they asked, and the problems they were trying to solve, and the remarkable degree to which their influence persists in the institutions of Indian government and law today, read "The English Utilitarians in India", by Eric Stokes (Oxford Univ. Press. 1959).

The impact of the British on India gave rise to nationalism which sent Indians in search of their own past to answer such questions as "Why did we fall victims to foreign conquest? What glories did the foreigner destroy?" and British historians to ask "What right have we to be in India?". It is a salutary warning to the guileless non-specialist reader, who believes whatever he reads because it has achieved print, to recall that the Indian answers were often, consciously or unconsciously, conditioned by the urge to compensate for the doubts and difficulties of the present by conjuring up visions of past "golden ages" like that of Asoka (273—232 B.C.) and Chandragupta II (384—415 A.D.), in which the land flowed with milk and honey, and that the British answers were often conditioned by the thought "Will this make for easier and quieter government?".

As British rule drew to its end, the polemical note begins to die down and we get such truly great historical landmarks as H. G. Rawlinson's "Cultural History of India" (1938), whose answers are likely to remain topical for years to come, the splendid researches of late Sir Jadunath Sarkar, and the brilliant canvasses of Sirdar K. M. Panikkar.

THE END OF BRITISH RULE

The end of British rule evokes new questions. Mr. Edwardes is one of the new generation of British writers who ask "What is there in Indian civilisation which

can enrich our own culture? What has been the impact of Britain on India and of India on Britain? What justified our presence, what our departure?" and of Indian writers, such as Professor S. R. Sharma, who seek directives for independent India's future, in such admirable works as "The Making of Modern India" (Orient Longmans, 1951).

Mr. Edwardes says that, faced with 5,000 years of Indian history, too many books consist of collections of dynasties with value-judgments attached to names here and there, so that the people of India disappear from view, and he proclaims his intention of recapturing the life of the people within the framework of political events. The result is an honourable failure. Mr. Edwardes's effort to cram political, cultural, and economic developments into 350 pages leads to such compression that he too often becomes a mere compiler of facts, which, without interpretation, are difficult to follow and impossible to remember, and he has recourse to the cryptic value-judgments which he rejects. With so vast a panorama, the historian must choose whether to write a political, economic, or cultural history, and allot himself space enough to give meaning to his choice. Mr. Edwardes's heroic attempt at the impossible is all the more to be regretted in that he has read widely and his observations are often penetrating.

Among Mr. Edwardes's merits are his many extensive quotations from contemporary sources not always available to the general reader. Thus, he quotes the colourful description given by the Chinese pilgrim Hsuen-tsang of King Harsha's great religious synod at Kanauj in A.D. 643, and, from the Padsha-nama of Abdul Hamid, culls a day in the life of the Emperor Shah Jahan, and offers a varied anthology of 19th century writers. It is true that the people of India do emerge from time to time in his pages, but they are too often sandwiched between long political

synopses. One of the most fascinating descriptions of the life of the peasantry around Delhi district in the late Mughal and early British periods is in Percival Spear's "Twilight of the Mughals" (Cambridge Univ. Press, 1950.) As further editions of Edwardes's handsome volume, with its 127 superb photogravure illustrations and its 21 useful maps, are likely to be called for, I urge him to include an extract from Spear in his anthological pages.

To any newly arrived member of Delhi's ever changing diplomatic enclave, or to any visiting expert, who wishes to grasp much of the significance of the contemporary Indian scene that will otherwise escape him, I commend the following introductory histories of India, which each have their special excellences:

"A Short History of India", by W. H. Moreland & A. C. Chatterjee. Longmans Green.

"A Survey of Indian History", by K. M. Panikkar. National Information & Publications. Bombay.

"The Rise and Fulfilment of British Rule in India" by E. Thompson & G. T. Garratt. Macmillan. Although published in 1935, this remains unbeatable in its own sphere.

Of biographies of Mr. Nehru there are scores. My choice is that by Michael Brecher (Oxford Univ. Press, 1959). Every historian has his bias, as we have noted, but I forgive Mr. Brecher for what I regard as his bias because of the scrupulous footnotes in which he indicates his sources. Mr. Brecher's book is set in perspective by the references to Mr. Nehru in Maulana Azad's "India Wins Freedom" (Orient Longmans, 1959)—a fine book by a great man.

Finally, get hold of Mr. Edwardes's new history, as a bedside book to dip into.

The European Scene

THE DEGRADATION OF AN ARMY

From Our Special West European Correspondent

PARIS, April 30.

THE French Army this month reached the lowest point of degradation by inflicting on itself a humiliation more severe than the most abject defeat in war: the loss of its own unity and the denial of its *raison d'être*, obedience to the State. An army that raises the flag against the Law, that divorces itself from the nation and that fragments into rival bands has repudiated every article of the military code of honour, debased the career of arms and destroyed the foundations of its own efficacy. From this pitiful condition, the French Army will take many years to recover for it will need time to regain the confidence of the rest of the nation and more time still to put meaning back into the clichés about service and obedience that constitute much of the rather frugal morality of the soldier. Amid the carnival of anti-militarism that is beginning in this country, it is perhaps too bold an enterprise to seek to explain, without seeming to apologise for rebellion, how an army with a long tradition could be brought to such a pass. Yet unless it is to lapse into the twin follies of pacifism and anarchism (which even the present Indian Government declined to do, despite its Gandhian heritage), the modern state must rehabilitate, in its limited sphere, the military morality that a demagogic anti-militarism condemns.

It would be too easy to point out that France was saved from her soldiers last week only by her soldiers, and notably by the greatest of them. General de Gaulle's rather exiguous mental furniture, with its antique curios about glory, prestige and national honour, is in fact the product of the military code, and it was all that stood between France and the factious generals last week-end. They would have made short work of a Cabinet of ordinary politicians, such as crumpled up before a similar threat in 1958. The "masses", to whom interested demagogues are now generously awarding the credit for the victory, would have provided no obstacle — except in so far as they became the vehicle for the arrival of a Communist dictatorship. Leaving aside the recourse to a popular uprising, which in present circumstances could only have meant the installation of the Communists, the sole opposition to military insurrection was the prestige and the characteristic prejudices of another soldier.

Though this consideration precludes the most facile people-versus-army sort of anti-militarism, it leaves it to be explained how the military caste came to be so divided against itself as to endanger the State, all the nation's interests and the security of its neighbours. No doubt, the official case as it will be presented in coming weeks will be to stress the limited number and restricted audience of the factious generals: they could do little more than seize a radio station and a few offices and even then only with the aid of the Foreign Legion and for four days at that; most of the Army remained loyal, the crazy enterprise was doomed to failure, etc. However, much of this is wisdom after the event and it is possible that events could have taken another turn. An escapade that depends on winning the allegiance of wavering officers is naturally

decided in the first few hours, when sheer chance can determine whether the flames spread like wildfire or remain localised to burn out quickly. It is no explanation, when the enterprise fails, to claim it was never serious. No Frenchman can be content with the story that the whole affair was the desperate gamble of a handful of eccentrics, for one knows only too well the forces that were ready to back them at the first sign of success. Foreigners above all, will inevitably identify the whole nation with the crimes committed by men wearing her uniform and her highest honours.

This is just. For no matter how infinitesimal the minority that the rebellion represented, the whole nation owes an accounting for the fact that it was led precisely by its eminent servants whose uniform and rank symbolise in time of danger the ideal of national unity. In such an accounting heavy responsibility must be placed on just those democratic politicians who today are most scandalised that the Army could forsake its tradition of unquestioning obedience to the State. The soldiers' morality, I have said, is a frugal one and indeed it consists in a single article, obedience, on every occasion and to the neglect of every other consideration, even of life and limb. We who follow other callings are entitled to consider this simple and ancient morality too elementary, even stultifying, but if we are to live behind the shelter it provides — and above all if we are to use and exploit it as politicians do — we need to respect it and know the limits to which it can be driven.

None of this was done by the democratic politicians who for 15 years have been throwing the French Army into one absurd venture after another, sending it to wars that could never be won, requiring it to win military victories that were at once turned into political defeats, using the devotion of soldiers to cover the stupidity of politicians — and then throwing up their hands in surprise when at the end some generals refuse to obey. It is indeed the role, and the honour, of the Army to be the mere instrument of the civilian power. Yet that "instrument" is composed of living men, whose notion of honour, and sensitivity to humiliation, may be simple, but are at least livelier than those of politicians. Shut them up for 15 years in the nightmare world of senseless colonial warfare, ask them to do the impossible and then tell them it was useless anyhow, exile them from their country by shifting them from one hopeless colonial struggle to another, degrade their function from that of warfare to the role of police and propagandists, politicise their officer corps by entrusting civilian administration to them, demand obedience to a series of ephemeral and contradictory Cabinets — and you have created the conditions for a military putsch.

The very type of such politics was the Suez expedition. Conceived, bungled and aborted by politicians whose flexible morals allowed them to be merciless to little Egypt while they cringed before great Russia, this expedition was brilliantly executed by British and French soldiers for whom, from the strictly operational point of view, the conquest of Port Said was a victory

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WORLDGRAM

India

Huge Nylon Igloo for Delhi Fair: One of the most intriguing items at the Indian Industries Fair at Delhi in November will be a huge nylon "airhouse"—an igloo-like skin of tough coated nylon fabric which literally has no visible means of support. It is held up solely by a constant supply of low pressure air blown in by electric fans. The airhouse on show will measure 70 ft. by 40 ft. by 20 ft. but bigger ones can be made. It is light in weight, easy to handle, folds into a compact bundle for storage and transport, is completely waterproof and extremely strong and durable. Absence of supporting poles makes it particularly suitable for temporary warehousing, travelling exhibition, emergency hospitals and so on. In Britain a house has been built beneath one. The airhouse at the Delhi Fair will be shown by British Nylon Spinners Ltd., the largest producers of nylon yarns in Europe and the Commonwealth, who will use it to house an impressive display of a hundred different articles made from nylon yarns. These will include immensely tough and long-lasting conveyor belting and a wide range of fishing nets of types now used extensively in India and elsewhere because they last longer and catch more fish.

*

Tractors and Farms Equipment Limited: Tractors and Farms Equipment Limited, Madras, which has been jointly formed by the world-wide Massey-Ferguson Organisation and Simpson and Company Limited, of Madras, for the manufacture and marketing of Massey-Ferguson tractors and farms machinery in India, has assumed distributional control in North India for all Massey-Ferguson products. This makes Tractors and Farms Equipment Limited sole distributors of M-F Equipment in India, and provides a direct link through a national Main Dealer network, between factory and customer in all parts of the country. The distribution of Massey-Ferguson Tractors and farms machinery in North India has been controlled hitherto by Escorts Limited, Delhi, under an arrangement between that Company and Massey-Ferguson Limited, Toronto, which was amicably terminated recently.

*

Manufacture of Chemicals and Fine Chemicals: For the manufacture of chemicals and fine chemicals, a new company has been formed under the name of Dr. Paul Lohmann (India) Ltd. The technical collaborators are Dr. Paul Lohmann Chemische Fabrik of Emmerthal, West Germany. A manufacturing licence for producing 54 items of chemicals has been obtained by the company, and the total output is estimated to be 3.36 million lbs. of organic and inorganic chemicals. The value of such output, in terms of retail prices, is calculated to be Rs. 1 crore per annum. The technical collaborators will be represented on the Board of the Indian company by two directors and adequate provision is being made for the availability of technical 'know-how' and research. Management of manufacturing techniques is to be vested in West German specialists, so that the best possible control over quality of the products is vouchsafed.

The new issue on the formation of this company is for an amount of Rs. 30,00,000 of which the Indian Promoters, Directors and their friends and the Associates will take up Rs. 6,00,000. The West German firm of Dr. Paul Lohmann Chemische Fabrik will be allotted Rs. 4,00,000 worth of equity shares against plant and equipment to be supplied to the Indian company. Both the terms of the technical collaboration and the

allotment of such shares to the West German firm have received the approval of the Government.

United States

Financing of Power Plants: Two U.S. Government loans were recently approved which will finance installations providing more than 300,000 kw to India's electric power generating capacity. The entire anticipated cost of the two projects located in Orissa and Madhya Pradesh will be met by U.S. Government credits. In recent months, the United States has concluded similar agreements with India for the construction of 5 other projects. In all, the United States is financing the entire cost of constructing power facilities which will produce more than three-quarter million kilowatts. The two new power stations will be built at Talcher in Orissa and at Amlai in the Birsinghpur District of Madhya Pradesh. The U.S. Development Loan Fund will give loans totalling \$41.4 million (Rupees 19.7 crores) to meet the costs of acquiring equipment, materials and services abroad. Rupee costs of the project such as payments to workers and purchase of materials in India will be met from loans totalling Rs. 51.1 crores from the sale proceeds of U.S. agricultural commodities supplied to India.

Germany

Air Taxis: Industrial companies use executive aircraft for speedy transport, and many of them have even built their own air-fields. Others again use what are called "air taxis" which are available at every air-port. The "air taxis" offer 4 to 5 seats and are ready to take off within ten minutes after being hired. They provide a valuable service in times of urgency. Owing to the high operating costs, however, they are not still quite numerous. Less costly, however, will be regular near distance airline transport which, apart from the air taxis service will be organised in the densely populated areas. The first envisaged line will operate on the route Dusseldorf-Cologne-Luxemburg-Saarbruechen, which is to be served every morning and afternoon. A great and profitable future is expected for this near distant air transport which is to connect the international airports.

Pakistan

Road Link with Iran: The question of alignment in Pakistan of the coastal road, a Cento Project, has been considered by experts in the light of the decision of the Government of Iran to connect the road at Pishin, on the Pakistan-Iran border. The experts have recommended that the alignment of the coastal road may be shifted to about 60 miles away from the coast, but parallel to it along the already existing jeepable track from Bela to Pishin passing through Bazdar, Hoshab, Turbat, Tump and Mund. The Pakistan alignment will meet the Iranian alignment at Pishin. It has also been recommended that the port towns of Ormara, Pasni, Gwadar and Jiwani should be connected with the proposed highway through link roads. The 410-mile coastal road, envisaged as an all-weather black top road, was jointly sponsored by Pakistan and Iran as a joint project approved in 1957. This will open up new areas in the former Baluchistan.

*

P.I.A. to Build Model Hotels: Work on the construction of a chain of model hotels proposed to be built by the Pakistan International Airline at all important cities including Karachi, Lahore, Rawalpindi and Peshawar is

expected to start by the end of the current year. The blue-prints of the proposed hotels are being prepared and it is expected that Karachi will be the first to have a 100 room modern hotel under the plan.

Australia

Taxation Concessions in Drive for Exports: Rebates of pay-roll tax and special income taxation concessions for the export industries, as well as an additional outlay of over £220,000 a year for overseas trade promotion, have been announced by the Australian Government in its plan to increase exports. The rebate of the pay-roll tax will be 12½ times the proportion of the increase in export sales of a business over the average for the base years 1958-59 and 1959-60 to the total income of the business from trading. It will operate for three years beginning July 1st last. The Government will also consider the question of financial assistance for a limited period to assist in the establishment of a regular shipping service between Australia and South America, and will open Trade Commissioner posts and institute a trade publicity programme in South America. Trade missions will also be sent to South America and to Eastern Mediterranean countries.

*

New Factories for Copper Wire and Cables: The latest companies to announce a new project for the manufacture of copper wire and cables are Metal Manufacturers Limited and Cable Makers Pty. Ltd. They will spend more than £500,000 to establish non-ferrous metal fabrication and cable factories in Perth, Western Australia. One will produce copper wire and strand and annealed copper tubing and the second factory will make thermo-plastic insulated cables and copper wire.

United Kingdom

Rise in U.K. Savings and Investment: The upward movement in investment in machinery, plant and buildings in the United Kingdom which began in the second quarter of 1959 continued throughout 1960, and in the second half of 1960 this type of investment was 8½ per cent higher than a year earlier. These facts are brought out in the latest estimates of national income and expenditure in the fourth quarter of 1960, published as an article in the April issue of Economic Trends by the Treasury in London. There was also a rise in total personal income in the United Kingdom of 6½ per cent between the fourth quarters of 1959 and 1960. At the same time, personal saving rose steeply during 1960, partly as a result of a fall in borrowing on hire-purchase and from banks following the credit controls imposed in April. As a consequence, the rise in consumption in 1960 was modest (less than 3 per cent between the fourth quarters of 1959-1960) and most of it occurred before the middle of the year.

*

Building Nuclear Power Station in India: One of Britain's three consortia building atomic power stations is to tender for the nuclear station to be built in India at Tarapur. At places like Tarapur, where coal or other fuel was not readily accessible, the advantage favouring atomic stations were greater. Coal would have to be transported over long distances in great quantities to feed a conventional generating station at Tarapur, whereas the 1½ tons of fuel per week required for an atomic power station of 250 megawatt capacity could be carried in a single aeroplane. The cost of generating electricity by

nuclear means in Britain was falling and was likely to be as cheap as generation by conventional means in the not very distant future.

France

Output of Bicycles and Motorcycles: The total output of motorcycles was slightly higher during February and totalled 77,282 units compared with 72,918 units during January. However, this was less than that for February, 1960. The output of heavy scooters was not affected by this increase. The total output for the first two months of 1961 totalled 1,50,200 units compared with 1,58,474 units during the corresponding month of 1960. Bicycle production has increased, largely due to the population increase and the expansion of post-educational classes which obliged young students to travel to educational centres, which they often do by bicycles. The average monthly production is 55,000 units, with Peugeot heading the list of manufacturers.

Yugoslavia

Zagreb Fair: Over 31 billion dinars (about 40 million dollars) worth of business was concluded at the International Zagreb Spring Fair from 14th to 23rd April, the management of the Fair announced recently. Most of it about 25 billion dinars was accounted for by home trade, 3.1 billion by exports and 2.9 billion dinars by imports. 468 Yugoslav and 168 foreign exhibitors from 18 countries took part in the Fair this year. Eleven specialised exhibitions were organised as part of the fair.

Mexico

Payments Agreements with Spain: The payments agreement signed more than 12 years ago by the Spanish Foreign Currency Institute and the Mexican Authorities is to continue without substantial modification. The maximum value of bilateral transaction covered by the agreement will continue to be 3.5 million dollars, notwithstanding a Spanish Institute request for an increase in that amount during negotiations proceedings conducted with the Banco Nacional de Comercio Exterior, S.A. and the Bank of Mexico.

Bolivia

Inter-American Bank Loan: The Inter-American Development Bank has announced approval of a 10 million dollar loan to the Bolivian Development Corporation, to be financed out of the Bank's Special Operations Fund. Reimbursement will be made in part in Bolivian currency. This is the second loan to be supplied by the Bank since it began operations in October, 1960. Bolivia will use the funds to carry out a series of projects in the fields of agriculture, industry, mining, electric power, irrigation and drainage. These investment areas were considered by an Inter-American Development Bank delegation to be the best suited for putting an end to the weakened state of the Bolivian economy. Loan proceeds will be devoted to the following specific projects. Agriculture: A programme for improving cattle and sheep breeding, mechanizing private farms, and granting credits for agriculturists through the Bolivian Agricultural Bank. Mining: Credit grants for medium-sized mines. Industry: Small loans for re-equipping industrial firms and increasing their range of activity. Irrigation and drainage: Improvement of cultivable land use on the high plateau and in Villamontes to encourage resettlement of the interior of the country. Electric power: The operation of mobile units to supply thermoelectric power to the cities of Cochabamba, Sucre, Potosi, Santa Cruz, Tarija, Trinidad, Riberalta and Cobija.

NEWS IN BRIEF

INDIAN

Indian railways have created an all-time record in transportation of goods by loading more than ten million wagons during the year just ended.

*

The award of President's Gold Medal and two cash prizes are to be made for outstanding contributions in the field of agricultural implement manufacture. The first prize will be the President's Gold Medal and a cash award of Rs. 3,000 and the second prize will be a cash award of Rs. 2,000. The awards are being made under a scheme sanctioned by the Indian Council of Agricultural Research.

*

A tripartite delegation will represent India at the Seventh Session of the Inland Transport Committee of the International Labour Organisation to be held at Geneva from May 8, 1961.

*

The Government of India have decided to set up a separate cell for soil conservation in the catchment areas of river valley projects in the country.

*

India's export of coal to Pakistan went up by about 13,000 tons in March as compared to the previous month.

*

Mr. S. K. Sen, Chairman, Mica Export Promotion Council, revealed recently that export of Indian mica in 1960 declined to Rs. 10.64 crores in value from Rs. 11.14 crores in the previous year.

*

The Government of India has decided to entertain applications for the import of textile machinery from France during the licensing period April to September, 1961 under the French Credit Scheme.

*

The Government of India has announced that the last date for authorising the commodity agents of the bartering contractors for the import of cotton staple 1-1/16 inch and above has been extended to May 31 from May 1.

*

The Government of India has decided to raise the present limit of 8 per cent protein content in guar gum meant for export to 9 per cent on dry basis with a tolerance limit of plus or minus 0.5 per cent, says a Press Note issued by the Joint Chief Controller of Exports.

*

The Kashmir Government is launching a Rs. 40 lakh programme this year for the economic development of the Ladakh district.

*

It is reported that the Amalgamated Export Corporation had shipped 11,000 cycles to Egypt. The Corporation had plans to export as many as 25,000 cycles during the current year.

*

Out of Rs. 528 lakhs, inclusive of interest overdue to the Rehabilitation Finance Administration as on December 31, 1960, a sum of Rs. 9,415 i.e. 0.018 per cent has been written off so far.

FOREIGN

A £1.4 million project for the production of a wide range of tyres in the Federation of Malaya was announced by the Dunlop Rubber Company recently. Agreement has been reached with the Malayan Government to establish a factory which will be built on a site already acquired at Petaling Jaya.

*

An agreement between a US steamship line and a Soviet, company, believed the first of its kind, has been filed with the Federal Maritime Board.

*

Japan's balance of international payments in March produced a surplus of \$19 million compared with one of \$63 million in February, the Bank of Japan announced recently.

*

It is reported, the last of the rectifier equipment for extensions to the aluminium smelting plant of Ardal og Sunndal Verk in Ardal, Norway, is being completed in the Rugby Works of Associated Electrical Industries.

*

The Moscow Trade Fair will be the springboard of a new drive by the British Government to increase trade with the Soviet Bloc. British exports and re-exports to the Sino-Soviet bloc rose from £103 million in 1958 to £120 million in 1960 and imports in that period increased from £121 million to £164 million.

*

It is reported, a Canadian Trade Development Plan for tax incentives for export industry is being closely studied by the Government.

*

The Italian State Railways are believed to be studying measures which would provide for increases of 15 per cent on present passenger fares, 10 per cent for goods and 20 per cent for parcel carriage rates.

*

The number of foreigners coming to the UK last year totalled 1,731,658 compared with 480,066 in 1959, according to figures issued by the Home Office in a White Paper recently.

*

Overseas Chinese, American, British, Swedish and Filipino businessmen are putting in an initial investment of \$1 million (Hong Kong) to set up an Instant Coffee plant in Hong Kong.

*

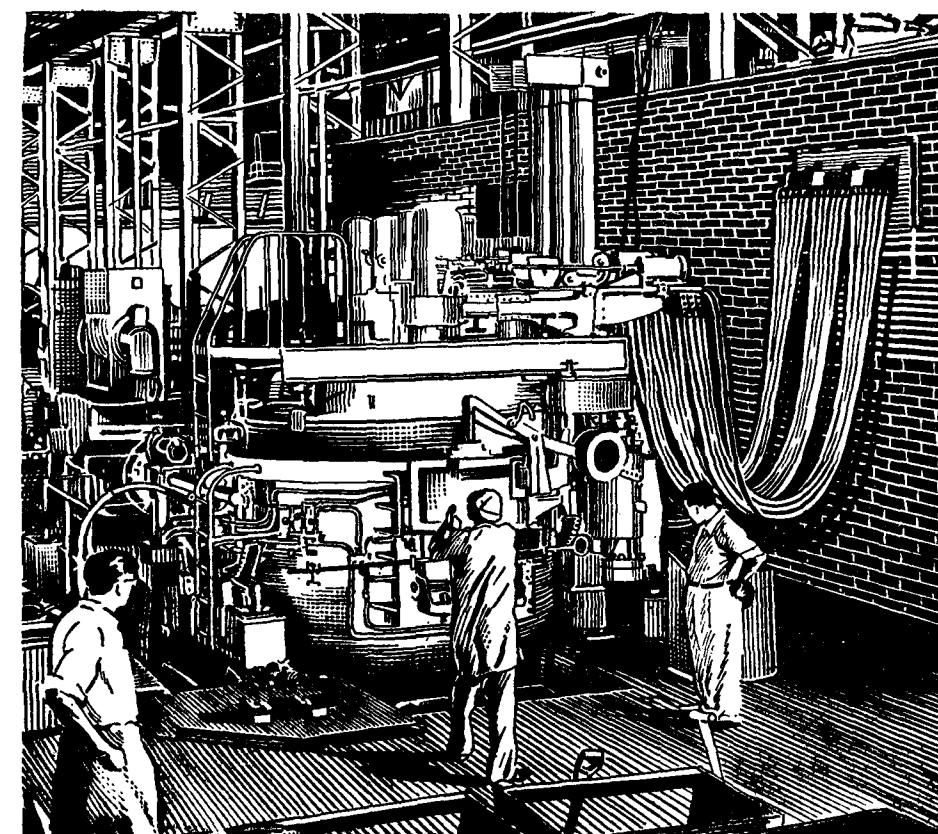
Australian wool production for 1960-61 is now expected to total 1,616 million lbs.—about 1 per cent above previous estimates. Mr. J. S. Gale, President of the National Council of Wool Selling Brokers, said the production estimate—expressed in terms of the greasy equivalent—was still below last year's output, which totalled nearly 1,690 million lbs.

*

The Japanese Ministry of Trade has announced that foreign exchange worth \$16.75 million would be allocated for imports of electrolytic copper, copper-based alloys, scrap copper and scrap copper-based alloys.

*

Daimler-Benz, the Stuttgart motor concern has been granted a DM60 million (about £5.4 million), 15-year line of credit at 6 per cent by Deutsche Bank.



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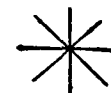
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PRESIDENT KENNEDY'S CUBAN BLUNDER

By

WILLIAM REES-MOGG

THE French Generals have discovered that the trouble with conscripts is that one cannot rely on them to mutiny. They have also learned that the trouble with de Gaulle is that one cannot rely on him to panic. These two miscalculations have brought to an end several distinguished military careers.

While the French Generals were making their miscalculations about Algeria the President of the United States was making equally serious miscalculations about Cuba. In the event, however, the French Generals destroyed themselves—to the great advantage of the free world — while President Kennedy, though by no means destroyed, committed a blunder which weakened his prestige at home, and greatly damaged the favourable image of him which existed, abroad.

There is already an apocryphal story in London of a Conservative backbencher who started his speech to the local women's association last week-end with these words. "People have been saying that what we need in this country is a youthful, vigorous, dynamic and imaginative leadership like President Kennedy's; after Cuba, how grateful we must all be that our leadership is nothing of the kind".

Mr. Maurice Cowling, the Cambridge don who is probably the finest intellect of the young right-wing Conservatives, made the same point in a letter published in 'The Times' last Tuesday. He asked "whether the Bow Group still believes this week, as it did last, that what the Conservative Party needs at the highest levels is a dash of the Kennedy touch?"

Cuba and Algeria have radically altered the balance of economic as well as political forces in the world. In the first place the failure of the revolt in Algeria has greatly strengthened General de Gaulle's position in Europe. It has removed a threat which was hanging over his regime; it has made possible and even likely a settlement of the Algerian War. If the Algerian War is settled then the French economy will be relieved of a serious economic strain.

Unfortunately, the strengthening of General de Gaulle's influence, while admirable in many ways as a symbol of the strength and survival of France, is, obviously, less favourable for Britain. But for French policy, which General de Gaulle has endorsed, Britain would already be a member or close associate of the Common Market, without damage to the Commonwealth. Again and again Britain has made concessions to the French point of view, and again and again new objections have been raised. French policy is to keep Britain out of Europe, and anything which makes General de Gaulle stronger makes it more difficult for Britain to join Europe.

There are, therefore, drawbacks even to something as desirable as General de Gaulle's victory. There are very few compensations for President Kennedy's defeat. The invasion of Cuba was a policy which could only conceivably be justified by success, and perhaps not even by that.

In international terms this failure throws open again the leadership of the broken Alliance. The United States remains the only possible leader of the Western Alliance, but has long ceased to be the automatic one. Under President Eisenhower the leadership was forfeited because it was not exercised; President Kennedy, by disappointing great hopes, has at least temporarily lost the lead by forfeiting confidence. In Britain, the American attitude toward Suez and Mr. Lodge's unctuous reproaches in the United Nations are only too vividly remembered. The United States may well have been right then to appeal to international morality, but can hardly apply morality to the British case and expediency to her own.

The loss of prestige of the American administration must also affect economic confidence. The recovery on Wall Street and the recovery in the dollar both relied to a large extent on the attraction of President Kennedy's personality. Little was achieved, but much was expected. The faith in President Kennedy was indeed justified in that his policies were far-reaching and imaginative. It was no wonder that they appealed to the world and to the United States; the confidence that was generated was damaged severely.

Journalists, it is often said, exaggerate; they exaggerate on the way up and they exaggerate on the way down. Certainly no one even has supposed that President Kennedy was infallible — though even those who expected him to prove fallible can hardly have expected this particular mistake.

What will be needed now is a longish period of rebuilding. It is absolutely vital that President Kennedy should avoid an obsession with Cuba; if he dies with Cuba written on his heart he will be a quite intolerable nuisance while he remains in office. It is vital that he would recover the character which had been accepted as his, a character which combined caution with strength, which acted on clear-headed calculation and not on false and optimistic expectations.

This recovery is essential to the world because the system of the free world needs a President as strong as Kennedy seemed to be. It needs it to solve its many economic problems; it also needs it to solve the Berlin crisis which is looming up in October. It has to be remembered that a weak President can do nothing; he lacks the power to stand firm, but he also lacks the power to negotiate or retreat.

Special Article

THE REGIONAL PATTERN OF INCOMES, 1955-56 TO 1960-61

THERE is great interest in the pattern of distribution of the increase in national income which occurred during the Second Plan. The official estimates, however, do not present any precise information beyond 1959-60—the fourth year of the Second Plan, and the official agencies have not so far presented the State-wise distribution of this increase in income. The National Income Unit of the Central Statistical Organisation has estimated that India's total net output increased by 12.2 per cent only in the first four years of the Second Plan. According to the major economic indicators, the last year of the Second Plan was an extremely favourable one both in the sphere of agriculture and industry and unofficial estimates indicate that the increase in the national income in 1960-61 might turn out to be around 7 to 8 per cent above 1959-60. Thus it is estimated that in overall terms the Second Plan may result in a total

increase of 20 per cent in national income at constant prices.

In its latest "Quarterly Economic Report" the Indian Institute of Public Opinion has set out the regional growths in income between 1955-56 to 1960-61. The State-wise computations made by the Indian Institute indicate a slightly higher increase in national income. As against the all-India estimate of a rise of 20 per cent in national income, the regional pattern yields a result which is higher at 23.5 per cent in real terms. This can be explained by the fact that the two approaches are slightly different and the estimates in the case of certain States have been made for the last year on the basis of certain indirect evidence.

The table below sets out the estimates of the Indian

REGIONAL INCOMES, 1955-56 TO 1960-61

(Rs. Crores at Current Prices)

State	Agriculture					Industry				
	1955-56	1959-60	1960-61	% change over 1955-56	% change over 1959-60	1955-56	1959-60	1960-61	% change over 1955-56	% change over 1959-60
Andhra	400.00	555.40	598.38	+ 49.60	+ 7.74	67.34	78.96	86.05	+ 27.78	+ 8.98
Assam	171.57	251.86	270.73	+ 57.80	+ 7.49	7.81	10.10	11.63	+ 48.91	+15.14
Bihar	309.95	403.57	436.96	+ 40.98	+ 8.27	119.87	163.79	194.30	+ 62.09	+18.63
Gujarat	112.95	196.29	207.14	+ 83.39	+ 5.53	159.89	216.26	257.33	+ 60.94	+18.99
Kerala	194.66	332.19	359.99	+ 84.93	+ 8.37	64.79	80.63	89.01	+ 37.38	+10.39
Maharashtra	366.08	538.15	573.14	+ 56.56	+ 6.50	255.14	346.63	414.56	+ 62.48	+19.60
Madhya Pradesh	325.00	426.63	457.46	+ 40.76	+ 7.23	100.75	138.04	153.32	+ 52.18	+11.07
Madras	363.25	563.50	609.27	+ 67.72	+ 8.06	126.35	156.62	179.88	+ 42.37	+14.85
Mysore	195.69	289.68	312.42	+ 59.65	+ 7.85	52.73	67.80	77.52	+ 47.01	+14.34
Orissa	145.49	225.81	226.66	+ 55.79	+ 0.37	31.29	65.35	74.95	+139.53	+14.69
Punjab	243.30	461.39	493.76	+102.94	+ 7.02	37.64	48.26	55.46	+ 47.34	+14.92
Rajasthan	175.37	270.28	289.29	+ 64.96	+ 7.03	48.44	51.33	53.09	+ 9.60	+ 3.43
U. P.	689.41	1008.87	1080.05	+ 56.66	+ 7.06	182.37	190.99	208.16	+ 14.14	+ 8.99
West Bengal	309.41	523.70	570.35	+ 84.33	+ 7.88	223.63	352.19	443.81	+ 98.46	+26.01
Union Territories	31.07	48.90	52.58	+ 69.23	+ 7.53	26.94	44.68	48.70	+ 80.77	+19.71
All-India	4033.21	6101.52	6538.18	+ 62.11	+ 7.16	1504.98	2007.63	2347.77	+ 56.00	+16.94

REGIONAL INCOMES, 1955-56 TO 1960-61

(Rs. Crores at Current Prices)

State	Tertiary					Total				
	1955-56	1959-60	1960-61	% change over 1955-56	% change over 1959-60	1955-56	1959-60	1960-61	% change over 1955-56	% change over 1959-60
Andhra	271.12	359.52	381.62	+40.76	+6.15	738.46	993.88	1066.05	+44.36	+ 7.26
Assam	72.24	103.23	111.48	+54.32	+7.99	251.62	365.19	393.84	+56.52	+ 7.85
Bihar	212.35	272.06	286.98	+35.14	+5.48	642.17	839.42	918.24	+42.99	+ 9.39
Gujarat	235.42	320.21	341.41	+45.02	+6.62	508.26	732.76	805.88	+58.56	+ 9.98
Kerala	125.24	159.38	167.91	+34.07	+5.35	384.69	572.20	616.91	+60.37	+ 7.81
Maharashtra	455.62	561.31	587.61	+28.97	+4.69	1076.84	1446.09	1575.31	+46.29	+ 8.94
Madhya Pradesh	201.76	262.69	277.91	+37.74	+5.79	627.51	827.36	888.69	+41.62	+ 7.41
Madras	295.71	397.30	422.45	+42.86	+6.33	785.32	1117.72	1211.60	+54.28	+ 8.40
Mysore	153.68	202.08	214.19	+39.37	+5.99	402.10	559.56	604.13	+50.24	+ 7.97
Orissa	80.98	108.08	115.60	+42.75	+6.96	257.76	399.24	417.21	+61.86	+ 4.50
Punjab	220.49	306.61	328.13	+48.82	+7.02	501.43	816.26	877.35	+74.97	+ 7.48
Rajasthan	157.61	194.19	203.34	+29.01	+4.71	381.42	515.80	545.72	+43.08	+ 5.80
U. P.	540.67	688.71	725.71	+34.22	+5.37	1412.45	1888.57	2013.92	+42.58	+ 6.64
West Bengal	464.59	572.64	599.65	+29.07	+4.72	997.63	1453.53	1613.81	+61.76	+11.03
Union Territories	146.30	219.92	238.33	+62.90	+8.37	204.31	309.50	339.61	+66.22	+ 9.73
All-India	3633.78	4727.93	5002.32	+37.66	+5.80	9171.97	12837.08	13888.27	+51.42	+ 8.19

Institute for all the States of the Indian Union, not at constant prices but at current prices. The total rise in national income at current prices is estimated at 51.4 percent. Naturally this includes the element of rise in income due to the inflationary increase in prices. While the wholesale price index shows a rise of 34 percent and the all-India cost of living index indicates a rise of about 29 percent, it is estimated that the increase in national income due to the higher prices was not more than 27 per cent in the estimates presented in the table. If the effect of the rise in prices is eliminated, the absolute increase in national income works out to be around 24 percent. This again confirms, by and large, the estimate of the Economic Intelligence Unit of the Indian Institute of Public Opinion.

The analysis presented in the table highlights the fact that the increase in national income in the case of agriculture was the highest at 62 percent followed by industry at 56 percent and the tertiary activities at 38 percent. It is to be conceded that economic development during the Second Plan has occurred in a slightly uneven manner in the various sectors. This element of uneven growth is exhibited significantly in the case of industry and tertiary activities than in the case of agriculture. For instance, in the case of industry, the highest percentage growth is indicated by Orissa as against the lowest percentage rise in Rajasthan. In a similar manner, Maharashtra seems to be at the bottom of the list in the case of tertiary activities, while Assam tops the list in this case.

In agriculture, Punjab has been the most prosperous State and has scored over all other States. Its rise in agricultural income at current prices by about 102.9 percent is the highest amongst all the

States of the Indian Union. At the lower end of the data lie the States of Madhya Pradesh at 40.8 percent, and Bihar at 41.0. While the growth in national income in the agricultural sector continues to be dependent upon favourable weather to a certain extent yet the investment which has been made during the last decade in the agricultural sector has provided an element of stability which tends to narrow down the large fluctuations between the best and the worst years.

If the estimates of the Indian Institute of the rise in national income at 23.5 percent is confirmed by official estimates later in the year, then the Second Plan would fall short of its rise in national income by less than 2 percent. The gap in the case of the per capita income would, however, be much larger because the latest census has revealed a rate of rise at 2.1 percent per annum which is significantly above the estimates assumed in the Second Five Year Plan. According to the present estimates, the rise in the population of the country during the last 5 years was of the order of 11 percent. The per capita rise thus turns out to be 12.5 percent in 5 years or 2.5 percent per annum. On the basis of the official estimates, however, the rate of rise may be slightly less than 2 percent per annum.

Regional disparities in per capita income are as wide as in the case of the State incomes. Assam and Rajasthan seem to have advanced below 5 percent. The States with less than 10 percent advance in per capita income during the Second Plan are Andhra, Bihar, Maharashtra, Madhya Pradesh, Mysore and Uttar Pradesh. The per capita income in the Punjab on the other hand has increased by as much as 26.4 percent. Gujarat, Orissa and West Bengal are also considerably above the all-India average.

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THE BUSINESS WORLD

Common Man and the Cotton Mill Industry

By
CROESUS

IF one wanted to condemn India's Five-Year Plans and the Planning Commission and to discard both of them like the proverbial throwing out of the bath tub with the baby, no greater and better excuse than that provided by the availability of cotton textiles to the Indian consumer at the end of two plans would seem to be necessary. It must be shocking to any one to note, from the speech of Mr. Krishnaraj M. D. Thackersey, Chairman, Indian Cotton Mills' Federation, at the Third Annual General Meeting held last week, that "the availability of cotton textiles, which was 15½ yards during the pre-war period, has after 21 years and two plans remained static at the same level, the actual figure for 1960 being 15½ yards—taking the population of that year at 430 million." How grave the situation from the point of view of catering to the common man's wants is will be evident from the calculation of Mr. Krishnaraj of the minimum 'per capita' requirement of cloth of 21 yards. I do not think any one will seriously challenge this calculation which I reproduce in full: "If only one pair of shirts and one pair of 'dhoties' can, with continuous use, be made to last eight months, a man will require 14 yards in eight months, that is 21 yards in a year. If a pair of 'sarees' and a pair of blouses can similarly be made to last eight months, a woman will also need 21 yards per year. There can be many regional variations in the clothing requirement, depending upon climatic conditions, the custom and usage, the type of clothing used by various strata of society, etc. But providing for other items like underwear, bedsheets, chaddars, headwear, towels, etc., the minimum requirement for a reasonably modest standard of living may, by and large, be put down at 21 yards 'per capita'."

Against this actuality, it is difficult to believe how all the tall promises of an increase in the standard of living made in one plan document after another will carry conviction with the common man. It was high time, therefore, that somebody told the people in plain language as to who is responsible for the low 'per capita' availability of cotton cloth today. Although it may seem like high pressure (or even "tendentious") publicity, the ICMF Chairman did well in putting into proper focus the performance of the different sectors of the Indian cotton textile industry. Thus, according to Mr. Krishnaraj, out of some 6,600 million yards made available to the civilian market in 1960, about 2,250 million yards were supplied by the decentralised sectors, that is, the handloom and the powerloom sectors. It would be instructive to compare this performance with the targets fixed earlier by the Government. As against the official estimates of around 1,850 million yards, the handlooms produced only 800 million yards in 1960; against the official estimate of 350 million yards, the powerloom sector, however, accounted for 1,400 million yards. The mill sector, on the other hand, was responsible for 4,350 million yards for civilian consumption and 690 million yards for exports, or a total of 5,040 million yards, as against the official target of 5,000 million yards. It is thus seen that, despite the enor-

mous expansion by the powerlooms, the decentralised sector as a whole could not deliver the goods and yet, strange to say, the Planning Commission has decided that, at the end of the Third Five-Year Plan, the country should produce 9,300 million yards in all, out of which the share of the organised sector, that is the mill industry, should be only 5,800 million yards, while those of the handlooms and other decentralised sectors should be 2,800 million yards and 700 million yards, respectively. Even assuming that these targets are going to be fulfilled by the respective sectors, it is necessary to note here that the common man is not assured, even at the end of the Third Five-Year Plan of his minimum requirement of 21 yards; he will get only 18 yards! Possibly, it may be much less, thanks to the twin uncertainties of the rate of growth of our population and the extent of performance of the decentralised sectors.

There is yet another factor making for uncertainty, namely the delay in the grant of industrial licences to the mills that may want to expand. It is estimated that something like 18 to 24 months would be required for the grant of an industrial licence to install sanctioned capacity. If the powers-that-be are not prepared favourably to respond to the plea of the mill industry to raise its quota of production, they should at least expedite the grant of licences to the organised sector to the extent of installed capacity warranted by the target assigned to it so as to enable it to fulfil it. The "industry", as Mr. Krishnaraj declared, "earnestly desires to fulfil the target that may be allotted to it, so that it should be rid of controls and restrictions, which bring satisfaction neither to the consumer nor to the industry, but make for constant friction and irritation all round."

It is thus easy to understand the disgust of the industry to put up any more with controls and restrictions. It is foolish to think that controls can work miracles, regardless of the operation of the inexorable laws of supply and demand. What the ICMF Chief remarked, therefore, namely that "the consumer will have to pay for his clothing requirements the price dictated by the law of supply and demand, and control at the mill stage, or may be even at the wholesale stage, offers no solution to the problem of ensuring a proper price for the consumer", is particularly relevant. "The one and the only solution", as he said, "is to bring about parity between supply and demand."

Lest what has been stated above should be misconstrued by any one that the mill industry does not seem to be very keen on playing the game with regard to prices, it is necessary to add that the industry has not only accepted the reduction in prices suggested by the Government but has endeavoured its best to enforce the reduced prices through voluntary effort. It is needless to labour the point how difficult it is to regulate prices of cloth produced by so many units producing so many different varieties and on equip-

ment varying so greatly. There is hardly any precedent to this sort of regulation. This apart, it is a stupendous task to fix the prices of current as well as new sorts produced by all the mills and to link them to quotations of comparable sorts produced in the past.

Notwithstanding all this, the question of what is a reasonable price level for cotton textiles apparently remains unsolved, as witness the enquiry by the Tariff Commission, which is presently seized with this problem. As Mr. C. H. Campbell, Chairman of the Swan Mills Ltd., observed at the Annual General Meeting of the Company last week, "it will be extremely difficult, if not impossible, to arrive at a realistic cost structure for cloth which is produced in so many thousands of different varieties and qualities. To the man in the street, the appointment of a Tariff Commission might appear to indicate that cloth prices are unreasonably high and that, as a result of the Tariff Commission enquiry, cloth prices may be further reduced. It should be borne in mind, however, that, with the increase in the price of cotton and the increase in the wage bill as a result of the Wage Board Award, there is every likelihood that, in the case of certain qualities, prices fixed by the Tariff Commission may be higher than current prices." This warning, in my opinion, has come at a very appropriate time, because, in fixing the prices, the Tariff Commission will certainly be called upon to provide for the rehabilitation programme of the industry. That the rehabilitation of the industry is long overdue is universally accepted. So also is the fact that this will entail a very heavy investment. The NIDC Working Group has estimated that, even for a modest scheme of modernisation and rehabilitation, a sum of Rs. 180 crores would be required over the next five years, the industry being called upon to find, out of its own reserves, as much as Rs. 80 crores for this purpose. Unless, therefore, suitable provision is made for including this item in fixing cloth prices, the rehabilitation programme may not materialise to the extent necessary. But the country cannot risk a contingency such as that, especially after last year's decline in our exports of cotton textiles to 690 million yards of cloth and 14 million pounds of yarn from 810 million yards of cloth and 21 million pounds of yarn

in 1959, not to speak of the target that we demanded for ourselves at Buxton of 1,000 million yards. Mr. Krishnaraj seemed to console himself by saying that, despite the decline in the quantum, there was no fall in value, that is in the foreign exchange earned by exports of cotton textiles. That, however, is a very poor consolation. Anyway, it is significant he was not himself satisfied with the performance and felt compelled to urge: "It is needless for me to impress upon the industry our national duty to make constant endeavours for improving exports". While it is laudable of him categorically to state that, in spite of our shortcomings in the matter of quality and costs arising from the use of old machinery, everything would be done to reach our export target of 861 million yards in 1961, it is for the Government, on the one hand, and the workers, on the other, to eliminate the shortcomings both as to quality and costs. If it behoves labour to co-operate with the industry in raising production in the manner suggested by Mr. Krishnaraj, it behoves Government to lessen the impact of its excessive excise duty. The heavy burden of this duty should be obvious to anyone from the experience of the Swan Mills since the introduction of the excise duty on cloth in 1949. The Chairman of Swan Mills has estimated that, whereas the total profits after tax paid to the Government over this period amounted to only Rs. 2.38 crores, the total excise duty paid to the Government was no less than Rs. 3 crores. According to another estimate, the organised sector of the cotton textile industry has to pay more than Rs. 86.25 crores per annum, by way of different taxes and levies to the Union and State Governments. There should certainly be scope for some reduction in this heavy burden on the industry, if only because it is an industry on the export performance of which the country is dependent to not a small extent for earning its foreign exchange. On their part, the cotton mills in India should also deem it their duty to make a sizeable contribution to the country's export trade and not remain smug and complacent, being assured of a vast domestic market. For so long has this charge been made against our cotton mill industry that it can pretend not to be aware of it and, much less, not to take it seriously enough.

Business Notes

Capital Formation

PLEA FOR "INVESTMENT RESERVE"

WHEN A country embarks upon an ambitious programme of industrialisation, the need for capital formation assumes more than ordinary significance. It is especially so in the case of developing countries like ours. It is now known that, during the Second Five-Year Plan period, there was a considerable increase in investment, both in the public and the private sectors, despite a shortfall of about 20 per cent in the attainment of the public sector investment targets in real terms. In the context of the imperative need, on the one hand, and the known shortfall in the investment target, on the other, it becomes necessary to make special and positive efforts to encourage investment and capital formation during the Third Plan period. Helpful suggestions in this behalf like those put forward by Mr. Lalchand Hirachand, President, Maharashtra Chamber of Commerce, at the second quarterly general meeting, held in Bombay last week, therefore, require to be taken note of particularly by the powers-that-be.

One of Mr. Lalchand's suggestions was that the Government should consider the efficacy of the scheme of "Investment Reserve" on the pattern existing in Sweden, whereby an industry can be allowed to set apart up to 40 per cent of taxable income to be invest-

ed in an approved industry or in the expansion of its own industry. Such investment, he stated, is allowed to be deducted from the taxable income, on condition that the reserve is utilised for the purpose earmarked, within five years. It may be noted here that a step has already been taken in this direction by Pakistan where a concession on similar lines is given up to 20 per cent or Rs. 8,000, whichever is less. According to Mr. Lalchand, a tax relief of this kind would go a long way towards attracting dormant capital and accelerating industrial expansion in the country.

While on this subject, the M.C.C. Chief criticised the recent enhancement of the tax incidence on earned income of over one lakh of rupees and expressed the view that, whereas the State Exchequer might not earn much revenue out of the proposed enhancement, the enhancement as such would certainly leave an adverse psychological and economic effect on capital formation within the country. The country at present has the highest incidence (80.5 per cent, as against 77 per cent prior to the increase) in the matter of direct taxes and the effective rate of taxation is higher in India than in the U.S.A., Canada, or France, he pointed out.

Mr. Lalchand's reference to the Third Finance Commission and his plea for a higher allocation for the State of Maharashtra out of the divisible pool of income-tax—he said that this should be 80 per cent on

the basis of population, 10 per cent on the basis of industrial production and 10 per cent on the basis of collections—will no doubt strengthen the hands of the State Government. In this connection, he pointed out that, while the number of income-tax payers was less than a million, the industry group occupied a very significant position 'vis-a-vis' the share of the industrial sector to the over-all collections. According to him, the total contribution of the industrial sector to the tax revenue of the Centre and State Governments comes to Rs. 837 crores in a year out of a total revenue budget of both the Centre and the States of Rs. 1,352 crores. Accordingly he felt that the allocation to Maharashtra, as also to other States, should be on the basis of the total tax collected by the Centre, inclusive of income-tax, property tax, gift tax, expenditure tax, wealth duties and death duties, etc. He further wanted the allocation to be expressed as a proportion of this total sum with weightage to be prescribed on the basis of collection for the industrial labour population in the State and other liabilities which urbanisation entails. Drawing attention to the fact that the requirements of the States had been increasing year after year, he contended that the allocation to the States from out of the divisible pool also should be proportionately enhanced.

Sugar Industry

THE PRICE-LINKING FORMULA

A CONFERENCE for discussing the various aspects of the application of the price-linking formula in the sugar industry was convened by the Tariff Commission towards the close of last month in Bombay. Mr. K. R. P. Aiyangar, Tariff Commission Chairman, explaining the scope of the conference, said it related only to the deferred basis of sharing extra-price realizations. In fact, he said, the question of giving the cane-grower something in addition to the cane price, even after making the initial payment of the fair minimum price fixed by statute, had been under consideration for a long time and recalled how the price-linking formula, which was mooted in 1953 and further discussed at the Tripartite Conference at Nainital in 1954, had undergone several changes, mainly because of difficulties experienced in evolving a simple formula for price-sharing which would further its objectives. However, the statutory formula of 1958 (Gopalakrishnan Committee Formula) for sharing extra price realisations, which was intended to be applied for 1958-59 but had yet to be enforced, had failed to secure general agreement among the interests concerned. Even the SISMA formula accepted on a voluntary basis had not secured general agreement.

According to all available evidence, therefore, the 1958 formula does not seem to have either promoted cane yield per acre, or production of better quality cane giving a higher recovery of sugar, but, on the other hand, has encouraged growth of cane acreage, and that in areas not best suited for it. No wonder then that the formula has been characterised as "one-sided" and "inequitable" and as "redundant in a controlled economy". In the context of the new basis of fixing sugar prices, as recommended by the Tariff Commission, these formulae, including the simple price-linking of the UP, require large-scale modifications, as some of the factors already included therein have been inconsistent with the method of costing adopted. However, the Commission seems to feel that the formula proposed by the UP for the sharing of the extra realisations on sales of sugar by sugar manufacturers, over and above the statutory price where it applies and the relevant price in other non-control areas which would have been normally applicable on the basis of the Commission's schedule, suitably amplified as has been suggested by the Commission itself, might prove more acceptable. Expressed as a formula, it would be like this: $X/100 \times S - F/C$, where "X" represent the growers' share, "S" the statutory

price, "F" the ex-factory fair price for each factory on the basis of duration and recovery, and "C" quantity of cane crushed per maund of sugar. After referring to all these, it is significant that, on the strength of the results of the experiments carried on by the Central Sugar Institute about evaluation and control of cane, Mr. Aiyangar feels that an equitable system of fixing of cane price on sugar content basis could not only be evolved but also be more acceptable to the understanding grower than the sharing or linking formula.

The T. C. Chairman next examined the present statutory price and said, significantly enough, that it gave to the cane growers a margin of return which compared favourably with that from alternative crops. "It has, therefore, been contended," said Mr. Aiyangar, "that the price-sharing formula should apply only to the extra realisation, if any, of a producer over the statutory prices fixed on the cost schedules." If not for all times, this formula might be found suitable at least as a transitory arrangement, he said, if the consensus of opinion was in favour of linking cane price with sugar recovery and quality.

Mr. Aiyangar also dealt with other important issues arising from a consideration of the price formula, such as (a) whether or not the formula should apply to the areas where sugar is under price control and then to other areas where there is no such control though its effects may be felt there, (b) the incidence of rehabilitation, and (c) the high cost of sugar. As regards the first, it was the TC Chairman's view that the matter had to be considered from the point of view of the industry as a whole and also with due regard to the interest of the consumer of sugar, an article of general consumption. While not denying their respective claims to the cane grower and the sugar producer, he made the point that the consumer too has a claim to the reduction in price, if this can be effected on account of the economies in production.

Touching upon the incidence of rehabilitation, the T.C. Chief recalled how the request of the industry in this behalf had been turned down on a previous occasion, but referred, nevertheless, to the industry's contention that, if additional economies had accrued to the factories through their efficiency in production or by other reasons, they should not be shut out from utilising any such earnings in part for the purpose of augmenting resources for rehabilitation of plant and machinery. Of course, he did not commit himself further to raise any hopes.

In regard to the present high cost of sugar in the country, Mr. Aiyangar opined that prices of cane and sugar should be properly correlated in order to stabilise the sugar industry. According to him, it is noteworthy, the present statutory formula can not arrest the spiralling costs and hence his plea for a pricing formula for both the raw material and the finished product which would directly link up with the quality of the raw material. As a long-term solution to this problem, he said, the sugar content of the cane should be the main determining factor for allowing any premium or deferred price over and above the minimum price to the grower.

Aluminium Industry

NEED TO AVOID OVER-EXPANSION

WHILE SHAREHOLDERS of the Indian Aluminium Company Limited will appreciate the steady progress made by the concern, reflected in a net profit of Rs. 12 million in 1960, as compared to Rs. 8 million in the previous year, the Chairman of the company Mr. K. C. Mohindra, in his address at the annual general meeting

of the shareholders has expressed certain doubts and concern at the future prospects of the industry. A target of 87,500 tons output by 1965-66 has been fixed for the aluminium industry in the Draft Outline of the Third Plan, against which 52,500 tons are already being produced. Work on the balance of 35,000 tons is expected to start shortly. As against this production capacity, the current consumption of aluminium is around 44,000 tons. There are indications that the production target may be revised to 150,000 tons in the Plan, and if all the pending proposals come to fruition, the supply potential would be raised to nearly 200,000 tons—a five times jump over current consumption within five years. The possibility of exports taking care of over-supply is a mirage, for India cannot hope to compete in the world market with high costs. The recent sugar crisis is still too fresh in our minds to allow us to commit the same blunder in respect of aluminium. Thus, Mr. Mahindra has advised caution and careful planning of the future expansion of the industry. Further, he points out that India is currently power hungry and its bauxite resources, though apparently considerable, are far from being proven in quantity and quality sufficient to sustain a prodigious rate of growth. It is only prudent that any future expansion of the aluminium industry should be based on intense and detailed field investigations and market surveys. Approval and execution of any crude and half-baked schemes have obviously to be avoided.

Rubber Industry

DUNLOP'S EXPANSION PROGRAMME

MR. JOHN LUCKHAM, Managing Director of the Dunlop Rubber Co. (India) Ltd., indicated at the annual general meeting of the company, held recently at Calcutta, that the products of the company were finding ready acceptance with the consumer. In fact, there was general shortage of supplies in the market and the company took leading part in moves by the tyre industry to encourage the formation of Tyre Dealers' Association to ensure equitable distribution at list prices of the sizes in short supply. The Managing Director added that to meet the additional demand which is likely to be created during the next few years, the company had plans to expand its capacity. This would require a substantial amount of foreign exchange, for which the company had approached the Dunlop Rubber Company Ltd., London. It is likely that the company would get the necessary sterling funds, initially in the form of a loan to be converted into equity capital at a later date. The company was, therefore, negotiating with the Government regarding capital reorganisation.

Mr. Luckham also indicated that the company had made considerable progress in the manufacture of industrial rubber products. The company had installed the equipment for an expansion of conveyor belting manufacture and trial production was in progress. The output of Dunlopillo had also increased through higher productivity, but the demand was still rising. One handicap experienced by the company, in this respect, was the shortage of raw materials. The output of natural rubber was not enough but, as the Managing Director pointed out, the opening of the Government-sponsored synthetic rubber factory in 1962 would be able to provide some relief.

Killick Group

EXPANSION SCHEMES

MR. A. N. HAKSAR, Chairman, Killick Industries Limited, at the annual general meeting of the company, held recently at Bombay, pointed out that the company had had to incur huge expenditure which was not of a recurring nature. Naturally, therefore, certain amount of strain was recorded this year in the working of the companies associated with the Group. It may, however, be observed that these companies are carrying out a programme of expansion. The Kohinoor

Mills, for instance, installed new machinery and made certain improvements in its present set-up. Similarly, the electricity companies continued to enlarge their capacity to meet the additional demand. The Surat Electricity Company's diesel plant was being called upon to bear an increasing burden to sustain the interests of South Gujarat Grid. All these schemes had involved considerable expenditure and were bound to show improved results in the next few years.

The Chairman was hopeful that the company would be able to carry out efficiently the responsibilities as managing agents of several industrial undertakings. It appeared that both expansion in the present industries and diversification of resources to include certain additional industries in the Group was quite in line with the tempo of industrial expansion in the country.

Industrial Relations

LABOUR IN MANAGEMENT

MR. GULZARI LAL NANDA'S inaugural address at the recent session of the Standing Labour Committee deals comprehensively with most of the live problems in the field of industrial relations and among them labour participation in management is undoubtedly important. It is significant that Mr. Nanda has emphasized the need for a solid base of education for labour in the problems of management as a condition precedent to its progressive participation in management. The need for workers' participation in management to give the worker a sense of belonging to the unit in which he works has been accepted on all hands. Such participation is bound to promote an atmosphere of peace conducive to the removal of differences by free consultation before they divide the two parties more apart.

At the present stage, stress ought to be laid on labour's association with management and this is implicit in the Minister's emphasis on education to prepare labour for its new responsibility. Considered from this angle, it is difficult to accept Mr. Nanda's unqualified contention that in all establishments where representative trade unions are functioning, 'prima facie' a case should be deemed to have been made out for introducing labour participation in management. It is not enough that there should exist a representative trade union in an industrial unit. There must be further 'prima facie' evidence that members of the union have received the minimum training to understand the problems of management, to formulate informed views on them and to make constructive proposals for their solution. Only then can labour make a real contribution to decisions at the level of management.

Mysore Kirloskar

NEW ISSUE

FOR EXPANDING its activities, Mysore Kirloskar Limited has decided to issue for public subscription 15,000 equity shares of Rs. 100 each and 25,000 redeemable cumulative participating preference shares of Rs. 100 each. The subscription lists open on May 15, 1961 and will close on May 17, 1961, or later at the discretion of the directors. The preference shares are redeemable not before June 30, 1975, and not later than June 30, 1980.

A minimum return of 8 per cent has been guaranteed if the Company declares an ordinary dividend at a rate below 12½ per cent. But if a dividend of more than 12½ per cent but less than 15 per cent is declared, the preference shares will be entitled to 9 per cent return. In case the dividend declared on equity shares exceeds 15 per cent, the return on preference shares will be stepped up to 10 per cent. Keeping in view the soundness of the concern, a ready response of the public towards this issue is a foregone conclusion.

FROM THE CAPITAL'S CORRIDORS

APPRENTICESHIP TRAINING

IT is proposed to enact a comprehensive legislation on apprenticeship training in industry, repealing the existing Apprenticeship Act, the provisions of which have become out-dated and totally inadequate to meet the present situation arising out of our fast-expanding industrial economy.

While certain establishments like the Railways and Defence in the public sector and Tatas in the private sector have been administering training programmes on a systematic basis for the past many years, industry in general has not as yet organised such programmes fully. A few industrial units are training a very limited number to meet their special requirements. As observed by the Labour Investigating Committee in 1943, "there is no scheme of apprenticeship for the bulk of industrial workers in this country and the usual method of imparting training in large-scale factories is to recruit raw youth and put them on to the least skilled occupation in a factory, such as that of a doffer boy in a cotton mill. In some cases, relatives of the working people are preferred for work and are allowed to assist them on a nominal wage. Obviously, this is a most unsatisfactory procedure to follow." To remedy this state of affairs, it is proposed to enact legislation for the following purposes:

- (i) to regulate the programmes of practical training in industry in such a way as to conform to the standards, syllabuses, period of training etc. prescribed by the Central Apprenticeship Council; and
- (ii) to utilise fully the facilities available in industry for imparting practical training.

PROPOSED LEGISLATION: SALIENT FEATURES

The principles suggested by the Small-Scale Industries Board and approved by the National Council for Training in Vocational Trades were examined by a Special Committee, consisting of representatives of the three recognised all-India employers' organisations and the Ministry of Labour and Employment, under chairmanship of the Minister of Industry, which made certain amendments to meet the point of view of the employers in general. The salient features of the proposed Legislation which have been accepted by Industry in general, will be as follows:

(1) The Act should be a self-contained one. The apprentice will not be governed by the different labour and factory laws. Matters relating to his health, safety, welfare, payment of stipends, compensation for injury etc. will be provided for in the proposed Act itself.

(2) Provision will be made in the Act or in the rules to be framed thereunder for the execution and registration of apprenticeship agreements; medical examination of apprentices; minimum educational standards for admission; period of apprenticeship training; conditions under which apprenticeship could terminate; maintenance of records of progress of apprentices; payment of stipends; hours of work, etc.

(3) Provision will be made for setting up Central and State Apprenticeship Councils consisting of representatives of employers in the public and private sectors, Government officials and experts to advise the Central and State Governments respectively on all administrative and technical matters relating to the training of apprentices in industry. The National Council of Training in Vocational Trades will co-ordinate all programmes for training in vocational trades in the country, conduct Trade Tests and issue National Certificates in craftsmanship including apprenticeship in "designated trades."

(4) Provision has been made in the bill for extending the compulsory apprenticeship scheme by stages to different industries and areas according to need.

(5) Based on the available facilities in each "designated" trade in an establishment, the Union Govern-

ment in consultation with the Central Apprenticeship Council will fix the maximum number of apprentices that could be taken in these trades. Where training has to be provided in the national interest to meet special shortages, the establishments where adequate facilities do not exist, will be provided with the required facilities and financial assistance by Government for creating additional facilities.

(6) On completion of apprenticeship in the designated trade, the apprentice will not be bound to serve the employer training him; nor will the employer be bound to offer employment to the apprentice. During the period of apprenticeship, an apprentice will be governed by the disciplinary procedure in force in the establishment. (The Employers have proposed that a provision be made in the Act to the effect that an apprentice will not participate in strikes and that he will not be allowed to be used for strike-breaking purposes. It is felt that such a provision is not necessary. Since, during the period of strike in an industry, there would be no arrangements for the training of apprentices, there is no point in enforcing the presence of the apprentice during the strike period. Again, the apprentices will be so small in number and their standard of skill so limited, that no employer will be able to use them effectively for strike-breaking purposes. In view of this, the provision suggested by the Employers seems to be superfluous and it may not be necessary to incorporate this in the Legislation. It may be mentioned that it is proposed that the Industrial Disputes Act should not be applied to Apprentices under this schemes.)

(7) While Government will undertake the responsibility for providing related instruction, industry, will be responsible for in-plant training.

(8) Powers will be taken for making Rules under the Act, delegation to States of such powers as are considered necessary and for imposing penalties for the proper enforcement of the Act.

EXPORT PROMOTION

As reported earlier in these columns, the Government of India is entrusting the task of export promotion to the State Trading Corporation. To achieve this objective, the S.T.C. will to some extent be a competitor to the private export trade.

The State Trading Corporation, it is learnt, has entered into an agreement with Sukab, of Sweden, under which it will be exporting to Sweden commodities like tea, coffee, oilcakes, cotton textiles, leather manufactures, handloom fabrics, carpets, manganese ore etc. to be sold there at the prevailing market prices. The loss on the sale of these commodities will be met by imports from Sweden of goods like newsprint, wood pulp, ball bearings, special steel, etc. Sukab is a private organisation recognised by the Swedish Government as dealing in exports from that country.

The State Trading Corporation is also opening an office at Zurich to step up trade with Switzerland. The modus operandi of this office will also be similar to the pattern being developed for Indo-Swedish trade. Similar arrangements, it is learnt, have also been made with the Italian firm Cogis.

RAILWAY GENERAL MANAGERS MEET

According to the latest assessment, railways will be required to carry by the end of the Third Plan period an originating goods traffic to the tune of about 244 million tons per annum, as against 235 million tons estimated in the Draft Outline of the Third Plan and 154 million tons actually moved by them at the end of the Second Plan. The problems arising out of moving an additional 90 million tons of goods traffic by the end of the Third Plan period and the measures to cope with a traffic of this order were discussed here at a three-day meeting of the Railway General

Managers with the Railway Board, which concluded on April 29.

At the meeting, it was decided to step up the loading of wagons by about 10 per cent during the current financial year. This would entail an additional loading of nearly 2,000 wagons per day over all the zonal railways. It was also decided that trade and industry should be persuaded to load an additional ton or two in each wagon. This would enable railways to lift nearly 4 million tons extra with the existing rolling stock.

Emphasis was laid during the general discussions on the need for improved turn-round of wagons, larger engine mileage per day and holding of meetings between operating chiefs of adjacent railways quite frequently to smoothen working. Stress was also laid on expeditious expansion of line capacity on various routes. Doubling of tracks, already undertaken or programmed, including Baoridand-Anuppur, Anuppur-Katni, Nergundi-Khurda Road, Dornakal-Vijayawada and Ratlam-Nagda sections, it was emphasised, should be carried out on highest priority basis. For the purposes of running box-wagon trains, it was suggested that extension of loops and strengthening of track should be taken up where necessary. It was also decided that heavy trains of 3,600 tons should be worked by double-headed steam locos until diesel locos were available.

It was revealed at the meeting that during the past few months loading on broad-gauge railway system had increased by 6.6 per cent and on meter-gauge railway system by 2.7 per cent compared to the corresponding period of the previous year.

Among the other subjects discussed at the meeting were technical problems pertaining to better use of engines, larger workshop production through extension of the incentive scheme, fuel economy, intensive utilisation of goods stock, recommissioning of condemned wagons, prevention of damage to or loss of goods in transit, speedy disposal of claims, safety on trains, provision of drinking water supply at all stations etc.

NAHORKATIYA - MORAN OILFIELD — 100th WELL SPUDDED IN

The hundredth well in the Nahorkatiya-Moran oilfield was spudded in on Wednesday. This oilfield has shown very good promise. Of the 85 wells completed in the Nahorkatiya region, 74 have already been tested. As many as 60 wells have proved to be oil producers, 7 have yielded gas and only 7 have proved to be dry holes. In the Moran region, 13 wells have been completed so far and the fourteenth one is being drilled. Seven wells in this region have yielded oil, one has yielded gas and five have proved to be dry. There are plans to drill another 100 to 150 wells in this oilfield at a rate of 25 wells per year. The average cost of drilling and testing a well is Rs. 12.5 to Rs. 13.1 lakhs, of which 38 to 40 per cent are the overhead expenses. The cost is kept low by expeditious drilling—a well with a normal depth of about 10,000 feet is drilled in less than 15 days, as against nearly six months taken by the Oil and Natural Gas Commission to drill a similar well in the Sibsagar and the Rudrasagar area.

According to the latest estimates, the Nahorkatiya-Moran oilfield possesses oil reserves to the tune of 44 million tons and gas reserves of the order of 700,000 million cubic feet (equivalent to about 17 million tons of oil). In view of the encouraging results of the recent few drillings, expectations are that oil reserves ultimately may go up to 60 million tons.

This oilfield will supply crude to the two public sector refineries at Nunmati and Barauni and also a small quantity to the Digboi refinery whose oil reserves are nearing exhaustion. Supplies to the Digboi refinery will be governed by the Promotion Agreement signed between the Government of India and the Burmah Oil Company, the two partners in Oil India Limited. The Assam Oil Company, which owns the

Digboi refinery, is a subsidiary of the Burmah Oil Company.

Some crude is being supplied to the Digboi refinery at present at a "provisional" price. The formula which will ultimately regulate the price of Nahorkatiya-Moran crude is currently being worked out by the Union Ministry of Fuel in conformity with the Promotion Agreement which envisages that the price could be at par with the landed cost of imported crude at Calcutta or it could be fixed on the basis of the cost of production plus reasonable commercial return. The latter basis, experts opine, can be costly in the long run for incentive to work efficiently is killed by it.

The total cost of development of this oilfield, inclusive of the cost of laying the pipeline to carry crude from here to Nunmati and Barauni, is estimated at around Rs. 72 crores. The cost of laying the pipeline is placed around Rs. 44 crores.

The work on the 16" diameter pipeline which will connect the Nahorkatiya oilfield with the 0.75 million tons capacity Nunmati refinery, is expected to be completed by the end of the current year, well before the refinery goes into production. The pipeline on this 250 miles section has already been strung and laid under ground except in some difficult areas. The work of laying the pipeline in these areas is expected to be completed in another few days before the monsoons set in their full fury. There will then remain only the task of constructing pumping stations and repeater stations which can be carried on even during the monsoon season.

The work on the second section, that is from Nunmati to Barauni, over a distance of nearly 460 miles, will be taken up in right earnest after the monsoons. The laying of this 14" diameter pipeline is expected to be completed some time in the middle of 1962 when the 2 million tons capacity Barauni refinery is likely to be commissioned.

AOC MAY BECOME RUPEE COMPANY

The management of the Assam Oil Company, it is learnt, is examining the possibilities of converting this concern into a rupee company by associating Indian capital with it. Details about the evaluation of the present assets of the company are being worked out. As soon as this work is finished, an approach will be made to the Union Government for the grant of the necessary permission.

BRITISH CREDIT FOR THIRD PLAN

Two agreements, one providing for a loan of Rs. 40 crores and the other for a credit of Rs. 13.3 crores, have been signed between the Government of the United Kingdom and the Government of India. The grant of these loans had been announced by the UK Government sometime ago.

A welcome feature of these two credits is that they are to be repaid in 25 years, the first instalments falling due in 1968 and 1966 and the last ones falling due in 1986 and 1985 respectively.

The Rs. 13.3 crores loan will be a convertible or "free" one which can be utilized to meet the balance of payments deficit during the current financial year. Of the other loan, only half will be tied to specific projects and the remainder will be available for importing unspecified types of capital equipment and machinery. Among the projects which will be financed through the tied portion of the Rs. 40 crores loan are expansion of the Bhopal Heavy Electricals, fertilizers plant to be set up at Nahorkatiya, Hindustan Cables (West Bengal), and security paper mill to be put up at Hoshangabad (Madhya Pradesh).

Another loan of Rs. 26.66 crores is understood to be under negotiation between the Government of India and the U.K. Government. This will provide foreign exchange for the expansion programme of Durgapur Steel Works.

MOVEMENT OF COAL BY SEA

The Minister for Mines and Fuel in the Union Government introduced a Bill in the Lok Sabha last

week seeking to raise the excise duty on coal from Re. 1 per ton to Rs. 4 per ton. The yield from this additional levy will meet the extra cost of coal transport by sea and for operation and maintenance of the Central Ropeway project.

IMPORT OF TRACTORS

A sufficient number of tractors to meet the essential requirements of the country are proposed to be imported from the United States, the Soviet Union, Czechoslovakia, Poland and Rumania at normal market prices. The makes proposed to be imported are those which have already been made use of in this country and found suitable for the Indian conditions.

To meet the requirements of spare parts, apart from the existing provision of 50 per cent quota for established importers, arrangements have been made for the import of spares along with tractors up to a certain percentage of the value of licences.

As regards indigenous production one firm out of the four licensed under the Industries Act for the manufacture of agricultural tractors had produced 123 units till the middle of February last. Another firm which had been granted a licence for import of components is expected to go into production shortly. The issue of import licences for machinery and components in respect of the third firm is at present under consideration of the Government of India. This firm is also likely to start production in the near future. The fourth firm has had some difficulty with its foreign collaborator and this has delayed its manufacturing programme. This firm is now understood to be negotiating with some other foreign companies for technical collaboration.

Besides these four firms, an application has been received from another firm for the grant of a licence under the Industries Act for the manufacture of agricultural tractors. This application, it is learnt, is being scrutinized by the authorities.

MANUFACTURE OF COAL MINING MACHINERY

The coal mining machinery plant, being set up in the public sector at Durgapur, envisages production of spare parts not only for the complete machines which this plant will be manufacturing but also for the existing machines in operation in the country. This project will be completed in two stages. At the end of the first stage, it will have an output of 30,000 tons per annum. Under the second stage, the capacity is envisaged to be stepped up to 45,000 tons per annum. There are at present several undertakings in the country engaged in the production of various parts of coal mining machinery such as haulages, conveyors, power-driven pumps, etc. Some more schemes for the manufacture of coal mining machinery and various components of such machinery have also been approved by the Government. These units are expected to go into production in the near future.

MANUFACTURE OF COAL WASHING PLANTS

The Government of India, it is stated, has no proposal under consideration to appoint a technical committee to go into the question of local manufacture of coal washeries. A licence has already been granted to an existing engineering unit to manufacture coal washing and preparation plants. One more proposal has been received by the Government for setting up a unit to manufacture coal washing plants. This proposal is said to be under consideration of the Government. When these two units go into production, the foreign exchange component of setting up of coal washeries will be reduced considerably. At present, a coal washery capable of treating 250 tons of raw coal per hour is estimated to cost around Rs. 1.8 crores, of which the foreign exchange component is about Rs. 1 crore. If a coal washing plant is manufactured indigenously by Indian parties, its cost is estimated to be about Rs. 2 crores, of which foreign exchange component will be nearly Rs. 63.88 lakhs.

BOKARO STEEL PLANT

Too much, it appears, has been read into Prof. J. K. Galbraith's remarks, at his recent press conference, about the fourth steel plant proposed to be set up at Bokaro. The U.S. Ambassador had expressed the opinion that India's growing requirements of steel are increasingly being recognized and that U.S. assistance towards the expansion of steel industry in this country would be made available on practical considerations rather than on ideological or theoretical ones. In some circles these remarks have been interpreted as meaning that the U.S.A. might offer aid to set up the Bokaro Steel Plant. It is, however, not yet certain whether the U.S. interests will be prepared to compromise with the ideological approach of the Government of India to set up this plant in the public sector.

The Bokaro Steel Plant, it has been finally decided by the Government, will be set up in the public sector. It may be recalled that a reference to this was made by the Prime Minister sometime ago. Mr. Nehru had said that the Government was not opposed to private sector re-entering the steel industry, but so far as the Bokaro Plant was concerned, there was no question of its being handed over to the private sector. Private enterprise could be entrusted with the task of setting up any other steel plant after the Bokaro Plant. It appears, the U.S. Ambassador's reference to American assistance being available for setting up a steel plant in this country refers not to the Bokaro Plant, but to another steel manufacturing unit which may be set up after that.

So far as the financing of the Bokaro Plant is concerned, the position has not yet been cleared up. Neither the British nor the Germans have shown any inclination to join hands with the Government to set up this plant. The American, however, are welcome to come in at the Steel Ministry's terms, namely, making available of foreign exchange component of this public sector project to be commissioned under the supervision and direction of Dastur and Company. Efforts are also being made to interest Russians in setting up this plant. The Russians, if they come in, will be on familiar ground as they are already collaborating in setting up the Barauni Oil Refinery and the Ranchi Heavy Machine Building Plant. Bokaro is in the vicinity of Barauni and Ranchi.

NAHAN FOUNDRY

The first stage of expansion of the Nahan Foundry Limited, which will raise the foundry capacity to 3,000 tons per annum, it is learnt, has been completed. Work on the second stage which envisages raising of the capacity to 5,000 tons per annum is well underway. The machinery required for this phase has been already installed.

To diversify its production programme, the Nahan Foundry has undertaken the manufacture of electric motors of ratings from 4th H.P. to 10 H.P., metric weights, motorised mono-block pumps, centrifugal machines and horizontally worked cane crushers. The possibilities of manufacturing improved types of agricultural implements at this Foundry are also being explored.

MYSORE IRON AND STEEL WORKS

The management of the Mysore Iron and Steel Works is likely to be transferred to a Corporation or a company to be set up for the purpose shortly. The Government of India had advised the Mysore State Government to take this step. The State Government has accepted this advice.

FERTILIZER POOL

The Fertilizer Pool will continue so long as availability of fertilizers falls short of demand. Fertilisers produced by the private sector companies will be purchased at a price which is paid for similar types of the product to similarly situated public sector factories. In addition to the pool price charged by the Central Government from the States, the States will add a small margin to cover distribution charges.

COMPANY AFFAIRS

THE STANDARD MILLS

The Indian textile mills have increasingly followed a programme of reorganisation and renovation during the last few years. The Standard Mills Company Limited during the year to December 31, 1960 made considerable progress in this respect. A sum of Rs. 2.66 lakhs was spent on buildings and another amount of Rs. 45.03 lakhs was spent for additions to the machinery and plant. This improvement was reflected in profits which increased to Rs. 49.56 lakhs during the year under review as against Rs. 33.35 lakhs during the previous year. The Directors proposed an appropriation of Rs. 6 lakhs towards general reserve and Rs. 10 lakhs towards dividend equalisation reserve. A dividend at the rate of Rs. 30 per share of Rs. 100 each was proposed, subject to deduction of tax, which will absorb Rs. 32.43 lakhs.

MAFATLAL SPINNING

Considerable progress was made during 1960 by the Mafatlal Fine Spinning and Manufacturing Co. Ltd. in respect of reorganisation and renovation of machinery and equipment. A sum of Rs. 2.10 lakhs was spent on extension of buildings and a sum of Rs. 30.13 lakhs on additions of new machinery and equipment. The Company imported a number of automatic looms for replacement of ordinary looms.

The profit of the Company for the year came to Rs. 24.09 lakhs out of which a sum of Rs. 2 lakhs was transferred to general reserve and Rs. 3 lakhs to dividend equalisation reserve. The Directors proposed a dividend at the rate of Rs. 30 per ordinary share of Rs. 100 each. This will absorb Rs. 17.40 lakhs.

THE SASSOON SPINNING

The profit of the Sassoon Spinning and Weaving Company Limited for the year ended December 31, 1960 came to Rs. 10.07 lakhs which was considerably higher than the previous year's figures of Rs. 4.12 lakhs. The sales during the year were higher at Rs. 5.76 crores against previous year's Rs. 5.32 crores. Naturally, the stocks were lower by about 20 per cent. A sum of Rs. 3 lakhs has been proposed to be transferred from general reserve. The Directors have proposed the payment of a dividend of Rs. 1.70 nP. per share of Rs. 10 each. The Company has made considerable progress in the field of reorganisation and renovation; a sum of Rs. 24.023 was spent on buildings and Rs. 32.41 lakhs on additions to machinery and plant. The Company is, therefore, likely to record considerable progress during the coming years.

DEVIDAYAL CABLE INDUSTRIES

Apart from its present contribution to the extent of saving Rs. 40 lakhs in foreign exchange in the year 1960, the new Devidayal Cable Factory, it is reported, will produce winding wires, cables and insulated transformer strips etc., valued at Rs. 1.5 crores, which would mean a net saving of about Rs. 70 lakhs, annually, in foreign exchange, by cutting down imports.

Devidayal Cable Industries (Pvt.) Ltd. came into being in 1955 with the merger of Indian Insulation Industries (Pvt.) Ltd. The production was initially very nominal (150 tons annually, valued at Rs. 10 lakhs). With steady and continuous expansion, the production, and correspondingly the sales, including those of winding wires, increased to 1,300 tons, valued at Rs. 73 lakhs, in the year 1960.

The Managing Director of the Company purchased in 1960 the latest American machinery for the manufacture of rubber and plastic insulated cables. The production of these cables is expected to be 24 million yards annually, valued at Rs. 72 lakhs. In addition to this new cable plant, substantial expansion, in the shape of additional plant for the production of winding wires has been made by purchasing and installing new machinery capable of manufacturing fine gauge wires to 47 SWG, upto 100 tons monthly. The Company has also finalised technical collaboration with a reputed foreign company for the manufacture of nichrome wires and strips.

In the near future, say by 1963, the Company plans to go into the manufacture of underground cables. For this the Directors hope to negotiate collaboration with some foreign firms.

THE TATA IRON AND STEEL COMPANY LIMITED

REGISTERED OFFICE: **Bombay House,
24, Bruce Street,
Fort, BOMBAY-1.**

NOTICE

NOTICE is hereby given that the Register of Members and the Transfer Books of the Company will be closed from Monday, the 29th May, 1961, to Friday, the 23rd June, 1961, both days inclusive.

Notice is also hereby given that the dividends for the year ended 31st March, 1961, when sanctioned, will be made payable to those shareholders whose names stand on the Share Registers of the Company on Friday, the 23rd June, 1961.

Dated at Bombay this 28th day of April, 1961.

By Order of the Board,
For and on behalf of
**THE TATA IRON AND STEEL CO., LTD.,
TATA INDUSTRIES PRIVATE LTD.,**

Managing Agents,
By their Constituted Attorney,
V. G. MOKASHI.

COMMODITY NEWS AND NOTES

ALL-INDIA FINAL ESTIMATES OF BLACK PEPPER 1960-61

The All-India Final Estimate of Black Pepper, 1960-61 puts the current year's area and production at 234,700 acres and 26,200 tons as against the partially revised estimate of 233,800 acres and 26,300 tons respectively for 1959-60, according to the Directorate of Economics and Statistics, Ministry of Food and Agriculture. The increase in acreage during the current year is due to the increase in area in Kerala State because of favourable weather conditions at the time of sowing. The nominal decrease in production of Black Pepper during the current year is accounted for by Kerala State, which is due to unfavourable weather conditions at the time of the flowering and growing periods of the crop.

EXPORT OF RAW WOOL

The following statement shows the export of raw wool to U.S.S.R. and other countries and its value during 1960 and 1961 (January):

Quantity in '000 lbs. and value in thousands of rupees

	1960		(January) 1961	
	Quantity	Value	Quantity	Value
U.S.S.R.	7,774	21,353	7	17
Other countries				
U.K.	11,234	29,285	711	1,774
Denmark	320	1,068	9	27
West Germany	669	1,443	26	70
Netherlands	369	660	20	38
Belgium	972	2,541	37	108
France	1,735	4,127	97	241
Italy	115	348	—	—
U.S.A.	5,569	16,087	332	915
Australia	1,405	4,064	209	586
Other countries	343	752	—	—
Total	30,503	81,728	1,448	3,776

ALL-INDIA FINAL ESTIMATE OF GROUNDNUT, 1960-61

The All-India Final Estimate of Groundnut, 1960-61 puts the current year's area and production at 15,455,000 acres and 4,354,000 tons respectively, according to the Directorate of Economics and Statistics, Ministry of Food and Agriculture. As compared with the partially revised estimates of 14,864,000 acres and 3,942,000 tons for 1959-60, the estimates for 1960-61 show an increase of 591,000 acres or 4.0 per cent in area and 412,000 tons or 10.5 per cent in production. The increase in area during the current year is contributed mainly by Gujarat and to a lesser extent by Rajasthan and Punjab and is attributed generally to favourable climate conditions at the sowing time. A decrease in area has, however, been registered in Andhra Pradesh and Maharashtra States due to unfavourable weather. The increase in production during the current year is accounted for mainly by Gujarat, Maharashtra, Madhya Pradesh and Mysore and is attributed generally to favourable weather conditions during the period of growth of the crop. The increase in production in Gujarat is also partly due to increase in area sown to this crop. The All-India Final Estimate of Groundnut, 1959-60 placed the area and production of the crop for 1959-60 at 15,305,000 acres and 4,390,000 tons. The large downward revision in production is mainly on account of the adoption of the random sample crop cutting survey estimates by Andhra Pradesh and Mysore.

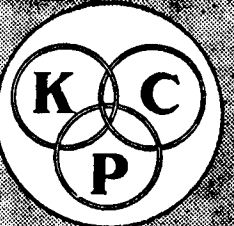
AMERICAN COTTON ALLOTMENT COMPULSORY

The Textile Commissioner has received representations from some mills requesting exemption from requirement to purchase American cotton stapling 1" and below, recently issued under P.L. 480 — purchase authorisation 39-55 — and allotted to them. The Textile Commissioner wishes to make it absolutely clear that these allotments are compulsory and no representations for exemption will be considered nor any correspondence entertained in this respect.

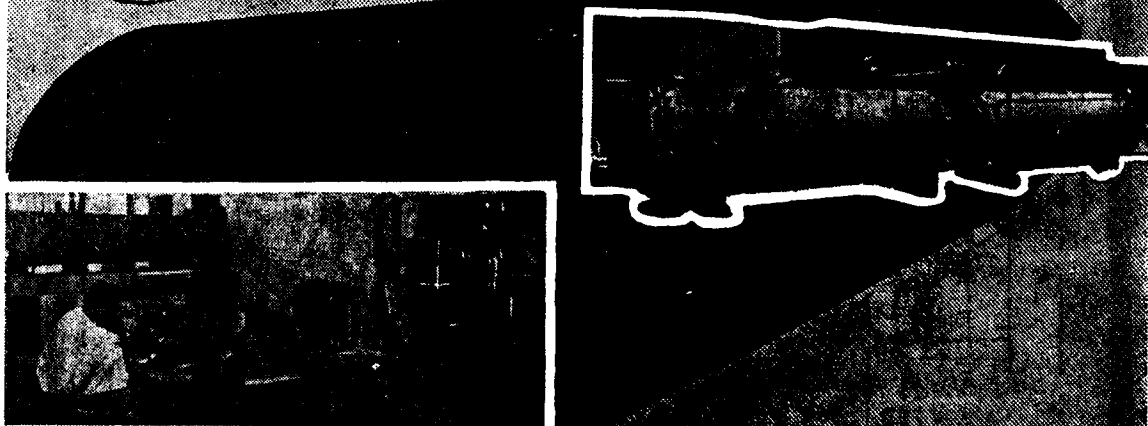
PRODUCTION AND EXPORT OF OPIUM

According to the Annual Report on the operations of the Narcotics Department for the year ended September, 1960, the two Government Opium Factories at Ghazipur and Neemuch showed a net profit of Rs. 109 lakhs—an increase of Rs. 28 lakhs over the previous year. There was improvement in other directions as well. Production and export of opium during the year were higher than in 1958-59. The area under poppy cultivation was 105,250 acres as against 74,205 acres in the previous year. The production figure also rose to 24,491 maunds as against 20,422 maunds in the previous year.

Export of opium amounted to 624 tons, valued at Rs. 4.59 crores—an increase of 104 tons valued at Rs. 77 lakhs, over the export of 1958-59. The total sale of alkaloids in the year rose to 4553 lbs. from 3775 lbs. in the previous year. The purchase price of opium was fixed on a sliding scale ranging from Rs. 33.50 to Rs. 38.50 per seer. Payment made to the cultivators amounted to Rs. 3.4 crores as against Rs. 2.7 crores in the previous year.



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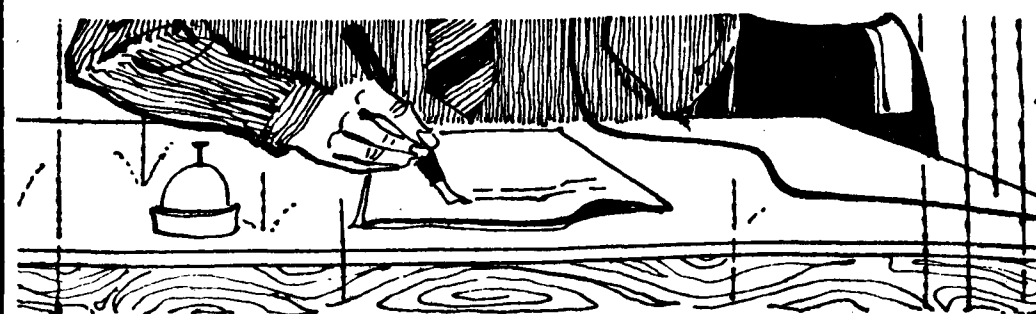
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Company Meetings

CHAIRMAN'S SPEECH

INDIAN ALUMINIUM CO., LTD.

The following is the text of the speech delivered by Mr K. C. Mahindra, Chairman, Indian Aluminium Company, Limited, at the Annual General Meeting of the Company held at Calcutta on 27 April, 1961.

I have pleasure in welcoming you to our 23rd Annual General Meeting.

The Directors' Report submitted to you along with the audited accounts for the year 1960 provides information on the year's operations. I am happy to report that production and sales again reached new high levels in 1960. The steady progress which your company has been making over past years is reflected in the financial accounts which are before you now for your consideration.

During 1960 your company earned a net profit of Rs. 12 million as compared to Rs. 8 million in the previous year. A large part of this increase was due to the much smaller provision for development rebate in 1960. Nevertheless, you will agree that the financial results are gratifying. This has enabled your directors to recommend the payment of a higher dividend this year at Rs. 1.50 per ordinary share. Dividend on the preference shares has been recommended in accordance with the Preference Shares (Regulation of Dividends) Act 1960, and the company's Articles of Association. The Directors have proposed a transfer of Rs. 5 million to the General Reserve and a carry forward of Rs. 4.99 million under surplus account. You will no doubt appreciate that in a capital intensive industry like aluminium, it is prudent as well as necessary to plough back a portion of our surplus so as to meet the requirements of a growing industry like ours.

For the last few years, the corporate shareholders of this company have been enjoying—in respect of the ordinary shares issued in late 1956 and those issued upon conversion of Loan Stock since 1957—the benefits of Section 56A of the Indian Income Tax Act, that is, exemption from super tax on dividends. It now gives me considerable pleasure to announce that the benefits of Section 15C of the Indian Income Tax Act, which provides for five years' tax holiday for newly established industrial undertakings for which your new smelter at Hirakud qualifies, will be available to all shareholders both ordinary and preferred. For the year 1960, the Income Tax Officer has authorised your company not to deduct tax on 12 per cent of dividends and we propose to act accordingly. The percentage of 12 per cent has been fixed on a provisional basis and the shareholders will have to wait until the company's tax assessment for the year 1960 is completed before the full and final estimate of this benefit is obtained and on the basis of which tax relief, if any, may be claimed by the shareholders in their own assessments.

Because of our plants being located in different parts of the country, a very serious problem which we have to face is that of transport. The uncertainty of wagon availability forces the company to increase its inventories thereby tying up extra capital and also compelling the company to utilise more costly road transport.

Coal is a commodity most seriously affected and it appears there is no remedy for the immediate future. The Railways claim that they are carrying all the traffic that they are supposed to according to the Second Plan estimates. Various remedial measures are being discussed by the Government especially for the high

priority industries, e.g. steel, public utilities, etc. But for industries like aluminium, which enjoy no special priority, the prospect of improvement in transport bottlenecks do not appear to be hopeful. The company is pursuing this matter with the Government in the hope that some action may be taken to solve our difficulties in this regard.

Last year I spoke to you about the new excise duty levied on aluminium products. During the year 1960 we have faithfully collected Rs. 5.5 million as excise duty from our customers and paid this amount over to the Central Government. We are, however, worried about the way in which excise officials are interpreting the duty regulations. Excise duty is normally payable on shipments to customers, but not so in the case of aluminium. The officials have ruled that duty must be paid on all shipments of ingot from our smelters to our fabricating plants. Thus, excise duty must be paid on all aluminium in the pipeline and in our fabricating plants. From our annual statements you will see that we have so far paid no less than Rupees one million on this account. The requirements of working capital for this capital intensive industry are thereby further increased, and so also is the debit for interest. In addition, duty paid on ingot which is ultimately wasted in fabricating plants as 'melt loss' is never recovered. Thus you get an amazing result: the producer of aluminium is paying excise duty on something which is non-existent and can be shipped to nobody.

In our opinion the above difficulty and the unwarranted expenses arising therefrom, can be easily and sensibly eliminated by allowing us to move ingot and fabricate it 'in bond'. Such a procedure is not very uncommon, but so far it has not been possible to persuade the excise officials to see our point of view. Our losses on this score will multiply as our current expansion projects are put into commission, and it is desirable that the Central Board of Revenue take steps to remove this unfair burden at an early date.

Under the 1961-62 budget proposals the Government has extended the scope of excise duty to include aluminium pipes and tubes. Further burdens have been imposed on your industry by way of increased customs duty on imported machinery and reduction of tax concession in the form of development rebate. These proposals will have the effect of further increasing our cash requirements.

As to the company's expansion programme, satisfactory progress is being made at all locations. Barring any untoward happening, it is expected that the second extrusion press at Alupuram and the additional pot-line at Hirakud will be ready to go into operation before the end of the year. Expanded facilities at Belur and Muri are likely to be ready by the middle of next year. Your directors are anxious that your company continue to play its leading part in the development of aluminium industry in India and with this in view proposals for further expansion of the company's activities are under constant review.

1960 has been a good year for India and a particularly eventful one for the aluminium industry. The

last 12 months have witnessed a more than ordinary increase in the tempo of economic activity. A high level of industrial output especially in steel, buoyant central revenues, a slight improvement in export earnings despite initial setbacks, are some of the significant gains recorded. The year ended on an optimistic note and the outlook for 1961 is heartening.

Last year from this Forum I extended a hand of welcome and co-operation to two new entrants in the aluminium industry. I did not know then, nor did I anticipate, the wild scramble which has since ensued amongst the top flight producers of the world to stake a claim in the developing market in India. It does appear strange and perhaps ironic to me that international groups would take a leaf out of the Indian book of experience—a book which ruefully reveals our short horizons, our quest for the quick rupee, our inability to learn the long and tedious track to true industrialisation. There may have been justification 20 years ago for such mental attitudes, in as much as the protectorate or colonial era in India deprived the nationals of the country of learning by experience the vicissitudes of industrialisation. With the withdrawal of the British the hitherto financial and the trading classes in India plunged into the industrial vortex hurry scurry in many directions, but still with an eye for a quick rupee. They did not stop to take a long-term view; they did not stay to learn from the industrial revolution in Europe of the mid-19th century or even from the later hot-house developments in U.S.S.R. Last quinquennium has however showed a welcome change and long-term investments have become fashionable. It is therefore doubly strange that in the specialist field in which your company has pioneered the way, there should emerge a movement reminiscent of the old, old colonial days and ways. Crude and half-baked schemes, based on little or no field investigations or market surveys, and not even presuming to be economically viable, are presented to the public in India, endorsed by reputed concerns of international renown.

The deposits of bauxite ore on which the schemes are based have not been thoroughly field-tested for quality or reserves. Availability of firm and continuous power nor the ultimate costs thereof have been assured. Costs of production, in some cases based on questionable exchanges of metal for raw materials and/or equipment, have not been spelt out and are bound to be unnecessarily high. We in India should look at these proposed new schemes carefully before supporting them, and we should look at them through the factual eyes of experience and viability and not be carried away by mere enthusiasm for expansion.

But why this sudden display of interest in the Indian markets? We know that aluminium industry in the West and in North America has had a bad two years; there is a glut of primary metal and smelters have been working on restricted production. In Europe where smelter operations do not match the requirements of the fabrication units, conditions are not so depressing, and North American groups have moved 'en masse' into the European markets. India is slowly emerging as perhaps a desirable non-aligned area and may be, quick rupees can be made. It surprises me, however, that when our own planning techniques are being remodelled and reshaped in the light of experience over a decade, a throw-back emerges as a gift from the West. Alignments of resources with projections of demand become awry and we have begun to wonder if there has not been gross under-estimation of what country has in physical resources for aluminium development and what the country can consume. Our friends from the West did not perhaps reckon with the one obvious consequence of such a presentation, namely, the overall socialistic thinking of the planners. If the development of a basic commodity like aluminium is such a

gold mine, Government would not like to be left out. Offer of plant and techniques from a communist country has provided the opportunity for a Minister to say that a new aluminium unit will be set up in the public sector!—a consequence which, I am sure, will be irksome to many of the new aspirants.

Rational misjudgments do occur in every large effort but where there are scarcities of resources and of technical knowledge, where the purchasing power of the market is phenomenally low and therefore will take time for the upward geometrical surge, there is critical need for prolonged and deep look into the purposes and end products of investments and of potential investors. Aluminium industry is voracious in its appetite for capital. To produce a ton of primary aluminium one needs an investment in capital equipment and facilities almost ten times what it would need to produce a ton of steel. Let us look at the picture-projections for the next 5 years.

The demand for all non-ferrous metals during the Third Plan period is expected to go up and since aluminium is the only non-ferrous metal which can be indigenously produced, in adequate quantities, considerable thought is being given to its development. The draft outline of the Plan has set the target at 87,500 tons by 1965-66. Out of this 52,500 tons is already in production or under construction while work on the balance of 35,000 tons is expected to start shortly. As against this the country is currently consuming around 44,000 tons of metal.

Recently, however, there has been talk of raising the target for aluminium production to 150,000 tons, and if I am to add up the pending proposals supply target would be nearer 200,000 tons—a five times jump over current consumption within 5 years. That exports will take care of oversupply is a mirage, for India cannot hope to compete in the world market on level terms with strong international groups. We know that with our scattered deposits of ore, expensive power and comparably more expensive costs of installation, India will remain a high cost producer. Oversupply has its own quick nemesis and while I favour planning on an ambitious scale, I would nevertheless counsel prudence in weighing the adverse effects which might result from commitments which are premature for the stage of development which the industry has reached in this country. There is no surer way to discourage investment than to encourage over-optimistic growth and invite idle capacity—a fact that has been amply demonstrated even in highly developed economies. Moreover, India is currently power hungry, and its bauxite resources, though apparently considerable, are far from being proven in quantity and quality sufficient to sustain a prodigal rate of growth. The economic supply of these major raw materials is vitally important to the health of the aluminium industry, and, in my view, the country cannot afford to embark too hastily or too lavishly upon new and grandiose schemes, without the most careful thought for the prudent utilisation of these resources.

A noteworthy development, which also suggests the wisdom of temperate planning, and which is of great potential importance to the nascent industry of this country, is the announcement made by our Canadian associates, Aluminium Limited, that a basically new process—the first major technological change in the put into semi-commercial operation in Canada. The large power requirements of the existing process, or its dependence upon bauxite, but it does give promise of considerable savings in other elements of production cost, and particularly of substantial reduction in capital costs. The new experimental plant will be

completed early in 1962, with a production capacity of six to eight thousand tons of aluminium per year. It is expected that operation on this scale for a couple of years or so will be required to determine whether the estimated savings in capital and operating costs can be realised in large-scale operations.

In the light of these impressive possibilities, which we are watching with interest and care, the risks inherent in over-expansion take even clearer form. However, there are many factors to be considered into the formulation of future plans, and all are receiving the constant and critical attention of your management. We do not intend to keep static, but neither will we lose touch with realities and sound business principles, and I express the hope that Government, in its planning, will continue to maintain a similar outlook.

We have lost during the year the able direction of Mr. Vance Echols, who retired from India for family reasons.

THE BRITISH INDIA CORPORATION LIMITED

Address by Shri H. S. Chaturvedi, Chairman and Managing Director, to the Shareholders of the British India Corporation Limited, at the Forty-first Annual General Meeting of the Corporation held in Kanpur on Wednesday, 26th April, 1961.

Gentlemen,

It is my happy privilege to welcome you to the Corporation's Forty-first Annual General Meeting.

The Audited Accounts and the Directors' Report for the year ended 31st December, 1960, have been duly issued to the shareholders, and with your permission, I shall take them as read.

In my address to shareholders last year, I referred to the turn for the better in the Corporation's affairs after a period of great anxiety, and to the improved trading results for 1959. It gives me great pleasure to be able to report steady progress and further improvement in 1960. The net profit before taxation during the year amounted to Rs. 90,93,242 as compared with Rs. 63,09,042 in 1959 showing an increase of nearly Rs. 28 lakhs. The Corporation's recovery is further reflected in the reduction of the bank overdraft by over a crore of rupees as compared with last year.

On the side of dividends, you will notice from the Directors' Report that all arrears on Preference Shares will now be cleared, and that it has at last been possible to recommend the declaration of a dividend on the Ordinary Shares. In considering the dividend policy, your Directors are of the view that in order to strengthen and sustain the Corporation's financial position in the interest of future development, it is essential to plough back into the business a reasonable part of the profits. Accordingly, a sum of approximately Rs. 31 lakhs has been retained in the business out of the available trading surplus. In addition, a sum of Rs. 10.20 lakhs, that being the net surplus from the sale of fixed assets, has been transferred to Capital Reserve and Rs. 1.67 lakhs, that being the profit on the realisation of investments, has been transferred to Investment Reserve.

APPOINTMENT AS SECRETARIES AND TREASURERS

The appointment of the Corporation as Secretaries and Treasurers for five years of the Elgin Mills Co., Ltd., Cawnpore Textile Ltd., Cawnpore Sugar Works Ltd., Champarun Sugar Co., Ltd., Saran Engineering Co., Ltd., and Brushware Ltd., all of which were for-

His contribution to the Company's progress was dynamic and we were sorry to lose his services. Pending the appointment of a new Managing Director the Board entrusted the charge to Dr. Horwood who has been with the Company for some years, but unfortunately is also due to leave shortly. Your Board realises that quick changes in top management are not healthy, but in specialised fields where talent is very scarce it is inevitable that movement of skilled personnel must go on until we are able to develop such resources indigenously and in plenty.

Once again I am sure that shareholders would wish me to convey their thanks to the Company's able management team and to workers and staff who have served the Company well during the past year.

NOTE: This does not purport to be a record of the proceedings of the Annual General Meeting.

merly under the Managing Agency of Begg, Sutherland & Co., Ltd., is a significant landmark in the history of the Corporation. Begg Sutherlands, which, since 1946, has been a wholly-owned subsidiary of the Corporation, will, I hope, soon be merged with the parent company. The appointment of the B.I.C. as Secretaries and Treasurers of the above six Companies, will ensure continuity of sound management and will, I sincerely hope, be in the best interests of those Companies.

I now propose to comment briefly on certain aspects of the working and activities of the Corporation's woollen textile, leather, cotton textile, and sugar units.

WOOLLEN BRANCHES

The Lalimli and Dhariwal Mills have on the whole done well in maintaining satisfactory production. These units, which were the first of their kind to be established in India have achieved a unique reputation over the years for the superior quality of their products. It has to be borne in mind, however, that the manufacture of specialized lines, for which there is a great demand, requires high grades of imported wool. In order to preserve their good reputation and to maintain production at two shift level, regular supplies of Merino and other high grade wools have to be assured. To this end the Corporation seeks the sympathetic and timely assistance of the Government in granting adequate import licences for raw materials essential for the production of specialized lines.

In my address last year I referred to the urgency of rehabilitating the plant and machinery of our Woollen Branches. Most of the Machinery is about fifty years old, and some of it dates back to 1880. A stage has been reached when productivity is bound to suffer if steps are not taken to re-habilitate the present plant, much of which is now obsolete and uneconomic. To earn foreign exchange, which is so vital to the future of the country, we must first improve our competitive power in the production of high quality goods at reasonable prices. This will to a great extent depend on our ability to modernise the existing plant.

Our technicians have prepared a blue-print of rehabilitation programmes with the aid of foreign experts,

and we shall soon be approaching the Government for import licences to implement the first part of the scheme.

LEATHER BRANCHES

The Corporation's Leather Branches, as you will observe from the Directors' Report have in 1960 made a small profit for the first time since 1953. This sign of slow but sure recovery from a very serious situation is naturally gratifying to us. The incidence of excise duty on leather footwear, and the shortage of good quality hides are, however, factors which adversely affect our leather industry.

The value of export from the Leather Branches in 1959 amounted to Rs. 44 lakhs. In 1960 the value had increased to Rs. 55 lakhs. I am also glad to report that recently the Cooper Allen Branch has obtained a substantial order for the supply of boots to the National Cadet Corps.

COTTON TEXTILE UNITS

The Corporation's two subsidiaries, Elgin Mills Co., Ltd., and Cawnpore Textiles, Ltd., have shown very satisfactory results. Trading conditions for the cotton textile industry, were, on the whole, favourable during the year under review. The satisfactory performance of the mills was, however, due mainly to the maximum utilisation of productive capacity, and concentration on new lines, which have increased the range of their products.

The export contribution of the Cotton Textile units has been outstanding, and export orders valued at approximately two crores of rupees were executed during the year.

Though cotton textile prospects are on the whole good, the recent Budget proposals in the shape of additional excise duty and other duties on dyes, chemicals, packing materials and yarn for manufacture of cloth will have the effect of increasing production costs of cotton cloth.

SUGAR UNITS

The six Sugar Factories in the Group achieved improved working results during the season 1959-60. Due to a substantial increase in the production of sugar and decline in internal consumption resulting in the heavy accumulation of sugar stocks, the Sugar Industry is however, passing through a critical phase. The position is such that the sugar factories in the Group are finding it difficult to pay for sugarcane and also to meet the governmental dues in the form of purchase tax and excise duty. We now depend upon Government to take effective action to overcome this crisis in the Sugar Industry, which is particularly serious in U.P. and Bihar, where the Group's factories are situated.

LABOUR

I am glad to report that relations with workers have been, on the whole, reasonably satisfactory. Far be it for me to suggest that there have been no differences. They do arise from time to time, and we have endeavoured to approach their problems in a spirit of goodwill. The Corporation maintains three Settlements for our workmen, the running costs of which are about Rs. 3½ lakhs annually. Besides housing at national rates, the amenities provided include

free dispensaries, libraries, play-grounds, schools, and free educational facilities for workmen and their families. To maintain our good relations, your Directors have decided to make an ex-gratia payment of two annas in the rupee to all workers on their basic earnings in 1960.

GENERAL

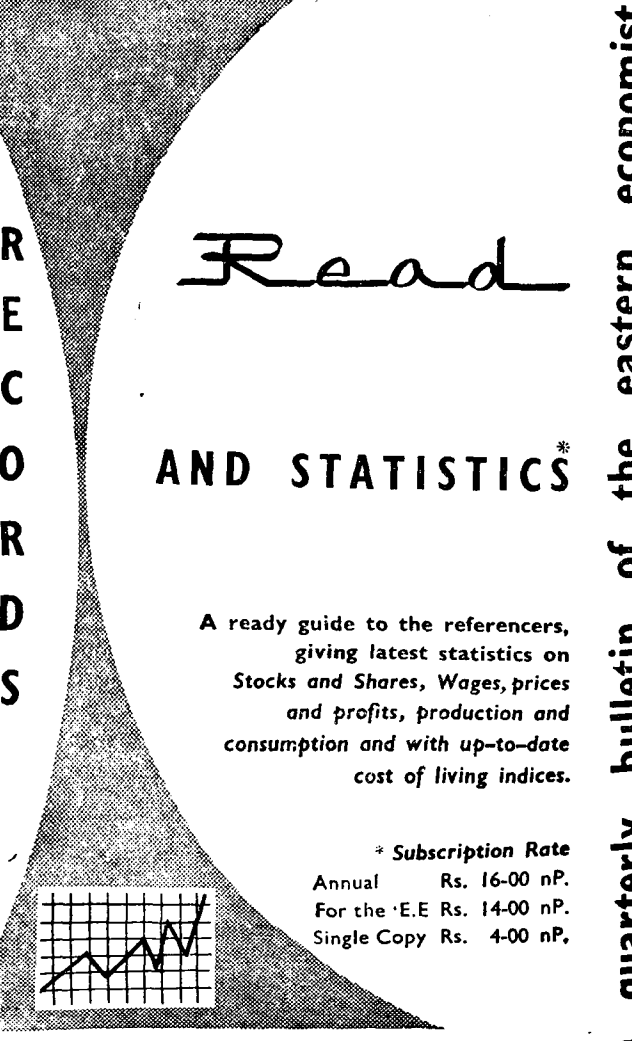
The year 1960 may well be reckoned as a year of consolidation. We are now in a position to launch a programme of rehabilitation and modernization, without which we cannot prosper in this age of growing competition. The year 1960 was encouraging in the sense that it was a year of steady progress on all fronts. For this, credit goes to a great extent to our workmen and employees in all grades, who have by their loyal services contributed to the prosperity of the B.I.C. as a whole. I thank all of them sincerely. It is in a spirit of sober confidence that we can now face the future.

In the end I must thank my worthy co-Directors who have sustained me with excellent advice and co-operation.

It is now my pleasure to move that the Directors' Report be adopted and that the Accounts for the year 1960 be passed, but before this Resolution is seconded, I shall answer to the best of my ability any questions which shareholders may like to ask on the Directors' Report and Accounts now before you.

NOTE: This does not purport to be a record of the proceeding of the Annual General Meeting.

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THE BUCKINGHAM & CARNATIC COMPANY LIMITED

CHAIRMAN'S SPEECH

Presiding at the Fortieth Annual General Meeting of the Shareholders held at the Company's Office at Madras on Friday, 28th April, 1961, Mr. E. F. G. Hunter said:-

Gentlemen,

It is my privilege and pleasure to welcome you to this Annual General Meeting of The Buckingham & Carnatic Co. Ltd., and with your permission I propose to take as read the Directors' Report and the Accounts and Balance Sheet for the year 1960.

Trading conditions showed a marked improvement during the year under review. That better conditions prevailed in 1960 was indeed fortunate, as your Company along with others in the cotton textile industry had to meet a substantially higher wage bill as a result of the implementation of the recommendations of the Central Wage Board for the Cotton Textile Industry. The improvement in the demand for cloth experienced in 1960 and so far maintained in 1961, it is hoped, will continue in order that the industry may retain the capacity to meet the heavier burden. But demand alone is insufficient and if the industry is to remain capable of paying higher wages — to be increased again in 1962 in accordance with the Wage Board recommendations — and to continue to prosper, it will also be necessary to increase production, by implementing "rationalisation as soon as possible" which the Central Wage Board stressed in their recommendations. You will be pleased to learn that negotiations have commenced with the Labour Union to implement the Wage Board's recommendations in respect of rationalisation and agreement has been reached on the procedure to be followed. I most sincerely trust that tangible results will be achieved during the current year.

As stated by the Chairman in his speech last year, the textile industry then faced a serious crisis owing to the failure of the Indian cotton crop during the 1959-60 season. However, by strict controls, rationing and the import of short staple American cotton, Government was able to keep the industry supplied, though mills had to pay much higher prices. Also larger allocations of long staple foreign cotton were made to mills to enable them to spin finer counts and to reduce consumption of Indian cotton.

Despite these measures the carry over of Indian cotton at the beginning of the current cotton year was as low as 9,98,000 bales, i.e., approximately 46 per cent less than at the beginning of the previous season. Fortunately the 1960-61 cotton crop is promising and a total yield of 52½ lakh bales is expected. Rationing and other controls are still in force and to improve the stock position Government has decided to import more short staple American varieties. Prices, however, continue at a high level and it is feared that Mills will have to pay inordinately high prices for the short staple American cotton to be imported.

Although as noted in the Directors' Report your Company's sales reached a record figure, yardage of

cloth produced was, due to finer production, lower by comparison with the previous year. However, the improvement in your Company's exports was against the trend of India's export of textiles during 1960 and reflects the resolution with which this particular aspect of your Company's business was pursued. The incentives offered to those who make this effort in the overseas markets, where conditions and competition are getting increasingly difficult, serve as a great encouragement and it is hoped that Government's present tendency to water down these incentives will be reversed.

For the satisfactory sales of your Company's products in India we have much to thank the wholesale and retail dealers throughout the country and shareholders will be interested to know that at the instance of a number of the larger retailers in Madras, an All-India Binny Group Dealers' Conference was held in Madras early in February 1961. Over one thousand dealers from all over India, representing all the territories of our Guarantors, attended. The conference, which was held in the Rajaji Hall and Gardens, which were kindly loaned by the Government of Madras, was a great success in every way and gave your Sales organisation an excellent opportunity of dealing with day to day problems and difficulties. Mr. Kanungo, the Union Minister for Commerce, very kindly attended the opening session.

The policy of extending indirect taxation by the application in the Budget of 1961 of further Excise Duties, will have the effect of spreading the collection of tax over the community as a whole, and in my view is to be welcomed, even though the new duties have not been accompanied by any proposals for reducing direct taxation or for providing incentives. However, one would have thought that the levies by way of excise duty and handloom cess already borne by the cotton textile mill industry, which on the sales of your Company in 1960 together amounted to over Rs. 54 lakhs, were heavy enough and that the fresh imposts on cotton textiles proposed in the 1961 budget were unjustifiable and, in the light of the concern expressed by Government over cotton textile prices, illogical. It is particularly unfortunate that the proposals for additional Excise Duties on cloth and the new Excise Duty on yarn were not framed so as to make their impact and the manner of their collection quite clear, as following their announcement the industry was thrown into considerable confusion.

The subsequent decision to compound the proposed duty on yarn into a duty on cloth was welcomed by mills, but the introduction of an excise levy on automatic loom production, subject to relief on export performance, is unwarranted. Any form of penalty which does not apply equally to all mills can only be considered discriminatory and this levy is certainly no incentive to progress or to modernisation.

The B. & C. Mills which have a high proportion

of automatic looms have always done their best to earn foreign exchange by exporting. As I mentioned earlier, your Company's exports improved in 1960 and this improvement was against the trend of the country's textile exports. How then, can it be said to be equitable if Government, while encouraging mills to export on the one hand, dampens their enthusiasm by introducing such an unfair impost.

Your Mills do not export grey cloth. The exports are all dyed and finished products which require large quantities of indigenous and imported dyes and chemicals. Under the export promotion scheme, according to their exports, your Mills are entitled to licences for dyestuffs and chemicals and so when it was recently announced that import entitlements so earned could only be used to 65 per cent of their face value, one began to wonder whether Government really appreciates the effect of some of its decisions on mills such as yours which, over the years, have a record for exporting of which they are justly proud.

I can assure you that representations have been made in the proper quarters and I hope that wiser counsels will prevail so that those mills, such as yours, which utilise all their import licences for dyestuffs for their own purposes, will not have to surrender 35 per cent of their value to indigenous dyestuff manufacturers.

The artificial limitation of production of cotton textiles by the Mill Industry, effected by the control of looms and spindles installed, has produced in India's expanding economy the conditions which could lead to an inflationary rise in cotton textile prices, especially as Third Plan Targets appear now to be outdated having in mind the provisional figures of the recent census. But the textile industry, conscious of the need to maintain a stable economy, and in response to Government's appeal, has voluntarily regulated its prices. Meantime, the Government of India has appointed a Tariff Commission to enquire into fair prices of cotton textiles and yarn.

As Members will have seen from the souvenir booklet issued with the Annual Accounts, your Mills were honoured, on the 20th February, 1961, by a visit from His Royal Highness, The Prince Philip, Duke of Edinburgh. It was my privilege and that of some of my colleagues on the Board, to conduct His Royal Highness around the Mills, and I gained a strong feeling that he was most impressed by everything he saw. It was a most memorable occasion and it was indeed a great distinction for your Company to be selected for the visit.

Turning now to the dividend, the rate recommended by the Directors will bring the total distribution for the year 1960 to more than 50 per cent of the assessable income, less the tax thereon, and the provisions of Section 23A of the Indian Income-tax Act which apply to this Company, will, therefore, be met by the declaration of the final dividend proposed.

In accordance with the terms of The Preference Shares (Regulation of Dividends) Act, 1960, which received the assent of the President of India on the 28th December last, the dividend on the Company's 7½ per cent Cumulative Preference Shares has been amended to a dividend of 9.75 per cent, from which the Company is obliged to deduct tax pursuant to Section 18 (3D) of the Indian Income-tax Act. An additional dividend of 2.25 per cent was declared and was paid on the 17th February, 1961, to adjust the dividend already paid in respect of the year 1960. Henceforth the Preference Dividend will be paid by

two instalments each of Rs. 4.875 per share less tax, on the 1st January and the 1st July of each year.

The Companies (Amendment) Act, 1960, also received the assent of the President of India on 28th December, 1960, and was brought into effect from that date, and the Accounts before you have been drawn up in accordance with the Companies Act, 1956, as amended by the new Act. Many new restrictions have been imposed on Companies, and many of the new provisions, for example those affecting inter-corporate investment, the payment of dividends, special audits etc., have no parallel in any other country in the world, and must further inhibit good management and enterprise. Many of the two hundred and eighteen clauses of the new Act will mean more paper work and time wasting form filling, which besides adding to cost, must result in a diversion of effort and create new difficulties for administration.

It was mainly because of the various restrictions on Managing Agents imposed by the Companies Act, 1956, and the further restrictions which were at the time contemplated by the Amending Bill, since enacted, that Binny & Co. (Madras) Ltd. decided in 1959, after consultation with your Directors, to relinquish the office of Managing Agents of your Company which they did with effect from 31st December, 1960. With the approval of the Government of India, Managing Directors were appointed to take over the management of the Company from 1st January, 1961. The Managing Directors appointed have all had long experience in the management and business of your Company, and in this way continuity has been ensured. Officers and staff who had previously been engaged, as employees of Binny & Co. (Madras) Ltd., on the business of your Company, also accepted employment with the Company from the 1st January, 1961 and I am pleased to report that the transfer of the management, which had been carefully planned, took place without any hitch and caused no disturbance whatever to your Company's business.

I am sure you will wish to join the Directors in expressing thanks to the retiring Managing Agents, Binny & Co. (Madras) Ltd., and their staff, for the valuable services rendered to your Company since the present Company was incorporated in 1920, and under whose management your Company has indeed expanded and prospered.

On your behalf I would also like to record appreciation of the services of the Mill Manager, Mr. Molyneux, who was appointed a Managing Director with effect from 1st January, 1961, to his officers, staff and the workpeople at the Mill, whose efforts in 1960 have contributed to the satisfactory results recorded in the Accounts before you.

I should be failing in my duty if I did not express my gratitude to my colleagues on the Board of your Company for their unstinted help and co-operation at all times.

Before concluding I would also like to refer to the valuable services rendered to the Company by Mr. E. J. M. Leigh who had been associated with your Company for over 32 years, and was your Chairman from 1958 up to the end of 1960. Mr. Leigh retired from India in February 1961.

Note: This document does not purport to be a report of the proceedings of the General Meeting.

KILLICK INDUSTRIES LIMITED

CHAIRMAN'S SPEECH BY SHRI A. N. HAKSAR

Gentlemen,

The Report and Accounts for the year are not as satisfactory as I would have liked them to be. Although I have no wish to make any excuses, I would like the shareholders to appreciate that during the year under review, we were subjected to certain strains and stresses and were forced to incur certain expenditure which I sincerely hope is not of a recurring nature. Overall, I can hope that 1961 will show a modest improvement over the current year. The Managing Agency side of the business will, I think, definitely show better results. I cannot be so sanguine regarding our subsidiaries, Killick Nixon & Co., Ltd., and Stamco Industries Ltd., but I believe that these Companies will eventually become useful earning members of the Group through it will take some time.

The Kohinoor Mills has, one can hope, turned the corner. New machinery has been installed and improvements in working are already evident. The results for 1960 are substantially better than those of 1959 and would have been better still if large amounts had not been paid out in retrenchment and other compensation.

The Electricity Companies continue to enlarge their service to their respective communities. The enormous expansion in demand for power for industry and homes in the Bombay Suburban area has created difficulties over the procurement of materials. In turn this has meant that applications for power are running ahead of services connected. The Surat Electricity Co., in common with the rest of the Licensees in South Gujarat, has been subject to control on new connections and its diesel plant is being called upon to bear an increasing burden to sustain the interests of the South Gujarat Grid. The Ahmedabad station is more than fully loaded and in fact steps are being taken by the Government to effect measures to bring about some form of rationing of power. This is most unfortunate but absolutely necessary. The silver lining in the cloud, however, is that 60 MW of new plant is scheduled to be brought into commission—30 MW by March 1962 and the balance one year thereafter.

The Shivrampur Syndicate Ltd. increased its sales of Manganese Ore in the last year but, I am afraid, this increase was mainly due to the fact that during the year Manganese Ore exports were permitted against Barter transactions by the Government. Otherwise, Indian Manganese Ore continues to be uncompetitive, generally speaking, in the International market. It is well known that many new mines have been developed in recent years in several countries such as Brazil, South and West Africa, etc. During the same period, F.A.S. costs of Indian Ore suffered unavoidable increases due to additional imports such as increased royalty rates and Railway freights. The latter difficulty remains unresolved even today and unless adequate relief is granted soon, I cannot visualise an encouraging future for Indian Manganese Ore exports.

The Hingir-Rampur Coal Co.'s position has shown considerable improvement although, in common with other collieries, it is faced with a serious shortage of railway wagons for the movement of coal supplies, and recently the stocks have reached an unprecedented high

level with the result that production of coal has had to be curtailed.

The Steel File Factory at the Chandivli Industrial Estate has been suffering from labour problems. It is to be hoped that the Union will show a more positive spirit of co-operation to enable this Factory to improve its contribution to your Company's profits. There is no doubt in my mind that given stable conditions and trouble free working, this factory can make considerable profits.

Turning to the affairs of the Company's Subsidiaries, you will notice that the working results of Killick, Nixon & Co. Ltd., show a considerable improvement compared to the previous year. From a loss of Rs. 2 lakhs for the year 1958-59, the Company has shown a reasonable profit of Rs. 1½ lakhs for the year 1959-60. There have been some setbacks during the current year, but every effort is being made to rectify the position.

Stamco Industries continue to show a loss, but I believe that the measures now being undertaken will reverse this tendency. I am very pleased to report that consequent to the visit to the Stamco factory by two Directors of Caribonum Ltd., Leyton, U.K., which is one of the major manufacturers and suppliers of carbon paper and stationery products throughout many markets of the world, that Company has agreed to provide financial and technical assistance to develop our production and sales. While no spectacular results should be expected in the near future, I believe that this Company will eventually take its rightful place in the industry in India today.

Although our new Subsidiary, A. R. Haseler Ltd., shows a loss up to 30th September, 1960, the date of acquisition by Killick Industries Ltd., the working since that date has shown an improvement, which I hope will continue.

We expect to receive a handsome return during the current year on our investment in Snowcem India Ltd., which Company is now developing a considerable demand for its products and hopes to continue to increase its range of cement speciality products.

What of the future? In the immediate years ahead, your Company will continue to have great responsibilities as Managing Agents of large-scale industrial undertakings. I have always believed and continue to believe that the good Managing Agents serve a most useful function and I trust that Government will continue to recognise their usefulness. Nevertheless, in the circumstances obtaining today, I think you will agree that it is only prudent that your Company takes steps to broaden the range of its activities by investing in industrial undertakings either directly or through subsidiary Companies. Although at the moment the industrial potential of Killick Industries Limited and the Subsidiary Companies is not all that I could wish, I believe that this diversity of business will in due course not only contribute to the country's expanding economy but will directly benefit you all as shareholders of this Company.

Note: This does not purport to be the proceedings of the Annual General Meeting which can be seen by any shareholder on request.

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

"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 of the Company". It must be distinctly understood that in giving the consent, 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 the same.

A licence has been granted to the Company by the Central Government for effecting substantial expansion of this Industrial Undertaking, a copy of which is open to public inspection at the Registered Office of the Company. It must be distinctly understood that in granting the 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 them.

A copy of the Prospectus having attached to it the documents required by Section 60 of the Companies Act, 1956, has been delivered to the Registrar of Companies, in Mysore, Bangalore for Registration.

The subscription list will open at 10-30 A.M. on the 15th day of May, 1961, and will close at 3-00 P.M. on the 17th day of May, 1961, or later at the discretion of the Directors.

Applications must be made for a minimum of 8 shares or multiples thereof, each lot of 8 shares made up of 3 Equity and 5 Preference shares.

THE MYSORE KIRLOSKAR LIMITED

Yantrapur, P.O. HARIHAR (Mysore State)

(Incorporated on the 7th day of April, 1941, under the Mysore Companies Act, and now an existing Company within the meaning of Section 3 of the Companies Act, 1956).

The Mysore Kirloskar Ltd., have decided to issue 15,000 Equity shares of Rs. 100 each and 25,000 Redeemable Cumulative Participating Preference shares of Rs. 100 each. The Preference shares are redeemable not before the 30th day of June, 1975, but not later than the 30th day of June, 1980.

The Preference shares bear a firm return of 8 per cent if the Company declares dividend below 12½ per cent on Equity shares. If the Company declares more than 12½ per cent but less than 15 per cent dividend on Equity shares, the Preference shares will get 9 per cent; and if the dividend declared on Equity shares exceeds 15 per cent, the Preference shares will get 10 per cent. This will be the maximum dividend payable on Preference shares.

UNDERWRITERS TO THE ISSUE

The Life Insurance Corporation of India,
Jeevan Kendra,
J. N. Tata Road, Bombay-1.

Messrs R. R. Nabar & Co.,
Share & Stock Brokers,
31, Dalal Street, Fort, Bombay-1.

MANAGING AGENTS:

MESSRS. KIRLOSKAR ASSOCIATES,
Yantrapur, P.O. Harihar (Mysore State)

REGISTERED OFFICE:

Yantrapur, P.O. Harihar (Mysore State)

OBJECT OF THIS ISSUE

The object of this issue is to provide finance for the expansion scheme and programmes of the Company.

PROSPECTUS AND FORMS OF APPLICATION

Copies of the Prospectus and Forms of application may be obtained from the Registered Office of the Company or from Messrs. R. R. Nabar and Company, Share, Stock and Finance Brokers, 31, Dalal Street, Fort, Bombay-1.

BROKERAGE

Brokerage at the rate of 1 per cent will be paid to the Brokers who are members of any of the recognised Stock Exchanges in India, on allotments made in respect of applications bearing their stamps.

ANNOUNCEMENT

The following Annual Numbers of THE EASTERN ECONOMIST are available for sale. Special concession may be given to educational institutions, libraries and students, if a single order exceeds Rs. 50/-.

1. India & the World and India in 1950 Rs. 5/-
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5. India in South East Asia and India in 1954 Rs. 5/-
6. India & the Communist World and India in 1955 Rs. 5/-
7. India in 1975, A Study of the next Twenty Years & India in 1956 Rs. 7.50
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Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Food articles & Tobacco	Liquor & Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures			All Comme- dities
						Inter- mediate Products	Finished Products	Total	
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105.5	105.3	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1
1960-61	..	120.0	110.0	119.6	145.4	130.5	122.8	123.9	124.8
January 1960	..	117.5	100.9	116.8	130.9	121.6	115.1	116.0	118.8
February	"	118.0	96.0	117.3	131.6	120.5	115.6	116.3	119.5
March	"	117.0	96.4	117.8	131.9	121.3	116.1	116.6	118.9
January 1961	..	116.4	111.2	120.0	154.7	133.9	126.5	127.5	125.6
February	"	116.3	111.2	119.8	159.4	134.2	128.4	129.2	126.7
March	"	117.6	114.2	121.3	159.1	137.2	128.1	129.4	127.5
18-3-1961	..	116.8	115.1	121.5	159.6	138.5	128.5	129.9	127.3
25-3-1961	..	118.2	114.6	121.3	158.5	136.8	127.4	128.7	127.5
1-4-1961	..	116.9	113.5	120.8	155.5	136.0	126.0	127.4	126.6
8-4-1961	..	118.0	112.7	120.8	152.8	135.3	124.9	126.4	125.8
15-4-1961	..	117.7	112.2	120.9	152.1	136.1	125.0	126.5	125.6

*Revised.

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

Period	Bombay		Delhi	Calcutta	Kanpur	Nagpur	Jubbulpur	Madras June 1939=100	Ludhiana†	Jamshedpur†	All India†
	Bombay	Bombay June 1939=100									
1939 (Aug.-Dec.)	..	103	..	..	..	105	104	..	106	..	..
1954	..	342	359	244	138	327	408	373	139	341	148
1955	..	322	338	217	130	321	371	364	133	321	134
1956	..	336	352	244	142	347	424	397	151	358	152
1957	..	352	368	259	150	364	448	422	162	374	157
1958	..	376	394	274	150	384	468	447	165	401	157
1959	..	393	412	308	158	384	469	498	163	429	166
1960	..	401*	420*	296	158*	397*	476*	512*	165	462*	167
1960 June	..	403	422	297	154	399	460	510	165*	462	167
July	..	404	423	302	160	406	484*	515	165*	467	169
August	..	402	421	304	160	410	484*	515	163	470	169
September	..	399	418	302	161	403	489	520	163	472	167
October	..	402	421	304	162	396	488	517	163	477	171
November	..	404	423	300	159	392	489	509	163	484*	171
December	..	400	419	297	160	385	478*	507	163	488*	169
1961 January	..	400	419	296	161	385	480	—	165	470*	171
February	..	—	—	—	163	—	—	—	165	474*	172
March	..	—	—	—	164	—	—	—	—	479*	—

†Base 1944=100. *Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)
WEEK ENDED

	21-4-1961			14-4-1961			7-4-1961			31-3-1961		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	121.35	118.95	120.10	121.85	119.10	120.83	120.30	117.65	119.30	121.15	118.85	119.66
Silver (per kilogram)	203.50	200.50	201.92	204.25	200.95	202.75	203.65	198.85	201.68	202.95	200.60	201.55

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES				Balances (5+6) as		Advances	Bills Discounted	(8%9) as percentage of (4)	Investments in Govt. Securities in India (11)
	Demand	Time	Total (2+3)	Cash (Note + Coins)	Reserve Bank	percent-age of (4)				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1953-54	..	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	321,29
1954-55	..	559,62	351,86	911,55	32,66	53,91	9.50	468,39	84,66	339,74
1955-56	..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	370,71
1956-57	..	653,34	453,92	1,107,26	36,94	50,23	7.96	626,08	155,56†	359,35
1957-58	..	723,89	619,19	1,343,08	39,34	77,55	8.72	723,79	167,32†	385,54
1958-59	..	735,93	860,33	1,596,26	40,30	83,99	7.74	766,56	133,27†	565,14
1959-60	..	745,83	1086,79	1,832,62	44,84	75,81	6.58	842,75	144,49†	725,20
1960-61*	..	794,49	1155,87	1,950,36	47,04	93,09	7.17	995,75	162,94	688,52
Average of Fridays										
October 1960	791,28	1155,68	1,946,95	48,25	101,04	7.67	965,97	150,43†	57.34	703,55
November 1960	790,80	1141,27	1,932,07	46,65	97,56	7.46	954,21	153,78†	57.32	688,21
December 1960	794,20	1128,10	1,922,30	45,61	91,21	7.12	991,46	155,21†	59.65	662,44
January 1961	793,54	1103,32	1,896,85	44,79	78,39	6.49	1042,22	169,59	63.89	621,24
February 1961	803,25	1092,13	1,895,38	45,46	71,07	6.15	1071,18	183,27	66.19	593,27
March 1961	820,31	1074,28	1,894,59	45,14	70,03	6.07	1107,98	197,93	68.92	566,54
Week Ending										
17-3-1961	..	810,92	1066,53	1,877,45	44,39	66,80	5.92	1100,18	192,47	558,89
24-3-1961	..	828,05	1062,90	1,890,95	44,02	72,30	6.15	1117,03	201,03	559,62
31-3-1961	..	834,49	1073,92	1,908,41	45,32	70,76	6.08	1125,76	208,00	558,93
7-4-1961	..	853,92	1088,12	1,942,04	47,42	67,67	5.93	1117,54	211,26	551,29
14-4-1961	..	848,93	1095,94	1,944,87	47,82	74,88	6.31	1113,82	206,13	560,41

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Lakhs of rupees)

Last Friday		Deposit money with the public						
		Money supply with the public	Total currency with the public	Total	Demand liabi- lities of banks	Other depo- sits with Reserve Bank†	Total variations in money supply	
(1)		(2) — (3) + (4)	(3)	(4)	(5)	(6)	(7)	
1953-54	.. ..	1,793,97	1,229,43	564,54	549,83	14,71	+ 29,26	
1954-55	.. ..	1,920,63	1,311,77	608,86	599,16	9,71	+ 126,65	
1955-56	.. ..	2,184,32	1,505,09	679,23	667,22	12,01	+ 263,69	
1956-57	.. ..	2,312,89	1,556,50	756,39	744,74	11,65	+ 128,57	
1957-58	.. ..	2,388,83	1,606,60	782,22	762,36	19,87	+ 75,94	
1958-59	.. ..	2,498,75	1,724,53	774,23	754,98	19,25	+ 109,92	
1959-60	.. ..	2,703,13	1,862,72	840,41	818,62	21,79	+ 204,38	
September	1960 ..	2,630,61	1,819,61	811,01	791,73	19,28	— 28,35	
October	.. ..	2,660,69	1,823,80	836,89	812,18	24,71	+ 30,08	
November	.. ..	2,576,08	1,843,44	732,64	711,55	21,09	+ 8,66*	
December	.. ..	2,641,74*	1,898,72*	743,02	717,51	25,50	+ 65,66*	
January	1961 ..	2,696,30*	1,944,58*	751,73*	725,78*	25,94	+ 54,56*	
February	.. ..	2,719,01*	1,965,67*	753,35	732,80*	20,54	+ 22,71*	

* Provisional.

* Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

POWER STATISTICS

ELECTRICITY GENERATION

THE REGIONAL PATTERN					TYPE OF GENERATION			
State	1957	1958	1959	1960	Generating Plant			
					Steam	Oil	Hydro	Total
					(Million K.W.H.)			
Andhra	281.18	374.28	678.64	885.85	Generating Capacity* (Million K.W.)			
Assam	12.30	20.61	28.19	32.74	1950	1.0	0.1	1.7
Bihar	951.21	1233.47	1,362.05	1,703.64	1955	1.6	0.2	2.7
Bombay	3,319.84	3,556.19	3,908.20	4,395.02	1956	1.6	0.2	2.9
Jammu & Kashmir	28.64	42.53	42.64	42.64	1957-58	1.8	0.2	3.2
Kerala	422.66	488.39	489.41	543.20	1958-59	1.9	0.3	3.5
Madhya Pradesh	202.14	242.94	332.45	437.56	1959-60**	2.1	0.3	3.9
Madras	1,336.58	1,421.05	1,821.69	2,149.01	1960-61	3.5§	0.3	5.8
Mysore	909.89	949.98	995.00	1,025.19	(anticipated)			
Orissa	24.67	198.23	485.21	471.29	Electricity Generated (Million K.W.H.)			
Punjab	630.58	689.30	800.61	860.38	1950	2,387	200	2,520
Rajasthan	93.77	96.38	100.68	105.56	1955	4,619	231	3,742
Uttar Pradesh	720.37	842.14	1,067.11	1,171.62	1956	5,134	233	4,295
West Bengal	1,726.11	1,857.43	2,159.29	2,295.73	1957-58	6,042	254	5,072
Union Territories					1958-59	6,848	298	5,848
Delhi	199.91	242.57	277.75	300.85	1959-60	7,693	307	7,001
Rest	8.87	7.95	7.71	7.58	1960-61	7,929	336	6,977
Grand Total	10,868.70	12,263.42	14,557.22	16,432.68	(Apr. - Feb.)			

§ As the type of generating plant in self-generating industrial establishments is not precisely available entire capacity is shown as steam plant.

* At the end of the period.

** Provisional.

CONSUMPTION OF ELECTRICITY

(Mil. K.W.H.)

Monthly Average		Electricity Sold						
		Domestic	Commercial	Industrial	Public Lighting	Traction*	Irrigation	Public Water Works
		Total						
1950	..	43.7	25.7	217.0	5.0	25.7	13.5	15.8
1951	..	49.6	27.6	254.6	5.7	27.4	16.9	17.6
1952	..	50.3	28.9	270.8	5.9	27.1	17.8	19.2
1953	..	56.6	30.5	292.1	6.4	29.2	19.3	20.4
1954	..	61.7	36.7	329.5	7.2	31.5	19.1	22.3
1955	..	67.5	39.5	382.5	8.2	33.5	21.5	24.5
1956	..	78.5	44.4	437.5	10.0	33.9	26.3	27.0
1957	..	85.9	47.9	488.7	11.5	35.4	33.9	29.1
1958	..	95.0	51.5	550.9	12.9	37.0	50.2	33.2
1959	..	106.5	58.3	664.2	14.3	35.7	60.0	36.2
1960	..	115.9	69.8	769.8	15.8	37.3	64.9	37.6

* Tramways and Electric Railways.

INDIAN UNION

PROGRESS OF MACHINE TOOLS INDUSTRY IN THE SECOND PLAN

Industry (Unit)	No. of factories			Installed Capacity			Actual Production		
	1956	1959	1960	1956	1959	1960*	1956	1959	1960*
1. Small Tools/Hand Tools									
(i) Bandsaw Blades (Mil. R. Ft.)	1	1	2	9.0	5.0	6.2	0.3	1.3	1.9
(ii) Diamond Drill Bits (Nos.)	N.A.	1	1	N.A.	3,600	3,600	N.A.	2,490	5,641
(iii) Hacksaw Blades (000 Gross)	2	4	4	126.0	264.0	264.0	4.7	62.6	74.0
(iv) Lathe Tools (Tool Bits) (000 Dozens)	N.A.	3	4	N.A.	24.2	26.2	N.A.	24.7	28.3
(v) Milling Cutters (000 Nos.)	7	10	9	45.3	97.4	82.4	19.6	68.5	77.4
(vi) Reamers (000 Nos.)	7	9	8	72.0	99.8	90.2	21.2	63.4	59.9
(vii) Steel Files (000 Dozens)	5	5	5	288.0	384.0	384.0	154.5	281.8	254.2
(viii) Threading Tools (Taps, Dies, and Chasers) (000 Nos.)	5	6	6	450.3	464.8	478.8	113.5	191.7	246.0
(ix) Tungsten Carbide (Sintered) (Kgms.)	1	1	1	544	2,283	6,000	72	1,549	4,481
(x) Twist Drills (Mil. Nos.)	2	4	4	1.8	3.1	3.1	1.5	1.2	1.4
2. Coated Abrasives (000 Reams)	4	4	5	180.0	200.0	200.0	99.0	104.1	133.2
3. Grinding Wheels (Mil. Kgms.)	3	5	6	1.8	2.9	2.9	1.1	1.2	1.9
Diesel Engines, and other Equipments									
1. Air Compressors (Nos.)	Nil	7	7	Nil	996	2,596	Nil	537	1,681
2. Diesel Engines (Stationary) (000 Nos.)	17	19	21	22.2	23.2	34.7	12.0	30.3	41.3
3. Diesel Engines (Vehicular Type) (Nos.)	2	2	2	6,000	6,000	6,000	3,380	8,707	10,065
4. Fans and Blowers (Nos.)	Nil	5	5	Nil	1,824	1,825	Nil	428	929
5. Filters									
(i) Elements (000 Nos.)	N.A.	2	2	N.A.	228.0	228.0	N.A.	125.7	149.0
(ii) Filters (000 Nos.)	N.A.	2	2	N.A.	69.6	72.6	N.A.	19.7	35.5
6. Fire Extinguishers (000 Nos.)	N.A.	5	5	N.A.	..	..	N.A.	23.8	60.0
7. Fuel Injection Equipments									
(i) Elements (000 Nos.)	1	2	2	120.0	176.4	176.4	31.8	128.2	291.8
(ii) Delivery Valves (000 Nos.)	1	2	2	120.0	174.6	176.4	27.7	108.7	289.1
(iii) Injection Pumps (000 Nos.)	1	1	2	10.0	22.8	33.6	13.8	60.2	89.8
(iv) Nozzles (000 Nos.)	2	2	2	100.0	102.0	102.0	1.4	110.8	339.5
(v) Nozzle Holders (000 Nos.)	1	1	2	10.0	58.8	69.6	24.3	118.5	178.7
8. Gliders (Nos.)	Nil	1	2	Nil	36	132	Nil	6	18
9. Inboard/Outboard Motors (H.P.)	N.A.	1	1	N.A.	4,800	4,800	N.A.	Nil	Nil
10. Locomotives (Nos.)	N.A.	1	1	N.A.	100	100	N.A.	104	94
11. Petrol/Kerosene Engines (Nos.)	N.A.	1	1	N.A.	1,800	1,800	N.A.	742	889
12. Power Driven Agricultural Implements									
(i) Cultivators (Nos.)	Nil	1	1	Nil	1,800	1,800	Nil	112	72
(ii) Harrows (Nos.)	Nil	1	1	Nil	..	..	Nil	54	120
(iii) Ploughs (Nos.)	Nil	1	1	Nil	200	200	Nil	40	56
13. Power Driven Pumps (000 Nos.)	27	40	46	65.7	89.1	116.2	46.9	85.1	96.9
14. Thin Walled Bearings (000 Nos.)	N.A.	1	1	N.A.	300.0	300.0	N.A.	164.0	322.3
15. Tractors (Assembled) (Nos.)	2	2	2	3,000	3,000	3,000	1,316	303	769

*Estimated.

INDIAN UNION

PROGRESS OF FOOD INDUSTRIES IN THE SECOND PLAN

Industry/Unit	No. of factories			Installed Capacity			Actual Production		
	1956	1959	1960	1956	1959	1960*	1956	1959	1960*
Food Industries									
1. Beer and Ale (Mil. litres)	3	2	2	7.7	7.7	13.6	3.2	9.0	10.3
2. Biscuits (000 tons)	N.A.	40	40	35.7	30.5	30.5	12.5	19.8	21.1
3. Breakfast Food									
(i) Corn and Wheat Flakes (Tons)	2	4	4	1,500	1,951	1,951	115	173	187
(ii) Processed and Pearl Barley (Tons)	8	4	4	4,800	4,921	4,921	750	1,269	1,526
(iii) Processed and Rolled Oats and Oats Flakes (Tons)	1	4	4	1,350	1,402	1,402	105	243	423
4. Chocolate and Cocoa Powder									
(i) Chocolate (including drinking chocolate) (Tons)	N.A.	3	3	N.A.	1,062	1,062	160	597	718
(ii) Cocoa Butter and Cocoa Powder (Tons)	N.A.	3	3	N.A.	438	438	N.A.	94	79
5. Confectionery (000 tons)	61	43	43	52.8	51.9	51.9	8.2	13.3	15.0
6. Flour Milling (Mil. tons)	58	62	64	1.47	1.88	2.02	0.54	0.95	0.93
7. Liquid Glucose and Dextrose									
(i) Dextrose Powder (Tons)	3	3	4	4,600	5,700	7,199	25	2,414	2,618
(ii) Liquid Glucose (000 tons)	3	3	3	13.0	11.4	11.4	1.0	6.4	8.4
PLASTIC GOODS									
9. Injection Moulding and Compression Moulding (Mil. gross)	45	48	50	..	..	..	3.70	5.45	5.70
10. Leather Cloth (000 yds.)	5	6	6	7,800	8,700	8,950	2,640	5,420	6,081
11. Linoleum (000 lineal yds.)	1	1	1	450	450	500	320	453	586
12. Phenol Formaldehyde Moulding Powder (000 tons)	2	4	4	0.88	3.0	3.4	0.98	1.8	2.0
13. Phenolic Laminates (Tons)	1	1	1	450	450	600	232	486	567
14. Polyethylene (Tons)	Nil	Nil	1	Nil	Nil	3,500	Nil	Nil	3,361
15. Polystyrene Moulding Powder (Tons)	Nil	1	1	Nil	4,500 to 5,400	4,500 to 5,400	Nil	3,314	3,708
16. Polythene Films and Layflat Tubings (Tons)	3	6	7	610	837	1,032	518	1,054	1,251
17. P.V.C. (Flexible) sheetings (unsupported) (Tons)	1	2	2	1,500	1,232	1,232	227.8	802	961
				(Th. sq. yds.)			(Th. sq. yds.)		
18. Urea Formaldehyde Moulding Powder (Tons)	N.A.	3	3	N.A.	940	742	N.A.	322	353

* Estimated.

INDIAN UNION

PROGRESS OF SOAP AND TOILET GOODS INDUSTRIES IN THE SECOND PLAN

Industry/Unit	No. of factories			Installed Capacity			Actual Production		
	1956	1959	1960	1956	1959	1960*	1956	1959	1960*
1. Carboxy Methyl Cellulose (Tons)	Nil	Nil	1	Nil	Nil	..	Nil	Nil	64
2. Face Cream and Snow (Mil. lbs.)	11	11	11	2.6	2.8	2.8	0.9	1.6	1.6
3. Powder									
Face Powder (000 lbs.)	8	12	12	555.0	2,855	2,855	376	423	604
Toilet Powder (000 lbs.)	12	12	12	6,817.4	3,202	3,202	2679	5,140	5,684
4. Soap (Organised Units) (000 tons)	90	90	90	253.3	253.3	253.3	110.3	130.0	136.4
5. Synthetic Detergent (Tons)	Nil	2	2	Nil	7,200	7,200	Nil	1,293	1,530
6. Tooth Paste (000 lbs.)	10	10	10	2,951.0	3,218	3,218	2,250.2	3,063	3,337
7. Tooth Powder (000 lbs.)	6	6	6	852.8	1,411	1,411	379.5	493	587
8. Textile Auxiliaries (000 tons)	3	5	5	N.A.	30.6	31.5	N.A.	4.6	5.0
9. Glycerine (Refined) (Tons)	8	9	9	5,480	7,578	7,578	2,900	4,844	5,530
10. Guar Gum (Tons)	Nil	2	2	Nil	N.A.	N.A.	Nil	6,192	6,530
11. Metallic Stearates (Tons)	3	3	3	312	312	312	91	97	102
12. Penta Chlore Phenol (Tons)	Nil	Nil	1	Nil	Nil	..	Nil	Nil	13
Other Industries									
Vegetable Oils									
13. Cotton Seed Oil (000 tons)	8	9	12	81.4**	94.6**	176.5**	6.0§	9.1§	11.9§
14. Oil Milling (Mil. tons)	350	350	350	1.5**	1.5**	1.5**	0.2§	0.3§	0.3§
15. Solvent Extracted Oil from Oilcakes (000 tons)	10	17	32	136.5†	261.5†	547.5†	5.8	20.7	23.4
Alcohol									
16. Power Alcohol (Absolute) (Mil. litres)	19	17	20	..	..	..	46.4	36.7	52.6
17. Industrial Alcohol									
(i) Denatured Spirit (Mil. litres)	N.A.	48	51	..	..	..	19.1	21.8	25.7
(ii) Rectified Spirit (Mil. litres)	N.A.	48	51	..	..	..	15.0	35.9	36.8
Timber									
18. Battery Separators (Wooden (Mil. Nos.))	3	3	3	20.0	20.0	20.0	9.0	10.7	11.1
19. Chipboard (Particle Board) (Mil. sq. ft.)	N.A.	1	1	N.A.	6.0	6.0	N.A.	0.7	0.8
20. Cork Products									
(i) Discs (Mil. gross)	N.A.	1	1	N.A.	3.0	3.0	1.9	5.6	6.4
(ii) Sheets (Mil. sq. ft.)	N.A.	2	2	N.A.	10.8	10.8	N.A.	4.0	4.8
(iii) Stoppers (Mil. gross)	2	2	2	N.A.	1.4	1.4	0.5	2.4	1.5
21. Hard Board (Mil. sq. ft.)	N.A.	2	2	N.A.	29.3	29.3	N.A.	12.0	8.9
22. Jax Board (Reed board) (Mil. sq. ft.)	N.A.	1	1	N.A.	9.0	9.0	N.A.	N.A.	0.5
23. Jute Based Board (Mil. sq. ft.)	N.A.	1	1	N.A.	2.2	2.2	N.A.	N.A.	1.3
24. Matches (000 cases††)	N.A.	59	62	705.6	888.0	905.8	615.6	649.2	656.5

**In terms of seeds. §In terms of extracted oil. †In terms of oil cakes. ††Cases of 50 Gross Boxes of 60 sticks each. *Estimated.

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ONE RUPEE



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The Eastern Economist

MAY 12, 1961

Spaceman the Second

COMMANDER Alan B. Shepard, the world's second spaceman, has, not unnaturally, overflowed into high politics. Much of the elation in the Western world at having a real spaceman in its midst has raised anew odious comparisons as to the respective merits of the two projects. The verdicts only add to the confusion. Measurements of the gap between the United States' space effort and the Russians' vary from as much as ten years to less than a year. Mr. Dean Rusk seemed confident to prophesy that the United States would have a man in full orbit round the earth before the end of the year. Those who are not possessed of the extremely technical information, on which such predictions are based, will wonder whether or not this optimism is justified.

Odious comparisons in these cases are not only inevitable, but must, in fact, be made, for much more hangs on spacemanship than the mere prestige of the contending nations. While currently everyone protests loudly that the mysteries of space technology will not be used for destructive purposes, it is easy to see that the rockets being developed for this purpose can easily be attached to nuclear warheads operating with extreme accuracy, and presumably with great selective power. The fact that the Russians have been able to obtain much greater speeds and have put into orbit much greater weights than the United States seems to suggest a powerful military advantage which it is foolish to ignore. Gun-boat diplomacy may have ended, but everyone knows that the power of bargaining collectively or otherwise in an armed neutrality depends on the strength of the contending powers. In courage

and in endurance there is probably no difference between an American and a Russian spaceman, but the gap in rocket technology may take many years to bridge. Meanwhile, the West, in spite of its brave showing this week, is definitely at a disadvantage in bargaining with the Russians.

The effect on India of these achievements should not be associated so much with the possibilities of the uneven war between the contending parties in the Cold War as with the transmission to ourselves of some of the new knowledge which is being generated by the development of space research. First indications are that the problems of technology connected with spacemanship and indeed, with all the problems of space travel, including radiation and cosmic rays research, are currently in India in a state of great neglect. This may be true of a great deal of general research in the Indian Union, particularly in the field of pure mathematics, where recent indications are to the effect that India is losing ground very rapidly. The welcome success of other countries in elevating the human mind should not bar us from a searching scrutiny of our own educational deficiencies; not all knowledge can be easily borrowed. Scientific education in the Indian Union is in a state of stagnation from which we should rouse ourselves without delay. It is sincerely to be hoped, now that the University Grants Commission has a distinguished scientist at its head, some active steps will be taken to promote life in the senior schools of physics and mathematics in the country, so that at least our Universities will be conversant with the tremendous advances which the challenge of spacemanship has thrown before the world.

Exports: How much? To whom?

THE appearance of the main figures of the Working Group engaged in import and export trends have done much to dampen enthusiasm on the settlement of the Indian foreign exchange gap raised by preliminary optimistic estimates of American aid and British "free" credit. Broadly, the feeling has grown that if the United States is willing to put up one billion dollars to cover the first two years of the Plan, friends in the Aid-India Club might, after certain political obstacles are removed—such as the West German elections at the end of this year—provide the balance. Thus, while it has been noted that the United States offer is conditional—and all conditional offers mean that much water must flow under the bridge before the

offer reaches maturity—there is justification for the view that the foreign exchange paper figures of the Plan might be met. But this week the release of the figures of the Working Group as well as Sir Donald MacDougall's expert opinion is to the effect that the gap would be of the order of Rs. 500 crores more than in the Draft Outline as a result of both capital and maintenance imports having been severely underestimated.

What is the way out of this major dilemma, since it would appear that our friends abroad are not prepared for additional commitments; nor, indeed, have we presented any for their consideration. Sir Donald takes the view that not only should India ask for more aid, but also raise her

exports in the next five years to Rs. 1,000 crores per annum in preparation for an all-out effort to take them to Rs 1,500 crores a year at the end of the Fourth Plan. The question which everyone will ask is how practical this target is; to whom are these additional exports to be directed? Almost nothing is known of the likely rates of rise of Indian exports in the major markets of the world in the next few years. But it is now becoming clear that the biggest market in the world is that of the European Economic Community which has shown a quite remarkable rate of growth ever since 1953. In 1959, imports of all types of goods by this community were 77 per cent higher than in 1953, compared with a world increase of 44 per cent. The rise in manufactures was 113 per cent at current prices, but West Germany actually had a rise of 283 per cent. Indeed, West Germany now dominates the import picture with a rise between 1953 and 1959 of over 300 per cent in imports and a rate of rise which is as high as it ever was. It is followed by France, and currently by Italy, which was previously a slow mover, and then by the Netherlands, Belgium, Luxembourg. Obviously, India has not given to this most rapidly growing market the attention that it deserves. The fact that we have an obstinate current deficit with West Germany, which has been a constant cause of concern, should have attracted us particularly to promotional efforts there. Unfortunately, our efforts in this direction have been both half-hearted and, on the whole, ineffective.

It is clear that if India is to raise her export target by even Rs. 50 crores per year, she can

The Nahorkatiya Pipeline Project

FLYING from Gauhati to Mohanbari, one can spot a new contour that has been drawn on this attractive landscape, over a distance of nearly 250 miles, by burying about four feet underground a mighty 16" diameter snake. A similar contour will shortly start coming up over a distance of about 470 miles from Gauhati to Barauni when the tail portion of this snake, 14 inches in diameter, is laid to rest with all modern scientific ceremonies. The snake, however, is nothing else but the thin-walled, woven-glass-mat covered and bitumen-coated steel pipeline meant for transporting the black gold of Nahorkatiya to Nunmati and Barauni refineries. A feat of engineering skill, this pipeline, the first one to be laid in India, is estimated to cost Rs. 44 crores and is considered to be the most economical mode of transporting Nahorkatiya crude to the two public sector refineries—to bring this crude to Nunmati and Barauni by rail, it is estimated that 18 trains of normal length would have been required daily, which task was obviously beyond the scope of the meter-gauge railway system that connects Nahorkatiya with Bihar State today.

Comparisons have been made between the cost of construction of this pipeline and those laid recently in Pakistan and in the United States and Canada. It is alleged that the cost of the Indian project is approximately twice as high as that of the Sui gas pipeline or of laying an oil pipeline in the U.S.A., and 25 per cent more than what is generally the expense incurred in Canada. Frankly speaking, this writer held the same view before he had an opportunity to study the project on the spot. The difficult terrain through which the pipeline passes, the monsoonish climatic conditions of the region, the hazards of transporting material and machinery to the site of the project and the peculiar chemical proper-

ties of the Nahorkatiya crude have, however, compelled him to revise his opinion to a great extent. In Europe, transport costs are against her. But Africa and South-East Asia are her "natural" markets and they too will develop, though potentially they are much smaller than those presented by the industrialised countries or that large group of countries on rupee payment which is itself the creator of exports, meaning the importers from these countries build the exports without any significant assistance from the Indian seller.

Obviously, the time is ripe for a major study to be undertaken of India's relations on the one hand with the European Common Market, and with the rupee countries on the other. It is presumed that most South-East Asian countries would also be willing to do substantial trade on rupee account provided imaginative projects of this kind could be developed. A first step in the analysis of the problem should be the release of the Working Group studies and Sir Donald MacDougall's reports. Thereafter, the almost insuperable problem that besets India by the expanded gap must be approached in the first place by an all-out export drive; secondly, by a stand-by credit arrangement until the drive matures or, less happily, by a reduction of imports when the foreign exchange is just not available. On all grounds, there is reason to believe that the Government of India has thought inadequately on the problem, and the business community even less. This is surely a time for a major Export Conference which might well work on the dismal data papers which Government seems to have in relative abundance at this time.

ties of the Nahorkatiya crude have, however, compelled him to revise his opinion to a great extent.

A glance at the various components of the cost of constructing the pipeline will evince that as much as nearly Rs. 3 crores had to be spent on research, setting up of a crude conditioning plant and providing for costly reciprocating plunger pumps in place of centrifugal pumps, to make the viscous and waxy Nahorkatiya crude pipelineable—an expenditure not normally required to be incurred elsewhere. The cost has been further inflated by the need to complete the work in a short span of time to make up for the delay on the part of the Government to reach a decision on exploitation of the Nahorkatiya oilfield and to avoid suspension of work during the long spell of monsoonish weather; an additional "spread", equipped with an extra set of machinery, has had to be provided on account of this. The difficult terrain, which must have considerably boosted the cost on survey and demarcation of the area for the pipeline, has cost additionally not only on transport of material and machinery to the site, but has also necessitated carrying of the pipeline through river beds, over rail/road bridges or on support of suspension bridges at no less than 78 places. The total cost of laying the pipeline across these rivers is estimated to be around Rs. 4 crores, out of which nearly Rs. 91 lakhs have been saved thanks to the decision of the Railway Board to allow it to pass over the Brahmaputra bridge (this saving would have amounted to about Rs. 1.1 crores had this decision been taken expeditiously). Another nearly Rs. 2 crores have had to be paid to the Central Exchequer in the form of duty on imported pipes, machinery and equipment which are expected to cost approximately Rs. 13 crores. The lack of technical know-how indigenously has probably increased the cost by

yet another couple of crores of rupees. The high cost of construction of industrial and residential buildings in Assam areas—nearly 170 per cent more than elsewhere in North India—has further swelled the expense bill by about Rs. 50 lakhs.

Taking all these facts into consideration, one would be inclined to infer that the cost of constructing the Nahorkatiya-Nunmati-Barauni pipeline is not unreasonably high. The valuable experience gained by the Indian personnel associated with the construction work will be an asset that can be drawn upon for undertaking similar tasks in future — for laying products pipelines

Foreign Private Investment

THE Government's recent statement on a "rationalised" procedure for processing projects involving foreign private investment could have been issued with considerable advantage towards the middle of the Second Five-Year Plan, when acute difficulties of foreign exchange put a brake on the progress of several private programmes of expansion and selectivity was essential. However, it has now come at an appropriate time when the foreign private investor is evincing real interest in the scope which the Third Five-Year Plan opens up for the entry of foreign capital in this country. The reform, based on simplification and expeditious settlement of applications to start projects, either independently or in collaboration with Indian investors, is purely procedural. All the same, it is calculated to facilitate the inflow of private capital on a larger scale than heretofore as many doubts and apprehensions are being positively cleared.

The major criticism against the previous procedure is being met. Responsible business opinion abroad (of which the views expressed by the Federation of British Industries are typically representative) holds that the climate for foreign private capital in India and the country's remarkable record of permitting repatriation of profits as well as capital are features of basic value which have sustained the attraction to the investor. Because of this assurance reinvestment is expanding with a full sense of confidence. But the jungle of regulations and procedural formalities which has grown around industrial licensing not only mars the value of these features but operates partially as a deterrent by reason of the inordinate delays involved, the hardships and vexation caused and the uncertainties created in pursuing the follow-up procedure, necessitated by the routing of the applications through a number of official channels. A unified authority will now deal with the applications of foreign investors, while routing through different authorities in the various ministries will be eliminated by direct consultation with them. The senior official, who has been appointed in the Ministry of Commerce and Industry specially for the purpose of this scrutiny, will, nevertheless, have to wade through the mass of controls and regulations. The superfluous and unimportant among them could not be scrapped in the course of this reform as they amount to substantive provisions in contradistinction to procedural formalities.

The enumeration of industries made in the statement to indicate the spheres in which foreign investment is welcome ostensibly includes two dozen industries, but some of them are omnibus classes covering several industries. Care has been taken to stress that this list by no means exhausts the scope for foreign private investment; it is merely illustrative. In fact the emphasis on flexibility has been amplified with reference to

from Barauni to Calcutta and Delhi and oil pipelines in the Cambay and Ankleshwar region.

It is indeed gratifying to note that despite so many blanks in the scheme when the work on this pipeline was taken in hand and in spite of innumerable odds, the project will be completed strictly according to the schedule and at a cost not exceeding the original estimates; it may, in fact, be finished earlier and probably with a substantial saving. This speaks highly of the planners of the project. It is an example which those incharge of public sector enterprises might well emulate.

Schedule A of the Industrial Policy Statement of April 1956 which defines the field earmarked for the public sector and it has been pointed out that private participation in this area is permitted where public interest demands it. Most of the industries mentioned as belonging to the category in which foreign capital may not be required ordinarily, are those from which it is being repatriated—for instance, plantations—or those where foreign capital is consolidating its position rather than expanding it. The merit of the explanation really lies in offering a wide choice for investment.

Our pre-occupation with accelerated development of export industries is most likely to give rise to some misgivings in the mind of the foreign investor. It is likely they have been generated by isolated instances in which foreign-owned subsidiaries were being persuaded to contribute their valuable co-operation in promoting exports. It is neither the policy nor the intention of the Government to single out subsidiaries of foreign parent companies for obligatory exports. The statement clarifies the position when it points out that projects of foreign investment which promise to give a boost to exports will receive special encouragement and goes on to add that the foreign collaborator's overseas marketing organization may not necessarily be linked with the joint venture in India. It is problematical how far foreign private investment will flow into Indian export industries. One of the potent factors which influence the inflow of foreign capital is the overseas investor's object of overcoming the handicaps created by import restrictions in India—quotas and tariffs—by starting production in this country. This is welcome inasmuch as it fits in with the Plan programmes.

The limitation on the capacity of the liberalised procedure for entry of foreign private capital ought to be borne in mind. Explaining the vital point that there is no rigidity about the ratios in which foreign and Indian investment should collaborate, the statement makes the point that one determining factor is the amount of foreign technical skills offered. A higher ratio to foreign capital on the score of provision of valuable technical know-how will not be sufficient in itself. Already there is the standing grievance that our official definition of a technician for purposes of tax relief is narrow since it is restricted to a technician engaged in putting the plant into operation and even so conventional allowances are not made in granting tax exemption. And now Mr. Selwyn Lloyd's tax relief in the UK (which accounts for two-fifths of the foreign private investment in this country) to the medium income brackets will make relief granted in India less attractive. A healthy beginning is made with this procedural reform to stimulate foreign private capital. But its practical utility will be conditioned by corresponding substantive reform.

A DELHI DIARY

THE week has been thrice blessed. To begin with, it was sanctified by the centenaries of two great heroes of Indian nationalism—Pandit Motilal Nehru and Dr. Rabindranath Tagore. The rejoicings at their centenaries have exceeded all expectations and while, naughtily, I sometimes wonder how much of the enthusiasm is artificial, I suppose a good deal of it is real. Secondly, the week has brought an abundant flow of confidence into Indian athletics and sport. A magnificent effort has carried an Indian climbing expedition to the top of Annapurna III, winning almost the highest distinction in this field for the first time for an Indian mountaineering group whom we have tended often not to rank lowly in the field. At the same time, in the Davis Cup meeting at Delhi, India triumphed over Japan 4:1 in an exciting performance in which a new star, Akhtar Ali, has suddenly entered the tennis firmament. I applaud his coming, because I understand that he comes from a fairly humble walk of life. While this is vindication of the socialist pattern of society, the chances of such persons having the same opportunities to play in great matches is not guaranteed by the Indian Constitution. Finally, — and for the feminine of the species, the most happy of all—was the Dowry Bill passed with applause by a joint session of both the Houses of Parliament on Tuesday. All in all, the week has, therefore, brought in a full toll of happy events.

RABINDRANATH TAGORE

On Rabindranath Tagore I dare not say a disrespectful piece; but there are many people who feel that the magnitude of the centenary celebrations, both at home and abroad, went not merely far beyond their own expectations, but reflect an impact on Indian consciousness of the greatness of Tagore which is not deeply shared outside Bengal. In particular, amongst the middle-class intelligentsia outside Bengal the tremendous ascendancy which Tagore has enjoyed in the current celebrations over Motilal Nehru, has come in for comment in New Delhi. There was no reason to diminish our respect for Tagore, whose grand versatility as well as burning nationalism deserve the unending admiration of the Indian people; but why was it necessary in the process to diminish the importance of Motilal Nehru, one of the grandest and most colourful of our national heroes? One of the consequences of an abundantly rich year of births has been some inequality in the distribution of the glory thereof. Pandit Motilal Nehru has probably been bereft of some of the honour which was his due, and it may be that Pandit Madan Mohan Malaviya and the great scientist, P. C. Ray, will suffer severe oblivion since it is extremely unlikely that heroic measures to revive memories of this kind can be undertaken four times a year.

It is, in fact, a little bit of surprise that the Government of India threw itself into the Tagore celebrations with an abandon which was a slight denial of the great necessity of hard work in order to honour the great heroes of the Revolution by constructive effort to imitate their own passionate dedication. Monday was a day of complete cessation of work almost all over the country, it being a bank holiday, and many things more, so that almost no one could work. Even journalists like ourselves who are compelled relentlessly to follow the heavy rush of events, were deprived of liftmen—or are they now elevator-operators?—and had to make their way up exacting stairs at all levels from the ground. It is not, perhaps, unnatural that, in the circumstances, our great admiration for Rabindranath Tagore has undergone what might be called a temporary, and somewhat irritating, eclipse. Of course, since the lives of great men all remind us that we can make our lives sublime, these petty irritations are wholly out of place. But I have no intention of leaving, like

them, my footprints on the sands of time. I am too human!

THE DOWRY BILL

Few of us — largely, I suppose, because of the fact that we do not see the feminine view in this matter—have thought the excitement over the Dowry Prohibition Bill, which required a joint session of both the Houses of Parliament to resolve the differences between them, was justified. Some of us, no doubt, have received dowries and some (less happily) have not. Those of us who have received dowries, I think have had the good sense to recognise that they belonged not so much to us as to the new family, just as one receives various wedding presents. They all go into the pool and—reactionary man that I am—I believe that, if the older generation transfers gifts—or should I say resources to bring the analogy into line with the Planning Commission documents?—to the next generation, not much harm can be done. The young can always use these resources, it seems to me, more profitably than the old. The dowry system was, therefore, an opportunity not only to place a young couple on its feet, but also an instrument to effect that happy redistribution of wealth which continues to be the passionate goal of the socialist pattern of society. Now that dowries are legally prohibited—although, this I am told means that they are by no means eliminated—there will be a tendency for fathers and mothers to retain as much of their property to themselves and compel natural love and affection to do what a healthy monetary inducement so happily assisted. All in all, like the Indian Constitution which gave equality to women in law, but with no bar on customs, I expect things will go on very much as they are. Nevertheless, I suppose women have found the fifth freedom which is that they can enter holy wedlock without having an undue amount of gold on their persons or a significant bank balance in somebody else's name. Some members of Parliament tell me that this is the best that can be done in the socialist pattern of society, and I accept with good grace the fact that taxes on matrimony are thus being reduced. I might mention that that is the only tax which is likely to be reduced in the aforesaid socialist pattern. And it is a tax on the aged or aging which has been turned into a tax on youth!

My views are not those of the gentleman below!

What a Life!



We've passed a law that you must grow up faster!

Courtesy: The Hindustan Times

ARGUS.

THE WEEK'S NOTES

The Dowry Bill

EFFICACY

FOR THE first time in the history of India's Parliament the two Houses held a joint session. A unique occasion such as this must require a unique purpose. It is difficult to be sure that this was so in case of the first joint session. Two controversial clauses in the Dowry Prohibition Bill necessitated this session, but it may be questioned whether the Bill merited the distinction which befell it.

The definition of the Bill along with the explanation attached to it and the penal clause together with the proviso were storm centres of the controversy. The essence of the definition of the term dowry consists in the phrase, money or property given as consideration for marriage. But gifts of any kind of substantial value can be made, without being branded as consideration for marriage, if they are made out of affection and by pure volition. It is difficult to produce evidence as to whether money or property was given voluntarily by way of gifts or whether it was given under pressure as consideration for marriage. It would be still more difficult for the judges to draw the correct inference from the circumstantial evidence. The line of demarcation between the legal proof of volition and that of compulsion is obscure and in such a delicate matter genuine evidence will be hard to get. The penal clause now provides a safeguard against malicious prosecutions or prosecutions for black-mail by providing that the State Government's prior sanction should be obligatory for any prosecution under the Act.

It can hardly be argued seriously that social-moral reform can be brought about by legislation. Ultimately, social reform is a function of arousing the social conscience. The utmost that can be conceded is that the present Bill will prescribe, as the Law Minister claims, norms or standards of social behaviour. It is well-nigh impossible to prohibit dowry by law. The community will need to wait until dowry disappears, as any other tyrannical social custom disappears, by social advancement over a period of time.

"Far Eastern Survey"

THE END OF THE JOURNEY

AFTER A quarter of a century of devoted service to the cause of vital research in Asian affairs, the "Far Eastern Survey" reaches the end of its journey. Mr. William Holland's valedictory note, displayed on the front page of the February issue, which has just arrived, has a touch of pathos which can hardly be escaped in bidding farewell. Of far greater significance, however, is the legitimate feeling of pride and performance with which the American Institute of Pacific Relations can look at the enviable record which the journal, it sponsored, is leaving behind. Twenty-five years is by any test not a brief span in this sphere of journalism dedicated to exacting academic research in problems of live interest. Asian affairs are no doubt making a deep impact on the American mind, as they impinge more and more on America's foreign policy and, by implication, on her security. The "Far Eastern Survey" was a faithful and disinterested guide to its American readers, ranging from the academician and the professional politician to the layman.

But it was not the American reader alone who had the privilege to draw upon the fruits of the patient research of its contributors. This distinction was shared by students of Asian affairs outside America, including, of course, the Asian countries too. They, no less than the American reader, will miss their scholarly companion. But it is some satisfaction that the void will not be left unfilled. In 1935 the "Far

Eastern Survey" replaced the "IPR Memoranda". Now, "Asian Survey" takes its honoured place. All these twenty-five years the torch was borne by a succession of able editors and it is a laudable achievement which redounds to the credit of this journal that it introduced to the world of Asian research a band of young American scholars.

It is not without a struggle with inadequate resources, extending over full seven years, that the "Far Eastern Survey" is lying to rest. Journalism has its tribulations in every land, but in spite of them the cherished tradition of service goes on.

Inter-State Waters Dispute

THE KRISHNA - GODAVARI COMMISSION

THE CENTRAL GOVERNMENT is to be congratulated for having shown firmness, perhaps for the first time, in dealing with an inter-State dispute instead of following a policy of drift leading to the grant of concessions to the disputants on an ad hoc basis. It was clear for a considerable time now that negotiations between the three State Governments of Andhra Pradesh, Maharashtra and Mysore on the distribution of the waters of the Krishna and the Godavari would have dragged on without a reasonable prospect of termination at an early date. On May 3, Mr. Jaisukh Lal Hathi, Deputy Minister for Irrigation and Power, made the announcement in the Lok Sabha about the appointment of the Krishna-Godavari Commission under the chairmanship of Mr. Gulhati. It now transpires that the riparian States in question were not consulted on the appointment of the Commission or its terms of reference. This inference is suggested by the statement issued by Mr. D. Sanjivayya, Chief Minister of Andhra Pradesh. Apparently, the Central Government wanted to forestall likely disagreement among the States Governments on the appointment of the Commission. If this inference is correct, it may serve as a valuable precedent on likely future occasions. Mr. Sanjivayya has argued the point that the agreement on the sharing of the waters of the two rivers between the five riparian States concluded in 1951 was arrived at after detailed discussion and investigation and it could not be revised until its span of twenty-five years had run out. This argument is plausible. The parties to the 1951 agreement were the former States of Bombay, Hyderabad, composite Madras, Madhya Pradesh and Mysore. Territorial re-organisation of the States which vitally affects the sharing of waters, makes it necessary that the agreement should be reopened.

Besides this, there are certain important points at issue on which expert technical opinion must be sought. To mention some of them. The calculation of the discharge of the waters of the Krishna at Vijayawada and other points is said to be in error by 8 per cent. Likewise the factor of regeneration, it is contended, ought to be taken into consideration. Regeneration in technical parlance implies the quantity of water which flows back after utilisation in the irrigation canals into the main streams of the river and its distributaries. Technical opinion is not final on the point whether regeneration lends itself to precise assessment. Another important point of dispute is dependability of the flow of waters and it is the case of Mysore and Maharashtra that the flow dependability factor in the case of the Krishna has been over-estimated by 9 per cent at 86 per cent. Then there are differences of opinion about the commandable areas of the rivers. Finally, there is the vital question of determination of the availability of surplus waters.

Under the Inter-State Waters Disputes Act, the Central Government is empowered to impose its decision on the States. It is to be trusted that the three States will gracefully accept the findings of the experts.

Ceylon

THE STATE OF EMERGENCY

THE VERY fact that the state of emergency declared in Ceylon on April 17 last has had to be continued even now is indicative of the gravity of the situation created by the agitation of the Tamils over the language problem and the measures of repression taken by the Government to counter it. The picture of what exactly is happening in the affected Northern and Eastern provinces is quite obscure and it should be obvious that censorship which has been clamped has hindered rather than helped either the Government or the people. When this question was raised in the Lok Sabha on May 5, the Prime Minister declared the policy of the Government of India which was to treat the issue as an internal problem of Ceylon. But certain views expressed by Mr. Nehru are significant. He pointed out that Tamils of distant Indian origin who have settled in Ceylon for over six centuries and completely severed their relations with India are as much Sinhalese as any citizens of Ceylonese descent. The implication is that it would be a wrong policy to prolong their condition of statelessness. Tamils of recent Indian origin who have emigrated to Ceylon are mostly the nationals of India and in respect of these persons anxious enquiries made by the Government of India with the Government of Ceylon regarding the security of their lives and property have brought forth the assurance that this would certainly be looked after.

If censorship has made the outflow of authentic information difficult and given a handle to loose rumours, a glimpse of the happenings in the affected areas was available in the course of a 2-hour debate in the House of Representatives on the state of emergency. Opposition parties and groups used expressions which gave enough indication of military excesses having been committed. Mr. C. P. De Silva, Leader of the House of Representatives, denied the allegations about excesses, but it is reassuring that a careful enquiry and corrective measures, if necessary, have been promised. Nevertheless, it would appear that the Government is not in a mood to relent as would be clear from Mr. De Silva's assertion in reply to the debate that a solution to the language problem will have to be found within the framework of the Official Language Act. The Tamil speaking population of Ceylon, (more than half of which is of remote Indian origin), accounts for something like two million or one-fourth of the country's total population. Considering the fact that language has deep roots in the minds of men, attempts to evolve a formula on the basis of a compromise after normal conditions are restored would be in the interest of peace and harmony in the island.

Backward Classes

RESERVATION IN THE SERVICES

A RECENT judgment of the Supreme Court on the constitutional question of reservation of posts in government services in favour of backward classes is of far reaching importance in view of the interpretation it puts on the scope and character of the reservation. The fundamental right of equality of opportunity to all citizens in the matter of employment and appointments to posts in services under the various governments, guaranteed by Article 16(1) of the Constitution, is qualified by Article 16(4) which enables the State Governments to reserve posts for backward classes, when, in their opinion, they are not adequately represented in the services. Article 335 provides for reservation of posts for members of schedule castes and scheduled tribes, subject to the condition that the efficiency of the administration is not impaired.

The appeal arose out of the decision of the Madras High Court on a petition for issue of a writ of mandamus restraining the Southern Railway authorities from giving effect to the Railway Board's circulars reserving a certain proportion in the selection posts of certain categories of employment for scheduled

castes and scheduled tribes. The Madras High Court issued the writ on the ground that the circulars in question were invalid and unconstitutional, presumably because they militated against the provision for maintaining the administrative efficiency unimpaired. The Supreme Court's judgment is divided, but the majority of the bench, consisting of Justices Ganjendragadkar, Sarkar and Das Gupta, ruled that there was no warrant for the assumption that reservation cannot be extended to all grades and higher or selection posts and the constitutionality of the circulars cannot be challenged on this score. The minority judges — Justices Wanchoo and Raja Gopala Iyengar — gave judgments rejecting the appeal and they upheld the contention that the ends of adequate representation of backward classes are satisfied if reservation is made at the initial stage of entry. To extend the rule of reservation to each grade or category of posts is to introduce a new doctrine threatening to undermine the quality of the administration. It could lead to exclusive reservation of top posts in some categories where the number of posts is so small that the posts or a majority of the posts must be reserved exclusively for the backward class candidates or they must go without adequate representation. The force and logic of the minority judgments are of little avail in the context of the majority decision.

The quality of the administration is an important resource which is progressively declining. This adverse process ought not to be hastened by technical resort to the latest judicial interpretation. The spirit in which reservation is granted should be observed by upholding the superior claims of maintaining efficiency intact.

Angola

THE REIGN OF TERROR

THE REIGN of terror that has been let loose on Angola by Dr. Salazar's regime has shocked the conscience of the world. Far from recognizing the wind of change which is now blowing fast over the entire African continent, Dr. Salazar has given proof of his vindictiveness. North Angola, more than any other part of this Portuguese colony, is in the grip of rebellion which is being crushed with ruthlessness. The number of persons massacred has been put at above 20,000, while military terror is taking its toll in other ways. When the UN Committee on Information from Non-self-governing Territories gave Portugal gentle advice to follow liberal policies in Angola and the United States backed this plea, Portugal gave expression to her anger by bringing the Methodist Mission under special attention. Curious as it may look, the civilian population in Portugal hugs to its bosom the dream of the permanence of the empire and supports Dr. Salazar's policies. But the army knows the nature of the job it is called upon to perform in Angola and some of its officers have made no secret of their lack of faith in fighting an entire population for an indefinite time. This seems to have hardened the attitude of Dr. Salazar who has assumed the Defence portfolio.

"The New York Times" in a bluntly worded editorial on May 4 has urged Dr. Salazar to recognize the force of the liberation movement in the African continent and to reconcile himself with the inevitability of decolonization. The editorial says: "Despite Portuguese resentment of any 'foreign interference,' it is essential for Portugal's allies to urge it to make the inevitable changes through reform and evolution rather than court a runaway revolution." The reference to Portugal's allies on the eve of the meeting of the NATO Council of Foreign Ministers cannot be missed. In Oslo itself on May 9. Mr. Halvard Lange, the Foreign Minister of the host country, warned his fellow delegates against doing anything which might be interpreted as tacit approval of Portugal's policy in Angola. It will, however, be a surprise if these pressures succeed in converting Dr. Salazar in the near future. Nevertheless, the pressures cannot be relaxed for this reason.

The World Abroad

WHY FRENCH PLANNERS SUCCEED

By

ODYSSEUS

MY DARK DISTRUST of hard-faced central planners and of state interference with the mechanisms of the market is notorious.

But I now have frankly to report that the British National Institute of Economic and Social Research and the French Institute of Applied Economics have, in the course of a conference in London attended by leading business men, civil servants, and economists, scored a major triumph: their exposition of the work of the French National Planning Commission convinced me (and some other sceptics) that planning may under certain circumstances, be a good thing!

But before Indian planners reach for their hats to go out and have a drink (a stiff double Mysore coffee and soda?) to celebrate my conversion, they should take note of some fundamental differences between the objects and machinery of the Indian and French National Plans. The object of New Delhi's planners is a Socialist pattern state, in which state enterprise is the big brother with all the levers of command in its hands, while (at any rate up to the present) the private sector has been tolerated as a necessary nuisance that impedes the achievement of perfection. But, at the outset, M. Pierre Masse, France's Planner in Chief, made it clear that French planning is based on no political doctrine, but on simple, unideological economic expediency and empiricism.

THE GOODWILL OF PRIVATE ENTERPRISE

Its aim is not to create a Socialist state but to enlist the goodwill of private enterprise to promote economic growth with least waste of resources.

What was so persuasive about M. Pierre Masse was that when I asked him: "To what extent would you claim that France's excellent average annual growth rate of 7 per cent is due to planning?", he replied with disarming candour: "I don't know! It is difficult to determine what part the plan plays in actual development. Nevertheless, the general results have been so good that it seems reasonable to suppose that the plan had something to do with it!"

The father of the French plan, that great economist and patriot, Jean Monnet, realised that if the plan was to work it must evoke the enthusiasm of all concerned — the government, the civil servants, leaders of industry and the workers. His aim was economic advance by agreement.

The machinery of the French plan is in three tiers. Over all is the Planning Commission. Reporting to it is the Modernisation Commission which, in turn, collates the reports of (a) 20 subcommittees, each concerned with a major industry or sector of the economy, and (b) 5 subcommittees concerned with broad questions of policy which affect the economy as a whole — finance, labour, research, productivity, and regional planning.

The Planning Commission has successfully disproved Parkinson's law by never having had more than 30 members (drawn from a wide range of administrative and technical bodies). Its job is, on the basis of the reports received from the Modernisation Commission, to reconcile planned hopes with the facts of life, and to stimulate and co-ordinate, without encroaching on the

responsibilities of any ministry, and nationalised body, or private enterprise. It disposes of no funds but provides a forum to ensure co-operation between the representatives of the government, the public services, nationalised industries, industrial and professional associations, private enterprises, and trade unions.

The Modernisation Commission is made up of 40 to 80 members nominated by the government (on the Planning Commission's recommendation) from among civil servants, heads of private firms, trade unionists and experts. Its subcommittees, or working groups, which co-opt experts, do the detailed planning. Total membership of commissions and groups is three to four thousand people — all unpaid.

A key Working Group is that on steel. This is divided into sub-groups concerned with outlets, iron ore mines, scrap, investment, technology and research equipment and finance. The group on outlets prepares a market survey, based on the provisional level of national output suggested by the Planning Commission.

There is naturally a close inter-relation between the proposed national growth rate and the productive capacity and prospects for steel. The estimate of total steel production is reached by relating the proposed industrial growth rate to domestic consumption of steel, adjusted for exports and imports. This is checked by enquiries into end-uses and into the pattern of foreign trade in steel and steel products. This provides a break-down of production into different steel products. These two methods of estimating lead to slightly differing results, on which Modernisation Commission must find a compromise.

The iron ore mine group starts with a questionnaire to all mining companies to arrive at estimates of (a) the growth capacity projected during the plan and (b) the volume of investment required by the projected increase in capacity.

Vitality important is the investment group. All plants are asked to submit expansion programmes, outlining what is to be launched, what completed, during the planned period, and the output capacity thereby attained. From this, the intended total output capacity for the French steel industry and its distribution by products is estimated. These capacity estimates are adjusted with the estimates of demand (prepared by the outlets group). The capacity and demand estimates do not differ greatly from the target set by the plan, but the product pattern sometimes needs varying up or down. In cases where an excess or deficiency of production is foreseen for a particular product, all companies concerned are informed and asked to re-examine their projects. More often than not, M. Masse told us, this mere exchange of information on company's projects is enough to reach an agreement on adjustment.

NO COMPULSION

But there is no compulsion.

If a company decides to go ahead with a project, which will give it capacity in excess of its proportion of the plan as a whole, it must take the risk either of inability to sell all that it produces, or to incur heavier overheads by not working to full capacity. If, on the other hand, it decides not to raise its capacity propor-

tionately to the over-all planned level, it risks being left behind in the race for orders and markets. Of course, the government has various incentives and disincentives at its disposal. It can encourage investment by its general economic policies, by accelerated depreciation allowances, by its control of capital issues in the money market, and so on. Up to 1958, the government fixed a time-table for new issues. This still applies to bonds, and there is also some control on medium and long-term loans. Dividends not exceeding 5 per cent of paid-up capital are exempt from company taxes if the companies increase their investments in accordance with the Plan's aims. And so on.

But M. Masse emphasised that this Commission was chary of imposing sanctions, first, because their indiscriminate use would stir up resentments and spoil the atmosphere of harmony for which he strives; secondly, because, as he added with his winning smile, "After all, in the ultimate analysis there is an element of guesswork in all this forecasting. We think we're right, but we don't know that we are. So if someone won't play, we say 'Go ahead on your own hunch, at your own risks and perils, without state aid.'"

If M. Masse's captivating exposition is to be trusted — and he largely convinced my sceptical mind — then the real secret of the success of French planning is that it relies essentially on the team spirit aroused in the joint consultations of the working groups. Most participants originally approached these groups with suspicion; ready to defend to the death their individual rights as Frenchmen; aware only of their individual

problems of finance and production; conscious only in general terms of those of their industry; and generally hazy about the economic factors at work in the economy as a whole. The first impact of these working groups was informative and educational; the second to awaken the spirit of co-operation and emulation, and, above all, to make French industrialists "growth-minded."

"Would you agree," I asked M. Masse, "that the trend in Europe, as a whole, and in France, in particular, is towards excess capacity in motor car production? If so, how do you reconcile that with planning?"

Again, M. Masse's candour left me defenceless. "We do not pretend that planning solves all problems. We hope that by making all industrialists conscious of what they are doing, better informed about the situation in their own industry, and alive to the broad factors at work in the economy as a whole, the mechanism of the market will work more smoothly. But you can't ensure a placid surface any more than you can eliminate the waves from the sea. Personally, I think that the trend is towards overproduction in cars throughout Europe. But motor car manufacturers are notoriously sanguine people. Few inherited their wealth. They are mostly aggressive, adventurous, self-made men. It's difficult to hold them back. I believe that the creation of the European Economic Community opens the door to international co-operation in planning, and I think that ultimately we'll get it. For the present, we must try to persuade motor manufacturers to rationalise, to amalgamate."

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The European Scene

OPTIMISTS CONFIRMED IN W. EUROPE

From Our Special West European Correspondent

PARIS, May 7.

SINCE the last review of Common Market business conditions on this page (February 10), three new developments have occurred: the American recession is admitted to have "bottomed out" in February-March, there has been an improvement in British economic activity, and two Common Market currencies, the mark and the florin, have been revalued. Actually, none of these has as yet had any noticeable influence on business in this region and their effects will be felt only in the months ahead. If the outlook is today viewed with more optimism than at the beginning of the year, that is for reasons that have to do with the internal dynamics of the Common Market economy. Not that the prospects were poor in January-February. It was agreed that expansion would continue, carrying activity to higher levels than were touched in the 1960 boom. But the emphasis was on the slowing down of the rate of expansion, described as a deceleration or flattening out. This process was referred to in unnecessarily mournful language; an economy whose expansion has slowed down from 6 per cent to 4 per cent has not itself slowed down but is still growing appreciably. However, the shape of growth-rate curves (although imperfectly understood) has passed into the field of political controversy where there are Cassandra who, failing an imminent depression, will seek to present as a disaster the slowing down of a speed-up.

The latest figures leave even less room for this artificial pessimism. No one is ready to say that 1961's results will surpass 1960's, but it is already evident that the deceleration will be less marked than was feared, and there will be no cause to speak of a flattening out. The main change is perhaps psychological: a firm that was saying in February, "We are doing well but not quite as well as we were doing lately" is saying in May, "We are doing well and in fact rather better than we expected". The change in terminology is not without importance, especially because of its effect on investment outlays which are currently among the main stimulants to expansion in this region. Nor is it arbitrary; producers began to change their tune when the results of the first quarter revealed that the performance of the six economies had exceeded expectations.

The reasons for over-conservative forecasts of West European business activity lie, I should guess, in an inadequate appreciation of the volume of investment that has been taking place for several years past. Outlays on new capital assets have been an important element in the high level of activity for many months, even when overshadowed by such factors as the keen export demand for European products. Unlike export demand, which can decline sharply without leaving any permanent benefit (as has happened with motor cars recently), capital investments continue to mature fairly slowly and then produce a volume of goods and of demand to buy them (wages and rewards to investors) greater than was foreseen. This is especially important in all the Common Market countries, save Italy, because the labour force is fully employed, and it is only the coming into production of new and highly productive machinery that enables an extra quantity of goods to be offered at constant prices. For a good two years past, many observers (including myself on this page) have been prophesying that the manpower shortage would set limits to the increase of West Euro-

pean production and/or touch off a rise in prices that would have a depressing effect. In reality, this has not happened, even in West Germany and Holland where labour is least plentiful, because an immense quantity of investment has been going on with the objective of saving labour, and it is now bearing fruit.

Another reason is that long-term structural changes are going forward in Common Market industries, changes which tend toward steadily increased production regardless of temporary variations in the business climate. Almost all industries in this region have their minds set on the day when there will be one market of 170 million consumers, for whose custom firms in every country will have to compete equally. To get ready for that situation they are expanding, modernising and amalgamating according to long-range plans which cannot be altered to match the mood of the moment. In many cases this is a healthy process; by simply ignoring the American slowdown and disregarding forecasts of short-term setbacks, producers ensure that these are indeed of brief duration. In other cases, however, they are postponing the day of reckoning: in their competitive anxiety to make sure that they retain their share of the market, they are undertaking investments which, when added up, must mean eventual overproduction. In these cases, temporary fluctuations in present demand are not negligible, but are warnings of long-term dangers.

Two examples will illustrate. The Italian economy is the best case of profound structural change leading to certain expansion, regardless of ups and downs in business confidence about the short term. Italy's integration into the Common Market, the rapid growth of northern industry and the industrialisation of the south are all virtually irreversible processes that have a long way to go before they are completed. An Italian industrialist (or the American and other foreign investors now placing funds in Italy) would have to have very poor nerves to be impressed by the solemn forecasts made at the beginning of the year about a slowdown in the economy. Even if it occurred it could have very little importance in the long run. In the event, it has not happened. Results in the first quarter have belied the cautious provisions of mid-winter. The slowdown has been limited to textiles and food, while the capital goods industries have continued their vigorous expansion regardless. Something similar is happening throughout the Common Market wherever producers have their attention fixed on the remoter prospect. The extraordinary indifference of French industry (and its many foreign supporters) to the recent political crisis had similar origins. West Europe seems to have entered a phase where short-term predictions are of minor concern alongside long-term certitudes (or what are taken for such).

The other case is the automobile industry. If investment were sensitive to short-term provisions, or even to actual current fluctuations, outlays in this industry should have slumped considerably in the past year. Exports, which had been absorbing about half European output, fell very sharply, with no immediate prospect of recovery, and the short-term forecasters agreed in predicting only moderate rises in domestic demand and, therefore, considerable declines in output. Some fall in output did indeed occur, notably at Renault, one of the biggest Continental producers and

the one that relied most heavily on export sales. Yet the Common Market automobile industry in general ignored these warnings of a crisis; some increased their production, others raised their prices despite weaker demand, and all boosted their investment targets. Firms that should have gone to the wall, like Borg Ward in West Germany, were kept alive by an ill-advised municipal socialism. The upshot is that West Europe today has in hand expansion programmes in the automobile industry which, far from taking account of the short-term setback, seem to over-estimate the long-term possibilities. Any one producer would probably agree that the total investments of the industry are excessive but he still clings to his own target as the only way to ensure he holds his own in an increasingly competitive business. According to present plans, West Germany in 1965 will produce 3 million cars (against 2 million today), France 1.8 million (against 1.3 million) and Italy 1.5 million (against 700,000 last year). Since Britain, who may or may not be inside the Common Market by 1965, will be producing 3 million vehicles (against 1.8 million), West Europe will altogether turn out 9.5 million cars, whereas forecasts of demand at that date mention only 8 million buyers. If American competition becomes keener meantime, the situation could be dangerous.

However, even for the automobile industry which is exceptional, that danger is still remote, and the interim prospect is clear: production will rise this year more quickly than was expected in January, when the flattening out theory was generally accepted. Though consumer goods sales might not much exceed 1960's, the brilliant progress of the steel, machinery and heavy electrical equipment industries in the first four months of the year shows that private investment will be

vigorous. Meanwhile, the export prospect has brightened, more particularly for the late summer and winter, by which time the USA should be well out of the slough of despond. Official forecasts made several months ago of a 4.5 per cent rise in the Common Market's gross national products this year had now better be taken as absolute minima, and the figure of 6 per cent can no longer be regarded as optimistic.

What most concerns India in this is that earlier forecasts of bigger imports into this region in 1961 are now fully confirmed. It was first thought that 1961 imports would show a smaller increase over 1960's than that year's did over 1959. This might still be true, for the type of investment now going on does not have a high import-content, and moreover there is no inclination to stock raw materials as long as prices remain weak and shipping surplus. On the other hand, the revaluation of the mark and florin should lead to a greater volume of imports, and the more optimistic view now taken of the level of future demand must provoke (has already done so, as one sees in the French and Italian trade figures) larger imports of raw materials. To the extent that Common Market demand determines prices of raw materials, one would predict a modest rise in these for the rest of the year, which will be accentuated if the American recovery hastens and if British imports rise further. On the other side of the account, the export prices of Common Market manufactures will probably fall under the influence of keener competition between members. West Germany appears to have been losing trade to Britain in the Free Trade Area, and will seek to recoup these losses by competing more strongly in overseas markets. In sum, a deterioration of the region's trade balance is more certain than ever.

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Basic Research in the Chemical Industry: A major contribution to India's scientific development has been made by CIBA India Ltd., in constructing a centre for basic research in the chemical industry. Addressing a Press Conference in Bombay, last week, Dr. Albert Wettstein, Director of Research, CIBA Ltd., Basle (Switzerland), claimed that the Basic Research Institute is the first of its kind to be established by private enterprise in the chemical industry. The Institute is to be devoted to genuine basic research, while not ignoring development work.

Initially, basic research would be conducted on dye-stuffs and pharmaceuticals, including chemical and biological investigations of Indian medicinal plants and the elaboration of new synthetic medicines. The Basic Research Institute to be set up at Goregaon in Greater Bombay is to work in close collaboration with other CIBA Research Institutes, particularly those in Switzerland and the USA, which is as it should be. In this way, the Institute would be able to draw on their experience and tradition of research organisation and thereby make a significant contribution to our country's scientific development. Of particular interest to India is the proposal to recruit outstanding Indian scientists, both in India and abroad, to form a well-knit team. The various research departments, such as organic chemistry, biochemistry, pharmacology, are expected to commence working early in 1963.

*

Power Generation: The installed capacity for power generation in the country at the end of the Second Five-Year Plan rose to 4,681,700 kw. from 1,362,839 kw. on December 31, 1947. The installed capacity at the beginning of the First Five-Year Plan was 1,712,647 kw. rising to 2,689,800 kw. at the end of the Plan. This was stated at an Informal Consultative Committee Meeting of the Ministry of Irrigation and Power. It was also stated that for purposes of flood control in Orissa 240 flood control schemes, estimated to cost Rs. 213.47 lakhs, had been approved for Central loan assistance.

*

Order For Lighthouse Tender: The Government of India have placed an order for the construction of a lighthouse tender with Tito Shipyard in Yugoslavia. The lighthouse tender of 2,500 G.R.T. will be 331 feet long with a speed of 20 knots. It will be powered by two diesel engines with two more as stand-by. The vessel, which will cost Rs. 150 lakhs, is expected to be delivered early in 1963.

*

Improving the Handicrafts: For improving the various aspects of handicrafts, assistance of many experts has been sought from abroad. Four experts have now arrived and they have started work as under:

S. N.	Name of the experts	Name of the country
1.	Miss A. S. Hansen	Denmark
2.	Mrs. Ruth Reeves	U.S.A.
3.	Mr. Wilhelm Moesch	Germany
4.	Mrs. Lisbet Holmes	U.K.

United Kingdom

New De-Humidifier to Raise Industrial Efficiency: A British firm (O.N. Beck & Co.) has developed a compact de-humidifier for use in industry generally which it believes will be of tremendous value in tropical countries. The Dryzair—as the unit is known—is designed around a $\frac{1}{2}$ h.p. refrigeration unit and uses a chemical known as Refrigerant 12. In shipbuilding, the makers claim, the unit keeps the air dry and prevents corrosion. Perishable goods whether stored in warehouses or in ships' holds, are kept fresh. In oil tankers the correct temperature can be maintained. There are many more uses: the makers suggest the rapid drying of cement, paint, concrete and plaster, the seasoning of timber, photographic processing, and so on. Its uses in the humid climates will be endless. Very little attention is needed for the Dryzair, which although, robustly constructed, is light enough to be carried by two men.

France

French Firm to Construct a Dam in Indonesia: A group of French business undertakings led by the Compagnie Francaise d'Entreprises, is at present constructing a dam at Djatiluhur, in Java, on the river Tjitarum, near the town of Purwakarta, 74 miles from Djakarta. It will have a yearly production of 700 millions of Kwh., which is equal to the annual production in Indonesia at the present time. This structure, of the type made up of built-in rocks, will be 329 ft. high and an artificial lake having a capacity of 4 billion cubic yards will be created which will permit, in addition to the production of electric current, the irrigation of 600,000 acres of land. The conception of this dam is unique; in the central part, there will be a tower 329 ft. high and 296 ft. in diameter. The upper part will be used as a top weir and the hydroelectric power station will be in the base. The first stage of the work is practically completed. It comprised the construction of the foundations for the tower and the excavation of its central part. The first stage of the purely constructional work on the dam, should be completed by June 1962.

Yugoslavia

2 HP Citroen Car: The 2 HP Citroen Car will be built in future in Yugoslavia by the firm Tomos who are important manufacturers of motorcycles and motorised bicycles, the factory being situated at Koper, on the Adriatic coast, 6 miles from the Italian border. The agreement concluded between Citroen and Tomos is within the framework of industrial and technical co-operation planned for both countries. The manufacture of the 2 HP limousine and light vans will be actively promoted. The 2 HP being well adapted to traffic conditions in the country, will contribute in a large measure to the motorisation in Yugoslavia.

Place(s) and institution worked with

- i) All-India Handicrafts Board, New Delhi.
- ii) Regional Design Centre, Bangalore.
- iii) Pilot Dolls & Toys Centre, Bombay.
- i) All-India Handicrafts Board, New Delhi.
- i) Regional Design Centre, Okhla, Delhi.
- i) All-India Handicrafts Board, New Delhi.

Denmark

Food Fair: Five recipe bars will be a special feature of this year's Danish food fair. At each of these bars qualified home economists will demonstrate new recipes based on the raw material at hand. The active interest of today's consumers in new recipes has prompted this novel idea. Danish food producers believe that it is important to be able to demonstrate the versatility of their product to the buyer. For some weeks past home economists have been experimenting with new recipes and a special prize will be awarded to the most interesting recipe. The judges will be a panel of house-wives taken at random at the fair. Buyers visiting the Danish Food Fair in Aalborg between June 2 and 11 will be given special sales promotion material to support the products.

Japan

Personal Consumption Expands: According to the Bank of Japan, increase in the Bank notes issued for fiscal 1960-61 registered Y 200,300 million (Y 80,000 million more than in the previous fiscal year), the peak so far. Treasury accounts with the public revealed a net withdrawal amount of Y 4,600 million. Consequently, the increase in the Bank's loans totalled Y220,500 million (Y 13,400 million increase for the previous fiscal year).

Features on fund demand-supply conditions in fiscal 1960-61 are as follows:

(1) Increased cash drains for feeding economic growth met by central bank loans in the main.

(2) Increase in Bank notes issued was mainly due to expansion in personal consumption expenditure, and Japan's growing economy was propped by demand consumption for the most part.

Kenya

Plans for New Plastic Industry: A new industry, utilizing the by-product of petroleum—expanded polystyrene—is now being planned in Kenya by a Nairobi businessman, Mr. Graham Boswell. Following discussions with the Shell Company of East Africa, Mr. Boswell plans to produce quantities of polystyrene which is one of the most recent plastic discoveries and can be converted into a cheap form of building material. A new company has been formed to initiate production in Nairobi's industrial area. Power plant is already in existence and the necessary expansion machinery is expected to enable production to commence in July.

Austria

Pure Water and Waste Water Pumps for Pits: An Austrian firm specialising in the construction of modern pumping plants turns out a vertical pure water and waste water pump which may be used for conveying pure water, industrial water or waste water from pits, collecting tanks, sewage treatment plants etc. The pump which is being installed vertically below the original water level, is driven by a driving engine above the ground. The pump itself hangs on hollow rods that serve at the same time as support for the shaft bearings. In order to achieve a smooth operation of the pump, the entire unit must be assembled tension-free within the pit. The discharge of the liquid is made through a separate pressure pipe. According to the type of the pump mounting, wet or dry installation is possible. The entire unit consists of the bearing block, the rods and the pump. Such plants are being delivered for capacities between 8 and 1800 cub. m/h and lifts upto 55m. The production programme of the firm

moreover includes sewage pumps, water circulation pumps for heating systems, pumps for liquid manure, different automatic horizontal or dip pump plants etc. The enterprise has had a long experience in the manufacture of pumps for industry, crafts, agriculture, and housing. Particularly interesting items are pumps for gardening and for car washing in modern garages. Different types of pumps are intended for drinking water supply in dwelling house.

F.A.O

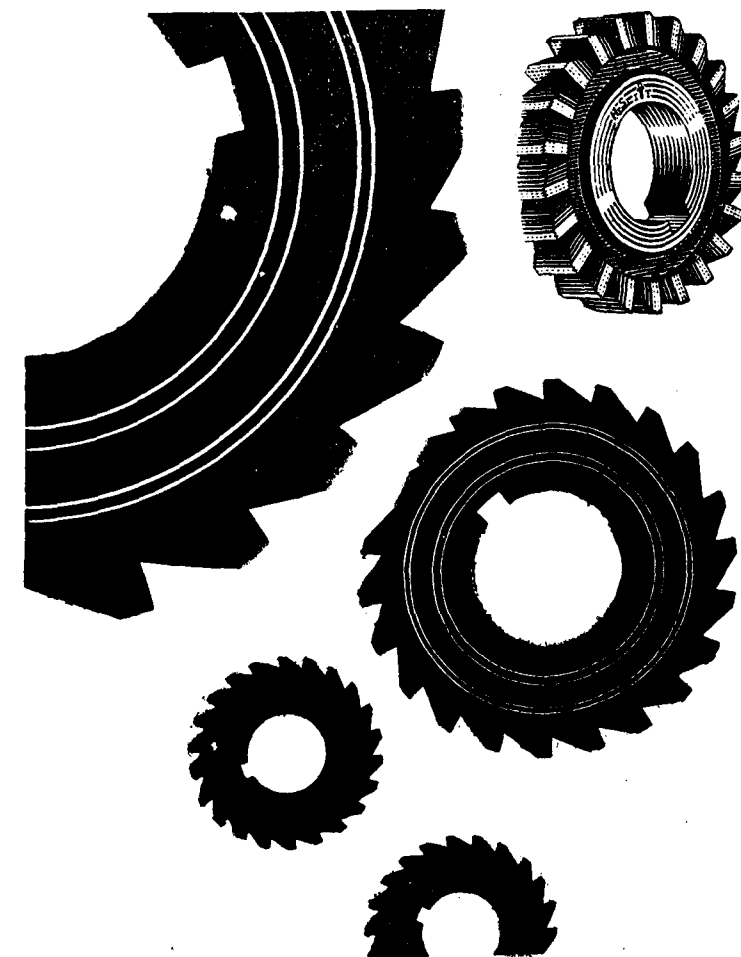
Pharmaceuticals Company Joins in F.A.O. Campaign: Participation by a worldwide pharmaceuticals company in a Freedom-From-Hunger Campaign project was announced by the Director-General, Mr. B. R. Sen recently. The company is CIBA Ltd., of Basle, Switzerland, and Mr. Sen said it has agreed to take part on a "most generous and welcome" scale in a project to control or eradicate animal diseases which cause substantial losses of food and other animal products. Ciba's participation in the project will be fourfold. It will contribute the full costs of an expert's field survey in Latin America, it will supply free of charge all amounts of any CIBA products needed by FAO experts in their field work against animal diseases, it will also donate these products to governments for field trials when recommended by FAO experts, and, finally, the company has offered to finance the preparation by FAO of a much-needed technical publication on animal diseases. Final details of CIBA's agreement with FAO were worked out recently during the visit to the Organisation by Dr. Hubert Meyer, a director of CIBA, and Dr. W. Merk, of the research division of CIBA.

World Bank

Loans for Railways in Thailand: The World Bank has made a loan equivalent to dollars 22 million to the State Railways of Thailand to assist in the execution of a six year programme of modernization. The programme will increase the capacity of the Railways, improve operating efficiency and reduce operating costs, mainly through the addition of more diesel locomotives. Thirteen commercial banks are participating in the loan, without the World Bank's guarantee for a total amount of dollar 1,955,000 representing the first four maturities and part of the fifth maturity which fall due between December 1, 1964 and December 1, 1966. The Bank has participated in two earlier programmes to improve the railways. A loan of \$3 million made in 1950 was used mainly to re-equip the Makasan Workshops near Bangkok, and a loan of \$12 million in 1955 was used for the procurement of 170 passenger cars, 850 freight cars, 5,745 sets of automatic couplers, and modern telephone and teleprinter equipment. The rolling stock is in operation; the installation of automatic couplers was completed last year; and the efficiency of train dispatching and car distribution has been greatly improved by the modern telecommunications system.

T.W.A.

Boeing Jets with Fan Engines: Charles C. Tillinghast Jr., President of Trans World Airlines has announced that TWA is acquiring 30 of the newest and most advanced jetliners through a 187,000,000 dollar lease-purchase order placed with the Boeing Airplane Company. Four of these planes leased by TWA will be delivered to the Airline by September this year, while the remaining 26 bought outright by TWA will be with the Airline by late fall of 1962. All the planes will be powered by the most modern turbofan engines. These 30 aircraft combined with the 47 TWA already has or is in the process of receiving will give the airline more four-engine jets than any other U.S. carrier.



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NEWS IN BRIEF

INDIAN

A sum of about Rs. 21 crores has been provided in the Third Plan for directly helping landless labour to settle on the land.

*

It is reported out of 88 jute mills, which had to implement the Jute Wage Boards recommendations for cash interim relief for workmen, 82 had already implemented the recommendations. With regard to the remaining 6 mills, the State Governments were pressing the matter.

*

UNESCO has approved assistance to the extent of \$1,587,800 for the period of 1961-62 for technical education and scientific research programmes in India.

*

The Central Advisory Committee on Agricultural Labour of the Planning Commission recently recommended a programme for the provision of house sites to 50 lakh families, free of cost out of available Government lands on sites specially acquired for this purpose at a cost of Rs. 10 crores.

*

The Community Development Programme which was launched on October 2, 1952, now extends to over 3,100 blocks comprising some 4 lakh villages and benefits nearly 20 crores of people. Nearly 3,200 agricultural extension officers work in these blocks.

*

The Government of India has set up a Committee to consider various problems connected with the iron and steel scrap in the country.

*

The organizational setup of National Coal Development Corporation is being revised so that frequent supervision from technical personnel is available at the site of production.

*

The co-operative societies in Punjab cover 20,164 villages or 96 per cent of the rural population. In March, 698 co-operative societies were registered, bringing the total number in the State to 31,962.

*

The Rajasthan State Government has allotted Rs. 19 lakhs for distribution as loans to small-scale industries in Rajasthan during the current financial year.

*

The Tariff Commission has agreed that the Metal Corporation of India Limited, Calcutta, should be exempted retrospectively from the obligation to reduce the zinc prices for every increase in the lead price by about Rs. 1,123 per ton.

FOREIGN

Sony Corporation, a Japanese manufacturer of transistorised radios, magnetic tape recorders and other electronic products, has filed a registration statement with the S.E.C. relating to a proposed public offering of 2 million shares of the Company's common stock in the U.S. through underwriters headed by Smith Barney & Co. and the Namura Securities Company.

*

According to a report from Washington published in the American Metal Market, some 4,000 tons of tin owned by the U.S. Government may be released in the near future.

*

A number of firms in Johannesburg have told the Bantu Wage and Productivity Association that they intend immediately to increase the wages of Africans.

*

The Companies Amendment Bill in the South African House of Assembly, contains provisions which would make it easier for foreign companies doing business in the Union to transfer their property and licences etc. to companies which they register in the Union.

*

The U.K.-Brazil and U.K.-River Plate Conference Lines have decided "in the light of the current conditions" to increase a number of outward freight rates, coming into operation with shipments located on or after July 1.

*

The 14th International Banking Summer School, which will be attended by 210 bankers from 50 countries, will be held for the first time in the City of London from July 16 to 18, when it will move to Christ Church, Oxford, until July 29.

*

The deepest oil well yet drilled in the East — 15,000 feet, or nearly three miles — has been drilled in the Sylhet district of East Pakistan by the Shell Oil Company.

*

It is reported a long-term agreement for the sale of Canadian wheat, barley and flour, has been signed with Communist China.

*

A major contract for the British Petroleum lubricating oil refinery being built at Kwinana, Western Australia, has been placed with two U.K. organisations.

*

An interesting study of fertility trends in Ceylonese women has been made by Dr. Siva Chinnatamby, a member of the IPPF Governing Body.

*

An important French Group, led by the Societe de Construction des Batignolles, has been given the Contract for construction of an aerodrome at Waru, near Surabaya (Java) by the Indonesian Government (Navy Department). The contract covers both the civil engineering work and the supply of equipment for the aerodrome.

*

It is reported Convair Division of the General Dynamics Corporation will deliver two Convair 880-M jet aircraft to Swissair late this summer.

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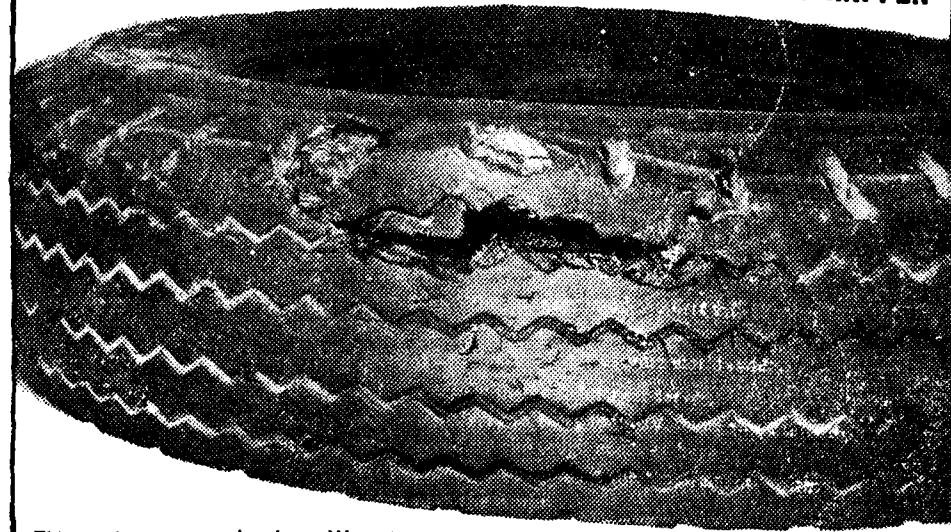
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Special Article

THE EFFECT OF CHANGES IN MONEY SUPPLY ON NET OUTPUT AND PRICES: 1955-56 TO 1965-66

MONEY supply with the public at the end of the Second Five-Year Plan was about Rs. 591 crores more than at the beginning of the Plan—an increase of over 28 per cent as compared to the estimated increase of 23.5 per cent in the national output. The country's net output in the Third Plan, with the financial targets of total outlay limited to Rs. 7,500 crores in the public sector, is expected to grow at 5 per cent per year. Behind these changes in national income and investment there are likely to be marked movements in the pattern of economic activity. Developments envisaged in the various sectors will alter the level as well as the structure of money supply. Therefore, great interest at present attaches to the manner in which changes in money supply in the Third Plan will affect the total volume of production, the general price level, and in consequence the raising of total outlay of Rs. 7,500 crores (at constant prices). Some preliminary, even if hazardous, calculations need to be attempted.

In a study made by the Indian Institute of Public Opinion in its latest "Quarterly Economic Report", it has been indicated that money supply—estimates of which have been worked out on the basis of the secular trends obtained separately for 'notes in circulation' and 'demand deposits' over the period of 1952-53 to 1960-61 (Table I)—will go up by Rs. 730 crores during the Third Plan. Table II on page 1176 sets out the estimates of 'currency' and 'demand deposits' over the period 1961-62 to 1965-66. It will be observed that the share of currency in total money supply is expected to increase from 71 per cent in 1960-61 to 77 per cent in 1965-66; in absolute terms, notes in circulation will have increased by Rs. 498 crores to Rs. 2,447 crores in 1965-66. In the Draft Outline of the Third Plan, on the other hand, the additional money supply in the hands of the public at the close of the Third Plan is estimated at Rs. 950 crores. In working out this estimate, it has been assumed that "aggregate output and money supply would be approximately at balance at the end of the Second Plan."

The estimates presented above in regard to money supply clearly demonstrate the inflationary tendencies possible in a situation where money supply in the hands of the public is outstripping net output. For the past decade, it has been investigated that no possible correlation of the total volume of production which acts as a cushion against prices exists with the volume of money because a great deal of production is absorbed in the rural sector without the direct play of money. But the relationship between money supply and prices, which the Institute has obtained in its study, accounts for all the factors operating in the Indian economy.

In exploring the genesis of inflation which the Indian economy has seen over the Second Five-Year Plan, the Institute suggests that food articles and industrial raw materials together have accounted for three-fourths of the total rise that occurred in general prices at 34.5 per cent between 1955-56 and 1960-61 (Table III). Industrial raw materials prices have, however, grown much faster than the food articles prices, indicating a cost-push inflation that is now built into the Indian economy. It is also estimated that food articles and industrial raw materials will continue to produce pressures on the general prices in the Third Plan.

What will be the magnitude of rise in the general price level during the Third Five-Year Plan? Concrete price rises that will be witnessed in the general price level in the Third Plan are unlikely to be precisely known but some broad estimates can be made in the light of the inflationary tendencies that the Indian economy developed over the Second Plan period. It has been estimated that, over the five-year period from 1955-56 to 1960-61, an increase of ten per cent in money supply tended to produce a rise of 9.9 per cent in the general price level. This provides, in the first approximation, a fair guide to the course which the general prices will take in the Third Plan. On this basis, it is predicted that the additional dosage of Rs. 730 crores in money supply will result in

TABLE I.

NOTES IN CIRCULATION AND DEMAND DEPOSITS: 1952-53 TO 1960-61

(Rs. Crores)

Years	Notes in Circulation		Percentage Deviation from Actual	Demand Deposits		Percentage Deviation from Actual
	Actual	Estimated*		Actual	Estimated*	
1952-53	1133.12	1105.58	-2.43	532.82	528.80	-0.76
1953-54	1185.92	1208.71	+1.92	528.76	563.30	+6.53
1954-55	1277.09	1311.84	+2.72	574.26	597.80	+4.10
1955-56	1466.64	1414.97	-3.52	635.67	632.30	-0.53
1956-57	1526.09	1518.10	-0.52	711.88	666.80	-6.33
1957-58	1579.13	1621.23	+2.67	745.94	701.30	-5.99
1958-59	1701.53	1724.36	+1.34	733.62	735.80	+0.30
1959-60	1844.90	1827.49	-0.94	793.95	770.30	-2.98
1960-61	1948.48	1930.62	-0.92	744.22	804.80	+8.14

an increase of 26 per cent in the general price level over the entire period of the Third Plan. The year-to-year changes in the General Index of Wholesale Prices are best described by the figures given in Table IV. It will be seen from Column 4 of the table that the rate of increase in the general price level will show a steady decline, from 5.5 per cent in 1961-62 to 4.2 per cent in 1965-66. Broadly, it has also been shown by the computations made by the Institute that the annual lower limit for price rise might be 4 per cent covering unavoidable rises due to indirect taxation (2 per cent), one per cent

increase in labour cost and one per cent from miscellaneous.

Another estimate of the price rise which the Institute has computed with additional money supply of Rs. 950 crores (presented in the Draft Outline of the Third Five-Year Plan) places the increase at 32 per cent; it is assumed here that the stable aggregate output envisaged in working out the money supply may not materialise, but it is very likely that the level of money supply anticipated will be reached by 1965-66.

TABLE II.
AN ESTIMATE OF MONEY SUPPLY: 1961-62 TO 1965-66

(Rs. Crores)

(1)	Currency*		Demand Deposits**		Money Supply	
	Total	Additional	Total	Additional	Total (2) + (4) = (6)	Additional (7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1961-62	2033.75	85.27	839.30	95.08	2873.05	180.35
1962-63	2136.88	103.13	873.80	34.50	3010.68	137.63
1963-64	2240.01	103.13	908.30	34.50	3148.31	137.63
1964-65	2343.14	103.13	942.80	34.50	3285.94	137.63
1965-66	2446.27	103.13	977.30	34.50	3423.57	137.63
Total increase (1960-61 to 1965-66)	—	497.79	—	233.08	—	730.87

* Estimated from the equation $Y = 103.13X + 1105.58$, where X denotes number of years after 1952-53, Y denotes notes in circulation and the constant term in the equation is termed 'catch-all' variable.

** Estimated from the equation $Y = 34.50X + 528.80$ where X denotes number of years after 1952-53, Y denotes demand deposits and the constant term accounts for all other factors operating in the economy.

TABLE III.
WHOLESALE PRICES DURING THE SECOND PLAN

(Groupwise)

(Base: 1952-53=100)

Group	1955-56	1960-61	Percentage increase between 1955-56 & 1960-61	Contribution of each Group to General Price Rise
1. Food Articles	86.6	120.2	38.7	19.50
2. Liquor & Tobacco	81.0	109.6	37.0	0.78
3. Fuel, Power, Light and Lubricants	95.2	119.5	25.5	0.77
4. Industrial Raw Materials	99.0	144.1	45.5	7.05
5. Intermediate Products	100.1	123.8	23.7	0.97
6. Finished Products	99.6	122.3	22.7	5.45
7. General Index	92.5	124.5	34.5	34.5

TABLE IV.
PRICES AND MONEY SUPPLY: 1955-56—1965-66

Year	Money Supply (Rs. Crores) Xi	Wholesale Price Index (Base: 1952-53=100) Computed Values for Xo**	Percentage deviation of computed values from observed values
1955-56	2102.31	99.2 (96.2)	+4.0
1956-57	2237.97	105.3 (102.4)	-2.8
1957-58	2325.07	108.4 (106.4)	-1.8
1958-59	2435.15	112.9 (111.4)	-1.3
1959-60	2638.85	117.1 (120.7)	+3.1
1960-61	2692.70	124.5 (123.2)	-1.0
1961-62	2873.05	131.4	+5.5
1962-63	3010.68	137.8	+4.9
1963-64	3148.31	144.0	+4.5
1964-65	3285.94	150.2	+4.2
1965-66	3423.57	156.5	+4.2

* $\log_e X_o = 0.99696 \log_e X_i - 3.06064$.

Where X_o denotes Wholesale Prices and X_i indicates money supply and the constant '3.06064' (catch-all variable) in the above equation takes into consideration the effects of all other variables (such as supply of consumer goods) which come to play a significant role in establishing the relation between money supply and prices.

Note: Figures in brackets indicate the computed values for the period 1955-56 — 1960-61; for the period 1961-62 to 1965-66, column 4 indicates the percentage increase over the preceding year.

THE BUSINESS WORLD

Decentralisation, but not Democratisation!

By

CROESUS

IN no other field has there been such a wild welter of ideas and so frequent changes in policies in the recent years as in the co-operative field. The result naturally has been a good deal of confusion, leading to an avoidable slowing down of consolidation and improvement. The latest essay in this competition of naive, if not novel, ideas has been in regard to Co-operative Education and Training.

It may be recalled that the Union Ministry of Community Development and Co-operation appointed a Study Team in November 1960. Now, this Committee has come to certain conclusions after a supposed study of the existing arrangements in the field of Co-operative Education and Training with a view to suggesting measures necessary for making them commensurate with the requirements of co-operative development during the Third Plan period. One wonders whether this study preceded the conclusion or followed it; the particular course of action recommended and many of the recommendations made by the Study Team were being freely talked about even before the Team began its work. Apparently, the study was only designed to discover reasons for a pre-conceived course of action.

The present organisation of Co-operative Education and Training consists of a Central Committee for Co-operative Training which is composed of prominent non-officials connected with the Co-operative Movement, Registrars of a few important States, representatives of the Ministry of Community Development and Co-operation, of the Planning Commission and of the Reserve Bank of India, and the President of the All-India Co-operative Union. This is a fairly representative body in all conscience, and one may say also possible, inasmuch as both the Government of India and the Reserve Bank are supposed to have jointly nominated the members. At the regional level, there are Local Committees consisting of representatives of State Co-operative Unions, the Registrar of Co-operative Societies and a prominent educationist of the region, besides the Member-Secretary of the Central Committee. Lower down still, at the State level, training institutions are managed either by the State Co-operative Unions where the Unions are strong and efficient, or by the Co-operative Department, with the clear understanding that they are to be taken over by the Unions when they acquire the required capacity, as the underlying idea being to leave the movement as non-official as possible at all levels. This explains why the training of members and office-bearers of co-operative societies has remained the responsibility primarily of the State Co-operative Unions and the All-India Co-operative Union, aided and assisted, though it is by the Government of India.

It may be of interest to mention at this stage that the whole organisation as detailed above had been initiated even prior to the Report of the All-India

Rural Credit Survey Committee. That was the joint effort of the Government of India, the Reserve Bank, the State Governments, the All-India Co-operative Union and State Co-operative Unions. In so far as one has been able to follow, this programme of training of co-operative personnel has worked with commendable success. This is not to say that the administrative arrangements and the content and course of studies cannot be improved upon. As a matter of fact, one has reasons to believe that they have been and are constantly being, improved upon, in the light of experience and changes in co-operative policy and practice, which is as it should be.

In these circumstances, the proposal of the Study Team to replace the Central Committee by a Board nominated solely by the Government of India is not understandable. One would have appreciated the proposal had the Study Team backed it up with a list of duties required of the new government body which cannot be done by the present Central Committee for Co-operative Training. In the absence thereof, the proposal is liable to be interpreted as an affront to the veteran non-official co-operator who presently heads the Central Committee. Furthermore, it would almost amount to the end of all professions in the past that the movement should and would remain predominantly non-official. Also it is likely to be construed as a calculated move on the part of the Government (or is it the party in power?) to appropriate to itself some more avenues of patronage.

Possibly, the Study Team might have been prompted by considerations of administrative decentralisation, but, if this were all that was intended, surely it could have been done by giving additional powers to Local Committees. It is significant that the Study Team has not recommended any Local Committee for the State-level institutions. According to its Report, where the State Co-operative Unions are not in a position to manage the institutions, the running of institutions will be blatantly a departmental affair. This may be "decentralisation", but certainly not democratisation, and it would unquestionably be a retrograde step.

Among others, the Study Team's recommendations include: (1) replacing the Central Committee by a Board nominated by the Ministry; (2) organisation of training institutions for each State separately; (3) replacing the All-India Co-operative Training College at Poona with a Central Research and Training Centre, and (4) minor changes in the content and duration of each course. It may not be out of place here to state that, according to available information, the Central Committee itself was contemplating the distribution of the location of training institutions in such a manner as to ensure one institution for the training of intermediate personnel for each State. Proposals are also believed to be under consideration for developing the All-India Co-operative Training College at Poona into a

full-fledged Training and Research Centre. What the Study Team has suggested, therefore, merely amounts to this, namely, that all these duties should now be taken over by the Government of India. One thought that those who conceived these proposals even before the Study Team reported would normally have been called upon to implement them, if only out of a sense of recognition of the good work done and the imagination displayed. But that seems too much to expect of the Government in its present frame of mind.

In saying all this I do not mean to say that there are no areas at all in the co-operative structure that

do not need development. That would be shutting one's eyes to reality. Everyone knows that not all is well with the working of our marketing co-operatives. Then there are industrial co-operatives which are still in their experimental stage. And we are soon to have a crop of co-operative farms. The Government of India would do well, therefore, more to bestow its effort and attention on these fields, where a lot needs to be done, than to try and take over a sphere of work that is already being looked after in a reasonably good manner by organisations which are fairly representative and, what is more, have acquired experience in this particular field of work.

Middle Class Cost of Living in Dhanbad Area

By A. B. CHAKRAVARTY

TWO independent surveys on the cost of living of middle class families in Dhanbad and its suburbs show that cost of living in this region is considerably higher than that in Calcutta. About a year back, between December 1959 and January 1960, a survey on the cost of living in Dhanbad and its suburbs was conducted by the Association of Scientific Workers of India (Central Fuel Research Institute), which revealed that the cost of living index for Dhanbad was 134 when the cost of living in Calcutta was taken as 100. In February 1961 another independent survey, more comprehensive than the previous one, was conducted in respect of cost of living in these coalfields. By applying proper weightage, the recent cost of living index comes out to be 135 in the coalfields, taking Calcutta as 100. It is rather fortuitous that two independent surveys, carried out at an interval of one year, have led precisely to the same conclusion that every Rs. 100 in Calcutta buys at the same time the same quantity of goods and services as obtained at about one-third extra money spent in the coalfields.

The items considered under cost of living were: food, clothing, house rent, fuels, light, transport, education, medical facility, entertainment and services etc. The Table below gives the indices for cost of living under various items and presents a comparison with the indices estimated by the A.S.W.I. a year before. The index for each item was based on a number of components not indicated in this Table. For instance, the index for food was based on a number of components like rice, wheat, vegetables, fish, meat, milk etc., and the prices of all such components were obtained from a market study done at Calcutta and Dhanbad

simultaneously. The indices for all other items shown in the Table were derived similarly.

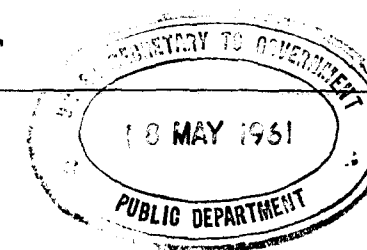
The cost of living indices prepared by different organizations in India give a measure of comparison between the relative costs of living at the same place for different points of time. The present study does not calculate such a conventional index. On the other hand it attempts to evolve an index for comparing relative costs of living at two different places at the same point of time. The study is confined to the calculation of a suitable index for middle class families in Dhanbad and suburbs, the coalfields of Bihar and its surrounding regions as compared with that of middle class families with similar level of living in Calcutta. Such studies can be undertaken to compare the cost of living at different towns and cities in India at the same point of time.

During the recent months prices in Dhanbad and suburbs have shown a marked upward trend. Prices of many consumer goods of everyday use have suddenly increased; and such a rise in prices is more marked in coalfields than in Calcutta. Dhanbad region itself does not have much of supply potential as regards consumable articles and it would be seen in near future that cost of living in Dhanbad would go up, for with industrial development, rising money income would absorb the available goods and services at higher prices. In view of this phenomenon and the great industrial and employment potential of this region, it is imperative that such studies on the cost of living of middle class families in such regions are undertaken at regular intervals of time.

INTERIM MIDDLE CLASS COST OF LIVING INDEX IN DHANBAD AND ITS SUBURBS AND CALCUTTA

	A.S.W.I. estimate			Present estimate		
	December 1959 — January 1960			February, 1961.		
	Weights	Calcutta	Dhanbad	Weights	Calcutta	Dhanbad
	(1)	(2)	(3)	(1)	(2)	(3)
1. Food	45	100	105	43	100	111
2. House Rent	15	100	129	13	100	115
3. Clothing	10	100	110	10	100	112
4. Transport	10	100	280	9	100	280
5. Education	7	100	200	7	100	200
6. Medical Facility	5	100	120	5	100	128
7. Entertainment	3	100	140	3	100	135
8. Fuels Lights etc.	5	100	85	5	100	85
9. Services	—	—	—	5	100	153
Overall:	100	100	134	100	100	135

Note: In this survey a middle class family has been defined as one, which has an income between Rs. 250 to Rs. 1,000.



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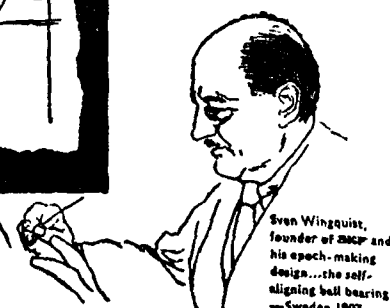
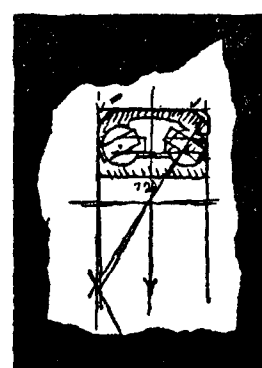
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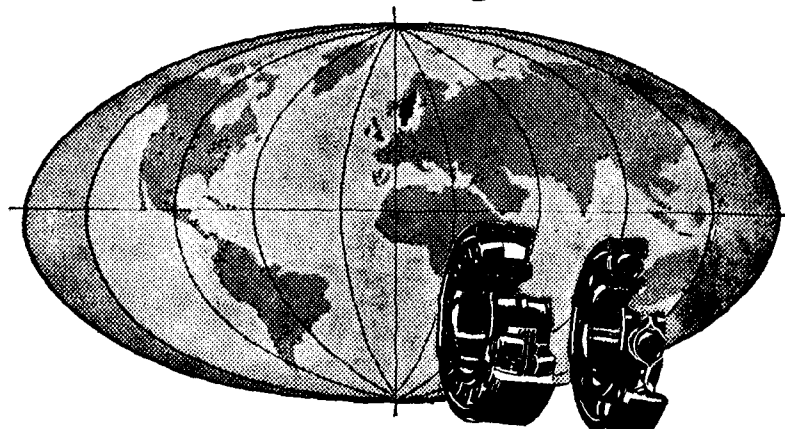
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Business Notes

Manganese

NEED TO MAXIMISE EXPORTS

HOW OFFICIAL policy and imposition of various restrictions and burdens on the export of manganese ore by mine-owners and exporters has resulted in a fall in India's exports of this valuable foreign exchange earner was graphically narrated by Mr. Natwarlal S. Worah, Chairman of the Western India Minerals' Association, at a Press Conference held in Bombay last week. Since the advent of the State Trading Corporation in this field in 1956, he disclosed, there had occurred a sharp fall in our manganese ore exports—from 16.5 lakh tons in 1955 to 9 lakh tons in 1960—when, over the same period, world exports of this commodity had gone up by 20 per cent! This sharp fall in India's exports, Mr. Worah asserted, was, by and large, due to the policy of intervention by the Government to protect the interests of the State Trading Corporation. No less responsible were the various restrictions and burdens imposed by the Government on the industry and trade, such as increase in royalties and railway freight, application of the Minimum Wages Act, etc., all of which went to enhance the cost of ore to price out Indian manganese from the world markets.

The Chairman of the WIMA also offered a few valuable suggestions to remedy the situation and restore manganese exports to the pre-STC era level. The most notable of his suggestions was that traders should be allowed to participate in barter deals directly in their own name without having to go through the STC, as at present. The foreign buyer was only interested in getting his supplies at the cheapest possible price, said Mr. Worah. He explained how it would be uneconomic for the Indian exporter to go through the STC. This, he said, would mean avoidable inflation of the price as a result of the addition of servicing cost by the STC. In order to regain our traditional export markets, Mr. Worah suggested taking a number of measures, immediately, such as (1) reduction in railway freight to the levels that prevailed in 1958, (2) waiving of the dead rent entirely till the market improves and stabilises, (3) bringing down of the royalty to a uniform rate of Rs. 5 per dry long ton, with no royalty on manganese ore below 38 per cent Mn. content, (4) lowering of port charges to the pre-1956 level, (5) provision of cash incentives to mine-owners who produce ore containing 30 to 42 per cent Mn. content, and (6) giving of export incentives to exporters by way of a cash subsidy or import licences for certain listed commodities in short supply or imports of machinery for government projects.

While on the question of exports, Mr. Worah referred to the fact that, against a target of two million tons set for manganese ore exports during the Second Plan, the country had hardly achieved six lakh tons! Accordingly, he urged the need for a realistic approach to the problem so that the country could derive the maximum benefit from a commodity which has an assured market abroad.

Mr. Worah also stressed the need for immediate appointment of a commission, composed of geologists, mining engineers, mine-owners and exporters, to assess the cost structure of mining lease up to shipping filing of an application for mining lease up to shipping of the ore. He further wanted setting up of a permanent committee, comprising the same members, to devise suitable measures to reduce the cost of production at different stages. Not until these practicable steps are taken, can we expect our manganese exports to look up, he pointed out. There seems to be a tendency in certain quarters to minimise the gravity of the fall

in this country's manganese exports in view of the increase in our iron ore exports, but those who know the economics of both these are extremely critical of this complacent attitude. Surely the authorities ought to know that, ton per ton, exports of manganese yield more foreign exchange than those of iron ore.

Export Risks

EXPANDING E.R.I.C.

NO COUNTRY which desires to push its export trade can afford to minimise the important role of institutions that provide cover against risks to which exports are exposed. As early as in the year 1957 itself, India did well, therefore, in starting her Export Risks Insurance Corporation. The ERIC has been making steady progress since then, as is evident from the gradual improvement in the number of policies issued by it from year to year.

For purposes of record, it may be stated here that apart from providing facilities and encouragement for developing trade between India and other countries in the form of insurance against certain commercial and political risks resulting in non-payment by foreign buyers, the Corporation also protects insured exporters against losses arising from circumstances outside their control, as also of the buyers. To suit the varying needs of exporters and to provide for the widely differing patterns of trade, the Corporation has to, and, in fact, has been devising new forms of protection. Thus, last week, Mr. T. C. Kapur, Managing Director of the Corporation, outlined the latest of these intended to afford facilities to cover risks of manufacturers in India supplying goods to shippers on credit terms for purposes of export. This scheme, it is noteworthy, has been designed in response to requests made by numerous manufacturers, who have, in their turn, to give credit facilities to exporters. In this connection, Mr. Kapur referred to the fact that not all manufacturers export their goods themselves, but sell them to shippers who export them, although many manufacturers would fain export their goods themselves because of the attraction of export incentives in the form of import licences. Be that as it may, the buyers in foreign countries also seek goods on credit terms, and so shippers often ask for credit from manufacturers. The new scheme should, therefore, be particularly welcome to all these interests.

It may be recalled that, towards the end of 1960, the Corporation extended the field of its activities by issuing Packing Credit Insurance policies to cover risks involved in credits given by scheduled banks and Government organisations to exporters to enable them either to manufacture or purchase goods for the purpose of exports. In order further to facilitate pre-shipment finance, the Corporation has decided to cover risks where pre-shipment advances are given by institutions other than banks and Government organisations.

Thanks to all these efforts, the ERIC's activities are on the increase every year. During the first four months of the current year, shipments and contracts insured amounted to Rs. 2.66 crores with a premium income of Rs. 84,183, as against Rs. 2.55 crores with a premium income of Rs. 78,500 for the corresponding period last year. The Corporation also registered, during the same period, 581 assignments in favour of banks of the value of Rs. 72.37 lakhs for negotiation of documents for the policies issued by the Corporation as additional security. Incidentally, it may be noted that during its nearly four years' working, the Corporation has paid 33 claims aggregating Rs. 4,51,697.82 nP.

Central Bank of India

RECORD PROFIT AND HIGHER DIVIDEND

AT THE 50th Annual General Meeting of the Central Bank of India, Sir Homi Mody, the Chairman of the bank, had a happy news to convey to the shareholders. It was that the bank had made a net profit of Rs. 133 lakhs in 1960 — the highest in the bank's long history. In view of the record profit made, Sir Homi Mody said, "the Directors have proposed an increase over the dividend paid to shareholders last year. The interim dividend of Rs. 2.10 per share, subject to tax, already paid for the half-year ended June 30, together with the final dividend of Rs. 2.50 per share, subject to tax, now recommended for the second half of the year would make a total dividend of Rs. 4.60 per share, subject to tax, equivalent to Rs. 3.22 net per share. This works out to 12.88 per cent net for the whole year." It is also proposed to give the shareholders a Jubilee Bonus of 50 nP. per share, subject to tax.

Dealing with the country's economic conditions as such, Sir Homi Mody made some pertinent remarks on the Third Plan and vehemently criticised the rising level of prices. The extent and seriousness of the damage caused by rising prices, he said, can be gauged from the fact that between March 1956, and November 1960, there had been an increase of nearly 28 per cent in the general price index. To counteract the effect of rising prices, Sir Homi Mody pleaded that a more realistic fiscal and economic policy be evolved. He asked that with our limited resources and materials and technical personnel, whether it was wise to accord topmost priority to heavy industry in our development plans. In his opinion, the products of heavy industries were by their very nature incapable of absorbing all the additional purchasing power pumped into the economy. Hence, the fear that such a lopsided pattern of outlay might tend to aggravate the general inflationary pressure. To provide some relief to the industry he pleaded that the Reserve Bank should provide more liberal rediscount facilities. But, how this is going to be reconciled with his plea for stricter monetary restraints to produce a wholesome effect on the economy, it is difficult to understand.

B.I.C.

NEED FOR REHABILITATION

MR. H. S. CHATURVEDI, Chairman of the British India Corporation Ltd., at the annual general meeting of the company, held at Kanpur recently stressed the need for rehabilitation and renovation of the company's plant and machinery. With special reference to woollen branches of the company, he pointed out that most of the machinery in these factories was about fifty years old and some of it dated back to 1880. A stage had reached, he said, when productivity was bound to suffer if steps were not taken to rehabilitate the present plant, much of which was now obsolete and uneconomic. The chairman indicated that the technicians of the Company had prepared a blue-print of rehabilitation programmes with the aid of foreign experts and would be approaching the Government for import licences to implement the first part of the scheme.

Mr. Chaturvedi observed that the textile industry was performing an important role of earning valuable foreign exchange for the country in the present difficult phase of India's economic development. It was quite ironic, therefore, that this very industry could not per-

form efficiently to improve its competitive power in the production of high quality cloth at reasonable prices. There was an apparent case where special attention ought to be paid so that the textile mills, both woollen, and cotton did not find it impossible to procure machinery and spare parts for renovation and rehabilitation.

B. & C.

NEED FOR RATIONALISATION

MR. E. F. G. HUNTER, Chairman of the Buckingham & Carnatic Company Ltd., at the annual general meeting of the Company's shareholders, held recently at Madras, pointed out that the company was preparing to meet a substantially higher wage bill as a result of implementation of the recommendations of the Central Wage Board for Cotton Textile Industry. The Company had negotiated with the labour union for the implementation of these recommendations, but at the same time it was discussing the basis for an agreement in respect of rationalisation and the procedure to be followed to give it a practical shape. It was true that the textile industry could pay higher wages only out of increased returns to the industry. It had been argued that higher demand, which did exist at the moment, alone was not sufficient for the industry to enable it to pay higher wages. Along with higher production, an efficient performance had to be achieved which partly was possible only through a degree of rationalisation. The Chairman pointed out that the Central Wage Board also stressed the need for "rationalisation as soon as possible".

The Chairman was critical of the new excise duty which was levied on textiles produced on automatic looms. He pointed out that any form of penalty which did not apply equally to all mills, could only be considered discriminatory. This levy, he opined, was certainly not conducive to progress or to modernisation. In fact, the cost of modernisation was so high that the government ought to assist the industry in this crucial field.

Textiles

A NEW UNIT FOR RAJASTHAN

THE GOVERNMENT OF INDIA has granted a licence to Aditya Mills Ltd., to set up at Kishengarh, in Rajasthan, a textile factory having 25,000 spindles and 500 looms. The construction of the factory is now being taken in hand as the necessary electric supply has been assured. The company has acquired 56 acres of land for the aforesaid purpose and intends to acquire 44 acres more.

The initial cost of this factory will be Rs. 1.10 crores. Of this, Rs. 50 lakhs will be provided as loan to the Company by the Industrial Finance Corporation of India and the balance will be subscribed by the promoters, their friends and associates and by the public; approximately Rs. 20/25 lakhs worth of shares will be offered for public subscription. The Government of Rajasthan has agreed to take shares worth Rs. 15 lakhs. As the plant gets going, it is likely that staple fibre, rayon and boards may also be manufactured. On completion, the total cost of this unit is expected to be Rs. 2 crores. When fully in operation, this textile factory will go a long way in fostering the economic development of a hitherto backward and depressed area. About 700 persons are likely to be provided employment at the factory straightaway.

FROM THE CAPITAL'S CORRIDORS

CO-ORDINATING COLLABORATION SCHEMES

In order to avoid delay resulting from separate and successive consideration by different authorities of the various aspects of the major Third Plan private sector projects, such as industries Act licensing, capital issues, terms of collaboration, import licensing for capital goods, etc., the Government of India has decided to place on special duty, in the Ministry of Commerce and Industry, a senior officer who would be in a position to undertake co-ordinated consideration of all aspects of these projects at the same time, in consultation with the authorities concerned. The officer appointed, it is learnt, is Mr. R. V. Subramaniam.

The Government has also drawn up a list of industries in which foreign capital would ordinarily be welcome to participate. The list takes into account the gaps in capacity which exist at present in relation to planned targets. The industries included in the list are: iron and steel structural; iron and steel castings and forgings; iron and steel pipes; special steels; non-ferrous metals and alloys; boilers and steam generating plants; equipment for transmission and distribution of electricity; furnaces; marine diesel engines; industrial machinery, including major items of specialised equipment used in specific industries and general items of machinery used in several industries such as equipment required for various unit processes; ball, roller and taper bearings; speed reduction units; machine tools; tractors, earth-moving and construction machinery; plastics; industrial and scientific instruments; fertilizers; organic chemicals, fine chemicals and intermediates; industrial explosives; industrial gases; agricultural chemicals such as insecticides; dyestuffs and drugs, including the production of basic intermediates; newsprint and pulp.

The list is only illustrative; collaboration schemes falling outside this list will also be considered on merit. The list is as well subject to revision from time to time.

The fields in which foreign capital is ordinarily not needed have also been listed. They cover banking, insurance, trading and commerce activities and plantations, apart from the industries included in schedule "A" of the Industrial Policy Resolution of 1956. In special circumstances, exceptions may be made in these fields after full consideration if this is found to be in the public interest.

Basically, the policy regarding foreign investments is to attract private foreign capital in the fields in which the country needs to develop in pursuance of planned targets. While Government has been generally encouraging the investment of private foreign capital in the country, it is to be recognised that this has necessarily to be on a selective basis. If any project is approved for development in the private sector and if imported plant and machinery are required, foreign capital investment would ordinarily be welcome as a form of financing the project.

Ordinarily, Indian majority holding in a project would be required. But the ratio of foreign capital to Indian capital in a joint venture will have necessarily to be judged on merit. The various considerations that will be taken into account in this respect are the foreign exchange requirements of the project, amount of technical skill that will be needed, etc. Importance will also be attached to the arrangements proposed for

training of Indian technicians and executives in all aspects of production and management. Long-term assembling and formulations and productions based on imported intermediate products will be avoided. Special encouragement will be given to schemes which would involve expansion of exports on an economic basis with or without the assistance of foreign collaborators' overseas marketing organisations.

PROF. GALBRAITH'S "POSITIVE APPROACH TO ECONOMIC AID"

In a signed article in the April issue of "Foreign Affairs", Prof. John Kenneth Galbraith, the American Ambassador to India, suggests a normal liberal formula of 25 per cent more foreign aid for making it effective together with a positive approach to economic aid for the underdeveloped countries. This approach includes a new system of organising foreign assistance under the name of The Positive Development Plan, whose important features are two: (a) it sets achievable but firm goals for the country seeking development, with provision for measuring progress towards their attainment, and (b) it seeks the removal of all the barriers to advance in the particular country. The Plan envisages a small but a talented group of men assembled in Washington under the aegis of a new agency which may be termed The National Development Institute. The proposed purpose of this Institute is first to help countries seeking development under this Plan to set the targets or goals which they can reasonably hope to attain over, say, a 7-year period, and to devise steps for achieving these goals; and second, to help the Government, not only to execute the programme, but also to develop the permanent administration required to achieve these goals and to continue on the path of permanent and independent development. Prof. Galbraith, of course, makes it clear that the assistance provided by the Institute would be voluntary and failure to do so would not prejudice access to other forms of aid. He has also mentioned India, Pakistan and Mexico as exceptions to which the Plan is not applicable; because these countries have a positive approach to the problem of development, or (as in the case of Mexico) they have broken through the main barriers to advance.

Prof. Galbraith is critical of the view that the 'only' missing element in the development of under-developed countries is the external resources—above all, capital. He is of the opinion that four other things are crucial for bringing about development of an under-developed country: (1) a substantial degree of literacy and a sizeable number of people with higher educational skills necessary to man a Government and undertake the managerial and technical tasks, associated directly or indirectly with economic advance; (2) a substantial measure of social justice, reflected in more even distribution of wealth and income; (3) a reliable apparatus of government and public administration; and (4) a clear and purposeful view of what development implies—a strong sense of purpose coupled with the technical skill and a clear view of their destiny. Prof. Galbraith is very emphatic and ably demonstrates how, in practice, one or more of these four factors are missing in most of the poor countries, and each is as critical as capital. The only successful development, according to him, will be that which supplies the missing elements, depending on a particular case in point and not according to a common prescription for development.

To Prof. Galbraith's mind, education and literacy are the pivot of all progress. He substantiates his argu-

ment very ably by advancing India's example of substantial measure of industrial progress, but very little agricultural progress. He argues: in the agricultural villages, literacy is low; the social inequalities are high and many know that, come what may, they will live on the bare margin of subsistence; village government is decayed and ineffective and only recently have efforts at rejuvenation been made; and the Indian village is hardly inclined to address itself purposely to economic advance. So, Prof. Galbraith concludes, even though India of all the economically distressed countries, makes the best use of its aid, it too fails in the part of its economy where other requirements of advance, notably education, are lacking.

Prof. Galbraith is equally emphatic on applying tests for judging the efficacy of aid advanced to underdeveloped countries. He pleads for an enquiry into whether the recipient countries are on the way to self-sustaining growth. Has national income been increased? Has poverty been mitigated? Has the likelihood of disorder been lessened?—These are the questions to be answered for judging the efficiency of aid advances.

The pitfall of prescribing medicines by American experts to underdeveloped countries on the basis of their own experience in the United States in recent times has come in for a very critical attack by Prof. Galbraith. It is very often forgotten that the United States has a great variety of developmental services appropriate for high stage of development and for things of secondary importance. The tendency to develop these in underdeveloped countries leads to heavy burdens and a radical dispersion of energies. The particular dispersion will depend on the extent of personalities. The arrival of a specialist in plant-breeding will lead to a new enthusiasm for hybrid corn; someone with a background in adult education will revitalise leadership to a movement for adult education until he departs for the next country. Officials of a number of countries have said quite frankly that they do not hesitate to adjust their requests to the preference or whims of current personnel in the American mission. Money talks. Nor are the insights and preferences of the recipients more acute. The result is a measure of incoherence, discontinuity, dispersal of scarce energies and, inevitably, of waste.

ASSISTANCE FROM AID-INDIA CLUB

Reports from Washington suggest that at the recent meeting of the Aid-India Club, the United States offered to provide assistance to India, subject to the approval by the U.S. Congress, to the tune of one billion dollars (approximately Rs. 480 crores) for the first two years of the Third Plan, provided it was matched by a similar contribution by the other members of the Club, namely, the United Kingdom, West Germany, Canada and Japan. As the other members of the Club were hesitant to commit themselves to provision of aid on this scale and wanted some time to consider the proposition, the meeting was postponed to May 30.

How far the Aid-India Club will come to the rescue of India in her fight against poverty is anybody's guess. India today wants loans mainly in an untied form, repayable over a period extending upto 50 years, with no obligations to repay during the first 10 years. India's difficulties obviously are being appreciated abroad as is evidenced by the two loans granted by the United Kingdom Government a fortnight ago. These loans have to be repaid in easy instalments extending over 25 years.

Assistance to the tune of one billion dollars may not be forthcoming from the U.S.A. during the first two

years of the Plan if for no other reason than for the fact that a matching contribution may not be made available by the other members of the Club. Expectations here are that substantial assistance will be made available by the Aid-India Club for the first two years of the Plan and this will go a long way in helping us to tide over our balance of payments difficulties. Our balance of payments deficit during the current financial year is estimated to be around Rs. 304 crores. In 1962-63, it is expected to increase to Rs. 425 crores.

U.S. ASSISTANCE TO PRIVATE INDIAN FIRMS

Loans totalling Rs. 24.69 crores were made available to private Indian firms by the U.S. Government agencies during the Second Plan period. The following are the details:

Indian firm receiving Loan	U.S. Government agency giving loan	Amount of loan
Dollar Loans:		
1. National Rayon Corporation Ltd.	Export-Import Bank	\$ 1.8 million (Rs. 86 lakhs approx.)
2. Sundatta Food & Fibre Ltd.	-do-	\$60,000 (Rs. 3 lakhs approximately)
3. Hindustan Aluminium Corporation Ltd.	-do-	\$13.65 million (Rs. 650 lakhs)
4. Ahmedabad Electricity Co. Ltd.	Development Loan Fund	\$ 3.90 million (Rs. 186 lakhs)
5. Premier Automobiles Ltd. (Formal Loan Agreement not yet signed).	-do-	\$ 7.2 million (Rs. 343 lakhs)
Rupee Loans		
1. Otis Elevator Co.	Export-Import Bank (Cooley, Loan)	Rs. 10 lakhs
2. Goodyear Tyre and Rubber Co.	-do-	Rs. 225 lakhs
3. Mysore Cements Ltd.	-do-	Rs. 55 lakhs
4. Synthetics & Chemicals Ltd.	-do-	Rs. 392 lakhs
5. Hindustan Aluminium Corporation Ltd.	-do-	Rs. 100 lakhs
6. Merk Sharp & Dhome of India (P) Ltd.,	-do-	Rs. 50 lakhs
7. Ex. Cell-O Corporation	-do-	Rs. 20 lakhs
8. Seshasayee Bros.	-do-	Rs. 200 lakhs
9. Premier Tyres Ltd.	-do-	Rs. 30 lakhs
10. Lederle Laboratories India (P) Ltd.	-do-	Rs. 25 lakhs
11. Gabriel India (P) Ltd.	-do-	Rs. 5 lakhs
12. Limac Ltd.	-do-	Rs. 52 lakhs
13. Carrier India (P) Ltd.	-do-	Rs. 37.5 lakhs

SHARAVATHY HYDRO-ELECTRIC PROJECT

Meanwhile, the U.S. Ambassador here has announced the approval by the U.S. Government of two loans, totalling \$57,775,000, for Mysore's Sharavathy hydro-electric project. One loan (for \$21.5 million) will be in foreign exchange from the U.S. Development Loan Fund and the other (for \$36,225,000) in rupees from the PL. 480 counterpart funds.

The two loans together will finance the entire cost of the second stage of the Sharavathy project, which involves installation of 445,000 kilowatts additional generating capacity at the project. Earlier, the U.S. Government had provided from the D.L.F. a loan of \$8.4 million in foreign exchange and another one of \$14.6 million from PL. 480 counterpart funds for the construction of the first stage of this project, which included construction of the dam and reservoir, a power plant with two 89,100 kilowatt generators and 238 miles of transmission lines. The work on the first stage is said to be progressing satisfactorily.

TECHNOLOGICAL CONSULTANTS BUREAU TO BE SET UP

It is proposed to set up, under the aegis of the National Industries Development Corporation, a Bureau of Technological Consultants which would undertake industrial surveys on behalf of Government, Government undertakings or private sector. It will have a number of sections such as (i) process and production designs section, (ii) project engineering section, (iii) engineering designs section, (iv) inspection section, and (v) erection supervision section, and would be headed by a Chief Director who would be assisted by Section Chiefs, one for each section. The recurring expenditure on the Bureau is estimated around Rs. 70,000 per month.

The Process and Production Designs Section will be entrusted with the task of selection or designing of the process to be followed in a given plant or designing of new processes for an industry. It will also be the function of this section to give consideration to alternative processes which could do the job. The section would collaborate with the various National Laboratories to test and analyse raw materials and end-products, to test out new processes and to find alternatives to known processes, where necessary to suit local requirements.

After a particular process has been accepted, the preliminary studies for a project will be undertaken by the Project Engineering Group which will examine its both technical and economic aspects and prepare preliminary reports.

The Engineering Designs Section will do the actual plant layout and detailed designing and prepare working drawings for a project.

The Inspection Section will be charged with the duty of rendering assistance to both the public and private sector industries in matters of testing equipment.

The Erection Supervision Section, which will be manned by persons with sufficient experience in the field of construction and erection of equipment in industry, will be providing assistance in respect of supervision of erection and initial operation of a plant. The task of training staff to carry on with the normal operations in a factory will also be undertaken by this section.

The Bureau would be able to turn out each year preliminary reports on four projects as well as detailed project reports for at least two medium-sized projects (costing about Rs. 5 crores).

MADRAS ALUMINIUM-MONTECATINIS COLLABORATION ARRANGEMENTS

The Government of India, it is learnt, has approved the technical and financial collaboration arrangements proposed to be entered into by the Madras Aluminium Company with M/s. Montecatini, of Italy, for setting

up an aluminium smelter at Mettur, on the following basis:

- (i) Allotment of free equity shares of the Indian Company to the Italian firm in consideration of technical know-how — Rs. 45 lakhs.
- (ii) Payment in Italian liras to the foreign firm:
 - (a) towards engineering fees, drawings, assistance in purchase of plant and other allied services — not exceeding Rs. 40 lakhs;
 - (b) cost of foreign experts, contractors and agencies for the construction, supervision and other services charges, etc. — not exceeding Rs. 35 lakhs;
 - (c) the rupee out-of-pocket expenditure on Montecatini's personnel in India — Rs. 15 lakhs.

The total sum under head (ii) is permitted to be accounted against share certificates of the Indian company in favour of the Italian company as and when bills are presented to the Indian company for supply of designs, for engineering fees and reimbursement of out-of-pocket expenses, etc.

MANUFACTURE OF FERTILIZERS

A U.S. firm has offered to set up in India fertilizer plants based on utilization of liquid ammonia to be produced in the Persian Gulf area from natural and refinery gases available there. The matter is said to be under consideration of the Union Government.

Highest priority has been accorded in the Third Plan to schemes for setting up fertilizer factories. The following units have so far been approved for being set up under the Plan:

Location	Capacity (In tons of Nitrogen)	Sector
1. Trombay	90,000	Public
2. Nahorkatiya	32,500	Public
3. Gorakhpur	80,000	Public
4. Vishakhapatnam	80,000	Private
5. Madhya Pradesh (exact location is yet to be decided)	50,000	Private
6. Hanumangarh	80,000	Private
7. Kothagudam	80,000	Private
8. Ennore — Madras	8,250	Private

PURCHASE OF TANKERS

The Government of India has allowed the private sector as well to acquire tankers; originally it had been decided that the acquisition of tankers would be only in the public sector. The number of tankers that would be acquired by both the public and the private sectors during the Third Plan period would, in addition to the availability of resources, depend on the availability of immediate employment for them.

The National Shipping Board, it may be recalled, had recommended a target of 14.22 lakhs G.R.T. for shipping in the Third Plan to be achieved with an outlay of Rs. 118 crores, which included the acquisition of one coastal tanker of 7,500 G.R.T. at a cost of Rs. 1.15 crores and four overseas tankers of 66,000 G.R.T. at a cost of Rs. 8.60 crores. The final allocation for shipping in the Third Plan has now been fixed at Rs. 55 crores. Correspondingly, the tonnage target has also been pruned down to 11 lakhs G.R.T.

So far as tankers are concerned, it was estimated that within this reduced allotment, it would be possible to add only one coastal tanker of 7,500 G.R.T. at a cost of Rs. 1.15 crores and three overseas tankers of 53,000 G.R.T. at a total cost of Rs. 6.80 crores. This position is, however, now likely to change in view of the proposed acquisition of some second-hand overseas tankers by Jayanti Shipping Company from its own resources.

Mazagon Dock Limited, Bombay, has placed an order for marine gears with McKie and Baxter, a Scottish engineering firm, to be installed in the two tugs which are at present being built for the Vizagapatam Port.

N.C.D.C.'S PROGRESS

The National Coal Development Corporation, it is learnt, is taking steps to improve its working in the light of the suggestions made by an expert from the National Coal Board of the United Kingdom, who visited this country last year to make an assessment of the progress made by the N.C.D.C. and to review the different aspects of its coal raising operation. This expert had observed that production from the N.C.D.C.'s new mines, both deep and open-cast, was small in relation to the capacity of equipment installed. He had also suggested setting up of first class maintenance service in order that the installed machines could be kept running for the maximum time. The N.C.D.C., it is learnt, is setting up a central workshop to look after important repairs and maintenance jobs. The maintenance men attending the machines are also being provided intensive in-job training. The organisational set up of the Corporation is also being revised so that frequent supervision from top technical personnel may be available at the site of production. The facilities for transport of coal are also being increased during the Third Plan period. It is hoped that with all these measures, the costly equipment will be utilised to its maximum capacity in due course and production stepped up to the optimum level.

AFRO-ASIAN ECONOMIC CO-OPERATION

The Afro-Asian Organisation for Economic Co-operation is scheduled to meet here from December 11 for a week. About 38 central chambers of commerce of various countries, who are members of this organisation, are expected to participate in the meeting. Sixteen other countries eligible for full membership and 25 territories and dependencies eligible for associate membership have also been invited to send their represent-

atives to the conference. Besides deliberating on the general problems of fostering trade between Asia and Africa, the participating countries will be given an opportunity to discuss specific trade matters of particular interest to them. An international industrial exhibition is being held to co-incide with this meeting. This will provide an opportunity to the representatives of Asian and African countries to study the latest techniques of production. Some European countries, the United States and the Soviet Union are expected to participate in this exhibition.

"CHAIN" LETTERS

The Department of Company Law Administration in the Union Ministry of Commerce and Industry has decided not to register in future companies formed with the avowed object of promoting what are called "chain letters" schemes. While such schemes are sought to be promoted ostensibly on the plea of providing mutual aid and incentives to save, the Department considers that by according recognition to these schemes, there is likelihood of undesirable persons exploiting the gullible public and defrauding a large number of individuals of relatively small sums of money.

"Chain letters" schemes envisage despatching of letters to a number of addressees, each one of whom is called upon, in turn, to send out similar letters to other persons along with a nominal sum of one or two rupees. The sponsors of these schemes generally collect small sums of money at every stage of the chain transaction.

BRIEFS

With the production of bitumen by both the Burmah-Shell and the Stanvac refineries, India has become more or less self-sufficient in its requirements of bitumen road binder. The present production of bitumen from the Stanvac refinery alone is about 1,20,000 metric tons per annum. This is expected to go up to 1,25,000 metric tons per annum by the end of the current year.

The total net collections in small saving securities during the five years of the Second Plan amounted to Rs. 406 crores. For the first time, collections in a year exceeded Rs. 100 crores in 1960-61; the total collections during this year were of the order of Rs. 106 crores.

There is a proposal to extend the Indo-Norwegian Fisheries Project of Kerala to some of the other maritime States. The matter is understood to be under discussion here between a five-member Norwegian delegation, led by Mr. Krogh Hansen, and the Government of India.

THE BRITISH INDIA CORPORATION LIMITED, KANPUR

BRANCHES DIVISION

Cawnpore Woollen Mills Branch

Cooper Allen Branch

New Egerton Woollen Mills Branch

North West Tannery Branch

LONDON OFFICE. BEGG SUTHERLAND DIVISION

SECRETARIES & TREASURERS

The Elgin Mills Co. Ltd.

Cawnpore Sugar Works Ltd.

Cawnpore Textiles Ltd.

Champaran Sugar Co. Ltd.

Brushware Limited

Saran Engineering Co. Ltd.

Secretaries for: Beta Picker & Co. Ltd.

Royal Exchange Assurance.

BOOK REVIEW

AN INDIAN MARSHALL PLAN?

INDIA AND THE WEST: By Barbara Ward. Publishers: Hamish Hamilton, London: Price 18s.

ANY book by Barbara Ward is an event. "Sane", "judicious" and "reasonable" are adjectives that come to mind in describing her writing and, unlike other authors who combine these virtues, she is able to do so without exacting a price in boredom. She is liberal without being pallid and her belief in the middle way is ardent enough to persuade one to offer two cheers for democracy. The third cheer, perhaps, belongs to Communism even on the strength of Miss Ward's analysis.

The first part of the book seeks to place in perspective the solutions offered to the problem of breaking through from poverty into self-sustaining economic growth. They are 'Western' solutions, because, until recently, the problem itself has been exclusively Western. But Miss Ward sees them as Western in a deeper sense. Both the liberal and the apocalyptic Marxian answers are, according to her, rooted in Christian society and philosophy. "Indeed neither can be found anywhere else. . . . To think that human society might be perfectable and humanity redeemable belongs to the Jewish and Christian tradition alone. One can surely dispute the view that only one religion is compatible with progress. One can also argue that the Hindu ethics, as much as the Protestant ethics, are rich in those entrepreneurial virtues most conducive to rapid capital formation. Finally, one has to object that religion no longer shapes economics, whatever its influence in pre-industrial England. But this is to dispute the philosophical penumbra. The actual alternatives can be agreed upon more easily. Miss Ward delineates with skill the evolution of the mixed economy and of governmental action, both national and international, as a corrective to the recurrent failures of laissez-faire systems to be fully self-regulating. She proclaims with conviction "the paradox that judicious government action does not repress, but, on the contrary, produces a pre-condition of vigorous private enterprise." The Marshall plan is the vigorous example of international action applied to stimulate the free and integrated growth of open societies; mutilate the free and integrated growth of the future. "If its success draws clearly a pattern for the future. "If a crisis on the scale of Europe's collapse in 1947 could be overcome by vigorous, purposive inter-governmental action, a precedent had been set, a tool invented for working on other possibly more intractable problems in other areas of the world economy."

The second, and the apocalyptic Western answer, is not put before us quite so ably. The labour theory of value is quickly dismissed—it has, after all, ethical overtones which matter more in history than its factual correctness. Both Marx and Lenin are criticized for reasons of generalising from transient phases of capitalism, as if these phases were immutable archetypes. The idea that colonies are needed as an outlet for surplus capital is refuted by pointing out that the flow of international capital has been overwhelmingly to countries that are industrially advanced. "The total British investment in 1914 (in India) after a hundred years of empire was not much more than a tenth of British investment overseas." This may dispose of one plank in the platform; but the stubborn suspicions of the man in the Asian Street that colonies have been needed for raw materials and markets, and, in short, for exploitation in whatever manner possible, and that if colonialism is dying, it is doing so wisely rather than willingly, are not wholly

dealt with by Miss Ward's persuasiveness. Her own version of colonialism—that the flag follows trade and acts in order to secure it—is too benevolent for those to whom foreign occupation is an all too recent memory.

These, however, are sources of analysis. When it comes to the solution that is being analysed—the Communist answer to the problem of breaking through into industrial growth—no attempt is made to minimize its effectiveness. Stalin, Miss Ward acknowledges, "carried his country from the wooden plough to the atomic pile in forty years. Thus he not only gave Russian Society the sheer brute strength to survive in an angry world. He provided an alternative blueprint for economic growth in any society too caught in its own contradictions or divisions or poverty to achieve development by more spontaneous methods."

India, therefore, has the choice of two paths. She comes to this choice in unique circumstances because she is the only nation in history that has sought to achieve industrialisation within the framework of parliamentary democracy and a universal franchise. In other countries the industrial revolution has either preceded the growth of political rights or has suppressed it in the name of total mobilisation. In India alone the process of industrialisation must rest on those rights and remain responsible to them. We cannot, therefore, choose the solution of laissez-faire capitalism; forced saving through gross income inequalities; or the solution evolved by communism: forced saving by systematically mopping up all excesses above the margin of subsistence. We have to choose a middle way, and even our rate of progress is determined precisely by conflicting pressures. If we proceed too slowly, we will breed disappointment; if we proceed too rapidly, the social cost is likely to break open into political discontent.

It is against this background and within these dilemmas that our economic progress must be judged. Miss Ward considers it "an entirely rational decision on the part of the Indian authorities to put food and heavy industry at the core of their plans." Indeed, she thinks that "Steel plants—the core of heavy industry—could, with advantage, have been initiated earlier in the planning process." Railway development has been adequate, but "road-building still does not receive the priority it deserves." The bulk of our power output will have to continue to come from thermal stations, but the coal industry is "one of the few really clear instances of direct damage caused by the government's preference for public enterprise." Nevertheless "in India, as elsewhere in the non-Communist world, a vigorous government stimulus to investment is proving the most effective spur to private development as well. India is repeating the experience of France under the Marret Plan." The growth of the private sector demonstrates that "Indians, given the opportunity, have the entrepreneurial gift." As against this, Miss Ward has to conclude that "an entrepreneurial revolution is what the public sector chiefly needs." The breaking of bottlenecks does not come easily to the civil servant trained in the British tradition. He prefers to defer action while all alternatives are weighed — or simply to pass the file upwards."

On the whole the growth and diversifications of Indian industry "compare favourably with the most

(Contd. on page 1189)

THE GANESH FLOUR MILLS COMPANY LTD., DELHI

REGISTERED OFFICE, SUBZIMANDI, DELHI.

NOTICE

NOTICE is hereby given that the 69th Annual General Meeting of the Shareholders of The Ganesh Flour Mills Co., Ltd., Subzimandi, Delhi will be held at the Registered Office of the Company at Subzimandi, Delhi on Friday the 9th day of June, 1961 at 10 A.M. to transact the following business:-

- To receive, consider and adopt the Directors report and the Audited Balance Sheet and Profit and Loss Account of the Company for the year ending 30th September, 1960;
- To declare Dividends;
- (a) To appoint a Director in place of Shri Satya Narain Gupta who retires by rotation under the Articles of Association of the Company and being eligible for re-appointment, offers himself for re-appointment as a Director of the Company;
- (b) To appoint a Director in place of Shri Om Prakash who retires by rotation under the Articles of Association of the Company and being eligible for re-appointment, offers himself for re-appointment as a Director of the Company;
- To appoint Auditors for the Financial year 1960-61 and fix their remuneration. Messrs. A. F. Ferguson & Co., Chartered Accountants, the retiring Auditors being eligible for re-appointment offer themselves for re-appointment as Auditors of the Company for the year 1960-61.

SPECIAL BUSINESS

- To consider and if thought fit to pass with or without modification the following as an ordinary resolution:- "Resolved that in respect of 4 per cent 2nd, 3rd, 4th. and 5th., Cumulative Preference Shares (Tax free) of the Company, an additional dividend at 1.71 per cent (Gross) subject to deduction of appropriate tax be paid for the year ended 30-9-1959 out of the profits of the Company for the year ended 30-9-1959, payable to those 2nd, 3rd, 4th. and 5th., 4 per cent Preference Shareholders whose names appear as such holder of shares in the Register of Members of the Company as on 19-5-1960";
- To consider and if thought fit to pass with or without modification the following as an ordinary resolution:- "Resolved that this General Meeting of the Shareholders of the Company hereby gives its consent to the Board of Directors of the Company for borrowing moneys for the purposes of the Company even though the moneys to be borrowed together with the moneys already borrowed by the Company (apart from the temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed 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 upto a maximum limit of Rupees two crores (Rs. 2,00,00,000) at any time".
- To consider and if thought fit to pass with or without modification the following as a Special Resolution:- (a) That in Article 10 page 7 lines 9 and 10, the words, "is confirmed holders of the shares", be substituted by the words, "with the sanction of a Special Resolution passed at a separate meeting of the holders of the issued shares".
- In the same Article and on the same page lines 10 to 15 beginning with the words, "and supported issued shares of the class", be deleted.
- That in Article 13 at page 8 for the word, "new" wherever it occurs the word, "further" be substituted and in the same Article in line 4 after the word, "meeting" the words, "by a Special Resolution or with the sanction of the Central Government as provided for in Section 81 of the Act", be added.
- That on page 10 in Article 20 line 4 after the words, "shall be made", add the words, "subject to the rules as may be framed under the Act."
- That on page 15 in Article 50 last but one line, after the words, "sent to the Transferee", add the words, "Transferor or to the person giving intimation of such transfer or transmission as the case may be." And in the same Article and in the same line after the word, "Transfer," add the words, "or transmission." And in the same Article in line 5, after the word, "Transfer", add the words, "or transmission".
- That on page 16 in Article 55 line 3, substitute the figure, "18" by figure, "84". That in the same Article on page 17 in line 8 the words, "one month," be substituted by the words, "three months".
- That on page 19 in Article 67 as amended by a Special Resolution, the words, "eight months" be substituted by the words, "six months."
- That on page 21 in Article 72, line 21, the words, "nature and extent of the interest", be substituted by the words, "the nature of the concern or interest."
- That on page 29 in Article 112 line 7, 8 and 9 the words, "by himself as such Director," be substituted by the words, "and no such Director shall act as a Director of the Company unless he has within 30 days of his appointment signed and filed with the Registrar his consent in writing to act as such Director".
- That on page 30 in Article 116 at the end of the Article substitute, "comma" for "full-stop", and add the words, "provided that not more than two months shall intervene between the last day of the calendar month in which such meeting is held and the date of the next meeting."
- To consider and if thought fit to pass the following with or without modification as an ordinary resolution:- "Resolved that the Company hereby approves of the appointments and consents to the continuance as the case may be of the following as Dealers of the Company for a period not exceeding five years commencing from the dates of such appointments and for the products and the area respectively set out against each subject to any variation that may be made in terms of their appointments

including changes in Areas and Products and subject also to the conditions that the arrangements may be terminated earlier by one month's notice on either side:-

Name of the Agent. Area. Product.

Note:

(The list of all such dealers is being sent to the Shareholders alongwith the Balance Sheet).

By Order of the Board of Directors,
for THE GANESH FLOUR MILLS CO. LTD.,
Sd.- KIRPA NARAIN
Secretary & General Manager.

DELHI,
Dated, 5th May, 1961.

N.B.:-

- The Share transfer books of the Company will remain closed from 27th May, 1961 to 9th June, 1961 both days inclusive;
- Members unable to attend are requested to send their Proxy forms, sent alongwith the notice, duly stamped, signed and completed in favour of a person attending the meeting. Forms not properly signed and/or completed or received less than forty-eight hours before the meeting will be treated as invalid;
- A member entitled to vote is entitled to appoint a proxy to attend and vote instead of himself and that a proxy need not be a member of the Company.

AN INDIAN MARSHALL PLAN?

(Contd from page 1187)

rapid expansion achieved anywhere else in the free world," and amounts to "something very like the 'big push' needed to achieve sustained growth." In agriculture the story has been different. There are no clear and dominant reasons for this failure. Fusion of individual holdings is part of the answer, "but reform has to proceed cautiously, not outstripping the readiness of the majority of the rural voters to follow behind." For the rest, Miss Ward suggests better farming methods combined with irrigation, more intensive agriculture and the development of rural industries.

At the nadir of the foreign exchange crisis many experts considered our plans too ambitious. Those who still think so should also think of China where in 1959 steel output stood at 13 million tons, coal at 365 million tons and electricity at 41 million kilowatt hours. China's national income has doubled in six years; ours has risen 42% in ten. The proportion of our national income devoted to investment has risen from 5 to 11 per cent through two plans and is expected to reach 14% by 1966. China's proportion has already been driven to 20%. Fortunately the peasant does not spend his evenings calculating growth rates with the aid of the slide rule he cannot afford to buy. If progress is tangible and consistent, he is likely to consider it adequate. On this basis, Miss Ward is certainly right in maintaining that "the Indian economy is dynamic—but only just—can afford no slowing down or interruption. Its pace is almost certainly the slowest that still allows for momentum. But it may also be the fastest popular opinion will accept."

To maintain this precarious and minimal momentum £400 million is needed annually in foreign aid. Miss Ward suggests a doubling of this amount within the frame-

(d) A copy of the existing Memorandum and Articles of Association of the Company as well as a copy of the proposed amendments to the Articles of Association of the Company, duly signed by the Chairman for purposes of identification, shall also be available for inspection of members during business hours at the registered office of the Company on all working days from 27-5-1961 to 9-6-1961.

(e) The terms of appointments of dealers as mentioned in item No. 8 above will be open for inspection of the members at the Registered Office of the Company on any working day between 27-5-1961 to 9-6-1961 during office hours.

(f) Explanatory statements as required under Section 173 of the Companies Act is being sent to the Shareholders of the Company alongwith the Balance Sheet by post.

(g) As the dividend warrants for the additional dividend for the year ending 30-9-1959, if approved by the General Meeting, will be issued to members holding 2nd, 3rd, 4th, and 5th. C. P. Shares on 19-5-1960, such holders are requested to send their present address so that the dividend warrants may reach them.

(h) All Share holders of the Company are also requested to send their present address to the Company before the date of the meeting so that dividend warrants for the year ending 30-9-1960 may also reach them at their address.

work of a Marshall Plan for the less developed countries, financed by a one per cent levy on the national incomes of the industrialised nations. The one per cent idea goes back to the financing of UNRRA; it is also reflected in a resolution which India piloted through the last session of the U.N. General Assembly. It would result in contributions of over £2000 million annually of which India's share would be approximately two-fifths. Here, a caution needs to be entered. Even if this total were to be realised we would have to improve greatly our present performance to secure an equitable proportion of the total. We receive less aid per capita than almost any other country; and, even in United Nations programmes, our share is much closer to 15 than 40 per cent.

The assistance, Miss Ward rightly insists, should be organised and purposive. It should be long-term, instead of hand to mouth and in the form of loans at rates as low as 2% repayable over as much as 40 years, so that the spirit of gifts can be preserved within the letter of borrowing. India should be the centre of this effort because "India has the plans, the administrators, the lively entrepreneurs, the general will to develop which ensure that capital assistance will make the maximum impact." An effort on this scale pressed with the determination to render it successful, is the necessity that now confronts the West in moral terms as well as the terms of self-interest. "They have on their hands a far more forceful decision than whether or not to help India. They are, in fact, deciding whether the open society has any future in Asia at all."

This is a provocative book and a wise one. If it is not always reassuring, that is in the nature of its subject. The truth is not meant to comfort man but to arm him.

B. RAJAN.

COMPANY AFFAIRS

HUKAMCHAND MILLS

In spite of several difficulties which the textile industry had to face, particularly in obtaining cotton as also abnormal rise in the price of fuel, mill stores and wages, the Hukamchand Mills Ltd., Indore during the year to December 31, 1960 recorded satisfactory progress. The sales of cloth, yarn and waste increased to Rs. 3.23 crores as against Rs. 2.87 crores during the previous year. In line with the sales the net profit of the Company, after providing Rs. 6.65 lakhs as depreciation, was Rs. 27.71 lakhs. Adjustment was made in respect of the loss carried forward from the previous year to the extent of Rs. 2.14 lakhs. The provision for development reserve was Rs. 1.72 lakhs. A sum of Rs. 20 lakhs has been appropriated to general reserves. The dividend has been recommended to be paid at the rate of Rs. 7.50 per equity share of Rs. 100, subject to deduction of tax which will absorb Rs. 4.53 lakhs.

During the year under review the Company received Rs. 4.95 lakhs as loan from the N.I.D.C. Ltd. out of the sanctioned loan of Rs. 30 lakhs. The Company repaid an amount of Rs. 2 lakhs as first instalment. The second application to the N.I.D.C. Ltd. for another loan of Rs. 40 lakhs has not yet been finalised and the Company has revised its demand and now has reduced it to Rs. 25 lakhs.

The Wage Board Award was given effect from January 1, 1960 and it is estimated that it accounted for a rise of nearly 5 lakhs in the salaries and wage bill of the Company. The trend of cloth prices was, however, rising and the Government of India felt concerned at the same and urged on the Industry to take steps to arrest and reduce the prices in the interest of the consumers. In pursuance thereof the Indian Cotton Mills Federation had advised all the cotton mills in the country to adopt the price stamping during the year on the level of a formula based on the prevailing prices in August 1959. At the close of the year there has been another cut in the said stamped prices imposed by the Federation under advice from the Central Government. The Directors have pointed out that all these restrictions have considerably handicapped the progress of the Company. Representations have been made that the mofussil mills which are not equipped with modern machinery and which have been mainly employed in coarse and lower medium counts had to suffer a great deal in the past few years and therefore, special consideration should have been made for them in obligatory price stamping so as to partially mitigate their hardships. This appears to be a justifiable

demand and the Government should pay attention to it.

DALMIA IRON AND STEEL

During the year to September 30, 1960, Dalmia Iron & Steel Limited increased its capital. Four lakh equity shares of Rs. 10 each of the value of Rs. 40 lakhs were offered at par to the existing holders of Equity Shares in the ratio of 1:1. This fresh issue of Rs. 40 lakhs was fully subscribed, and the subscribed and paid up capital of the Company is Rs. 80 lakhs.

Production operations improved during the year as is evident from this following figures:

	1959 (in tons)	1960 (in tons)
1. Spun Iron Pipes	5,030	13,755
(9 months' production)		
2. Grinding Media	2,319	3,642
3. Alloy Steel Castings	538	815

There has been a marked improvement in the working of spun iron pipe plant. But recently due to the shortage of raw materials and power supply, its production had to be suspended which the directors expect will be resumed shortly. The production in the grinding media plant exceeded the installed capacity during the period under review. The steel casting plant could not achieve the installed capacity of 125 tons due to delay in receiving the Import Licence for two automatic moulding machines which are expected to be installed very shortly.

The Company has been granted an industry licence to expand the present capacity of cast steel grinding media from 3,000 to 6,000 tons per annum. The Company has also applied for an industry licence to increase the present installed capacity for the manufacture of special alloy and heat resisting steel castings from 1,500 to 3,500 tons per annum. The Company is negotiating for technical collaboration and financial participation with the leading spun iron pipe manufacturers in the world in order to achieve the newly licenced capacity of 75,600 tons of spun iron per annum.

The sale proceeds of the Company during the year under review were Rs. 1.30 crores as compared with Rs. 66.14 lakhs for the previous year. Net profit, after providing for depreciation and development rebate reserve, was Rs. 7.52 lakhs. The previous year's loss of Rs. 3.48 lakhs was set off. The Directors had declared an interim dividend of Rs. 1 per share which absorbed Rs. 4 lakhs.

Company Meeting

THE CENTRAL BANK OF INDIA LIMITED

Summary of the Speech delivered by the Chairman, Sir Homi Mody, at the 50th Annual General Meeting of the Shareholders of the Central Bank of India, Ltd., on Friday, the 5th May, 1961.

Sir Homi Mody, Chairman of the Central Bank of India, Ltd., speaking at the Fiftieth Annual General Meeting of the Bank struck a cheerful note when he informed the Shareholders that the net profit of the Bank amounted to Rs. 133 lakhs, the highest in the Bank's history.

At the beginning of his speech, Sir Homi commented briefly on some of the notable events of the year under review.

He said that there was a general upward trend in trade and industry and notable advances were made in West Germany and Japan where production, employment and exports continued to rise resulting in substantial increases in the gold and foreign currency resources of these countries. "In Britain," continued Sir Homi, "there was an abnormal expansion of Bank credit and special measures had to be taken to deal with it, and for the first time Banks were called upon to make special deposits." "In the United States, a recession set in, the extent and duration of which are difficult to estimate. Considerable loss of gold and dollar resources took place and the balance of payments position deteriorated. The situation has since improved and the drain on the reserves has been arrested."

INDUSTRIAL PRODUCTION: SIGNIFICANT INCREASE

Sir Homi said that in India during the first eleven months of the year, industrial production showed a significant increase, and despite shortage of coal, iron and steel production was up, though not to the extent of the target set. The textile industry passed through a difficult phase, owing mainly to a poor cotton crop, non-availability of raw materials at reasonable prices and a heavier wage bill. Sugar production reached a peak level of 2.42 million tons, as a result of the establishment of new factories and the expansion of the crushing capacity of existing units. Sir Homi emphasised that the most encouraging feature of recent economic growth had been the emergence of a more broad-based industrial structure and a steady diversification of the general pattern of development.

The general price level, which Sir Homi considers of vital importance, continued to soar. A relieving feature, however, was the fact that the price level of food articles had not gone out of hand and the upward trend had been arrested temporarily. "In respect of industrial raw materials," Sir Homi Mody stated, "there had been a big jump in prices and consequently the price level of manufactured articles had also moved up substantially." "The extent and seriousness of the damage," Sir Homi said, "may be gauged from the fact that between March 1956 and November 1960 there had been an increase of nearly 28 per cent in the general price index."

THE THIRD PLAN

Touching upon the Third Five-Year Plan, Sir Homi Mody expressed that in spite of all the assurances that public opinion would be fully consulted and given due weight the Plan had finally emerged as it was originally conceived. The total outlay on the Plan was estimated to be of the order of Rs. 11,250 crores. He, however, observed that while the size of the Plan was

equal to that of the first two Plans together, its physical proportions were likely to be smaller because of the inflated prices prevailing and further pressures on the price-level which might be expected.

Discussing the emphasis on rapid industrialisation indicated in the Third Plan, Sir Homi Mody stated that it was certainly open to question whether with our limited resources in materials and technical personnel, it was wise to accord such preponderance to heavy industry in our development plans. "The products of heavy capital industries," he observed "were by their very nature, incapable of absorbing all the additional purchasing power pumped into the economy, and it might legitimately be feared that such a lopsided pattern of outlay might tend to aggravate the general inflationary pressure."

"Amongst the resources for Third Plan," Sir Homi Mody stated, "additional taxation had been given an important place and was expected to provide as much as Rs. 1,650 crores during the five-year period and it would be obvious to all but the Planners that the country was not in a position to bear such a crushing burden and deficit financing to an extent higher than what had been estimated might have to be resorted to." Sir Homi went on to say that by far the most important and crucial source of finance for the Third Plan was foreign aid and the Plan must depend vitally on the availability of a far larger volume of foreign assistance. He was, however, doubtful whether with all the goodwill in the world under the present world conditions, foreign resources of the magnitude required would be made available to us. He felt that even at the best we were mortgaging the future a little too recklessly, and it was possible that the Third Plan might have to be recast drastically.

MONETARY TRENDS

Dealing briefly with the main trends noticed in the monetary and banking fields, Sir Homi Mody said that the money supply with the public had increased during the year by Rs. 217 crores. The Scheduled Banks' advances had shown a steep rise of Rs. 216 crores to reach a record figure of Rs. 1,180 crores, reflecting the unmistakable impact of the growing tempo of economic activity on the banking system.

Sir Homi at this stage pointed out the difficulties that the Bank had to face whilst meeting the heavy demand for finances. While the Bank tried to do all it could to accommodate its old customers, it had to a certain extent also to cater for its new constituents. The Sugar Industry was a case in point which was meeting with considerable difficulty in securing adequate finance to take care of its substantial increase in production. Sir Homi was of the opinion that this problem could be dealt with only by a suitable revision of the policy of the Government. In the meanwhile, he suggested more liberal rediscount facilities on the part of the Reserve Bank of India to provide some relief to the Industry.

With a view to curbing undue expansion of Bank credit, Sir Homi said that the Reserve Bank in addition to the Selective Credit Control measures, had resorted, for the first time, to the more direct device of variable reserve ratios, whereby they impounded and

WANTED

A large Indian public company intends to appoint an assistant to the Managing Director. The appointment carries prospects of eventual promotion to the Board in an executive capacity for a man possessing the requisite qualifications, which include preferably membership of one of the Institutes of Chartered Accountants, experience in modern methods of financial control and management accounting, knowledge of industrial legislation and ability to deal with personnel problems at different levels. There is no fixed scale of remuneration for this appointment but a good salary with commensurate allowances, depending on age and experience, will be paid to the successful applicant.

Reply, stating age and giving full particulars of experience, along with the names of two Referees, to the Advertiser, C/o. Post Box No. 34, New Delhi-1.

immobilised, in two stages, 50 per cent of all additional deposits secured by Scheduled Banks. In addition, ceilings were fixed on the limits upto which individual Banks could borrow from the Reserve Bank, any excess over the ceilings being subjected to penal rates of interest. Banks were also directed not only to enforce a minimum interest rate of 5 per cent on all their advances, but also to step up their average lending rate by $\frac{1}{2}$ per cent. Sir Homi Mody warned that the fact that the general price level continued to rise in spite of these measures adopted by the Central Banking Authority should serve as a timely reminder to the Government that if they wished to maintain price stability, which was an essential pre-requisite for the success of any Plan, they should not fight shy of shedding their doctrinaire attitudes and of adopting a more realistic fiscal and economic policy.

PROFITS: HIGHEST EVER

Dealing with the Balance Sheet and Statement of Accounts, Sir Homi Mody informed the Shareholders that the Bank's working fund at Rs. 225 crores represented a substantial increase of Rs. 32 crores, or 17 per cent, over the 1959 figures. The gross earnings and net income amounted respectively to Rs. 10.78 crores and Rs. 6.44 crores, as compared to Rs. 9 crores and Rs. 5.14 crores in the previous year. The net profit amounted to Rs. 133 lakhs, which is the highest in the Bank's history.

Advances, too, had reached a high level and recorded a jump of Rs. 32.92 crores over the previous year.

The Establishment Charges continued to move up disconcertingly year after year and over the period 1956-60 the increase has been of the order of Rs. 107 lakhs, equivalent to over 41 per cent. He said that during the year under review alone, Establishment Charges went up by Rs. 32 lakhs and that in relation to the gross earnings and net income, they absorbed as high a proportion as 34 per cent and 56.8 per cent respectively. What was particularly a matter of con-

cern was the fact that despite the increase in the strength of the Bank's staff, overtime allowance should have amounted to as much as Rs. 13 lakhs during the year.

"In view of the higher profits that had been made," Sir Homi Mody said, "the Directors have proposed an increase over the dividend paid to Shareholders last year. The interim dividend of Rs. 2.10 per share, subject to tax, already paid for the half-year ended 30th June, together with the final dividend of Rs. 2.50 per share, subject to tax, now recommended for the second half of the year, would make a total dividend of Rs. 4.60 per share, subject to tax, equivalent to Rs. 3.22 net per share. This works out to 12.88 per cent net for the whole year. In addition, it was proposed to give the Shareholders a Jubilee Bonus of 50 nP. per share, subject to tax."

Before concluding his speech, Sir Homi Mody thanked the Vice-Chairman, Mr. C. H. Bhabha, the General Manager, Mr. N. K. Karanjia, and the Deputy Managers, Mr. F. C. Cooper and Mr. V. C. Patel, and the other Officers at the Head Office and Branches and the members of the clerical and subordinate staff throughout the country. He also thanked the Local Advisory Committees at the various centres for the co-operation and guidance they had always extended to the Bank.

Finally, Sir Homi Mody expressed the hope that as the years rolled by, it would be the good fortune of the Bank to serve the interests of the industrial and business community even more efficiently than in the past. He looked forward with confidence to greater and greater efforts on the part of one and all connected with the Bank to enhance the prestige, position and prosperity of the great Institution with which all had the privilege to be associated.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

COMMODITY NEWS AND NOTES

ALL-INDIA FINAL ESTIMATE OF MESTA, 1960-61

The All-India Final Estimate of Mesta, 1960-61 puts the current year's area and production at 694,000 acres and 1,147,000 bales respectively, according to the Directorate of Economics and Statistics, Ministry of Food and Agriculture. As compared with the partially revised estimates of 704,000 acres and 1,118,000 bales for 1959-60, the estimates for 1960-61 show a decrease of 10,000 acres or 1.4 per cent in area and an increase of 29,000 bales or 2.6 per cent in production.

The decrease in area during the current year has occurred mainly in West Bengal, the most important Mesta growing State. This is attributed generally to unfavourable weather conditions at the time of sowing. This decrease in area has, however, been offset, to some extent, by the increase registered in Andhra Pradesh, Tripura and Bihar. Despite the overall decrease in area, the current year's production of the crop has recorded an increase as compared to last year. The increase in production is accounted for mainly by Bihar and Tripura, and is attributed generally to favourable climatic conditions during the growing period of the crop. Andhra Pradesh, West Bengal and Mysore have, however, reported a decrease in production.

TWO LAKH TONS OF SUGAR RELEASED

The Government of India has decided to release two lakh tons of sugar for the month of May. There will be no release for free sale from the factories in Uttar Pradesh, Bihar and Punjab, except a small quantity which will be released to each factory for sale at the factory gate. Allotments of sugar to Madhya Pradesh, Rajasthan, Uttar Pradesh, Bihar, West Bengal, Orissa, Madras, Kerala, Maharashtra, Gujarat, Himachal Pradesh, Assam, Manipur and Tripura from factories in the controlled region will be made only to the nominees of the State Governments. In the case of Punjab and Jammu and Kashmir, allotments will be made direct to the State Governments or to their nominees. Allotments to Delhi will continue to be made on the existing basis. Allotments will be made at prices fixed under Notification No. GSR 1112/Ess. Com/Sugar dated September 15, 1960 and GSR 1/Ess. Com/Sugar dated January 2, 1961. The controlled ex-factory price for U.P. and North Bihar factories is Rs. 37.85 per maund and for factories in Punjab and South Bihar Rs. 38.35 per maund for ISS D-29 grade with the prescribed price differentials for other grades. The fixed f.o.r., destination prices in respect of allotments made to Kanpur and Calcutta will be Rs. 38.60 and Rs. 39.85 per maund respectively for sugar of ISS D-29 grade.

PRODUCTION OF CRUDE FROM ANKLESHWAR OILFIELD

The Oil and Natural Gas Commission proposed to start trial production of crude oil at the rate of approximately 1500 tons per day from Ankleshwar oilfields only towards the end of 1961, stated Mr K. D. Malaviya, Union Minister for Mines & Oil, in a written reply to a question by Mr T. B. Vittal Rao, in the Lok Sabha. Pending the establishment of a refinery in Gujarat, added the Minister, it was proposed to transport this crude to the Bombay refineries. The negotiations between the Oil & Natural Gas Commission and the private sector refineries in this connection were in progress. The possibility of utilising Cambay crude by the industries in Ahmedabad and Baroda as fuel was also being considered.

PRODUCTION OF SPECIAL ALLOY STEEL

A number of applications, including those from major producers, for setting up units for the manufacture of special alloy steels, were under consideration and a decision in the matter was likely to be taken shortly. Capacity already existing or licensed in the country for steels with a minimum of chromium, nickel, molybdenum and other alloying elements which required specialist plant, was about 10,000 tons. It was estimated that the requirements would be about 200,000 tons per year by the end of the Third Plan. As it took some time for production to come up to capacity, it was proposed to license capacity necessary to produce initially 200,000 tons a year. The central alloy steels plant will contribute about 50,000 tons and the ordnance factories would make available another about 35,000 tons.

PRICES OF ETHYL ALCOHOL FIXED

The Government of India have issued an order fixing the maximum ex-distillery prices of Ethyl Alcohol (Industrial Alcohol). Under the Ethyl Alcohol (Price Control) Order which takes effect immediately, for absolute alcohol conforming to the ISI specification, naked and of 100 per cent V/V strength, the ex-distillery price will be 20 nP. per litre. For rectified spirit conforming to ISI specification, naked and at 100 per cent V/V strength, the ex-distillery price will be 19 nP. per litre. The order also provides that additionally a maximum of 8 nP. per litre may be charged based on the actual average costs of transport of molasses to the distillery during the previous year. Where the alcohol is supplied after denaturation, the cost in this respect may also be added.

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5% RUPEE DEBENTURE STOCK 1970
INTEREST FOR THE HALF-YEAR ENDING
30TH JUNE, 1961.

NOTICE

NOTICE is hereby given that interest at the rate of Rs. 25/- (less Indian Income Tax) per Rs. 1,000/- of Stock will be paid on 1st July, 1961, to Debenture Stockholders registered in the books of the Company on 23rd June, 1961. Applications for transfers received at the Company's Office at Victoria House, Post Box 304, Chowringhee Sq., Calcutta, upto 23rd June, 1961 will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above interest.

Debenture Stock Transfer Books will be closed from 24th June, 1961 to 30th June, 1961 both dates inclusive.

By Order of the Board,
H. C. BOWKER,
Agent.

Victoria House,
CALCUTTA, 5th May, 1961.

MERCANTILE BANK LIMITED

(INCORPORATED IN ENGLAND)
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W. H. JACKSON,
Manager

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Food articles	Liquor & Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures			All Comme- dities
						Inter- mediate Products	Finished Products	Total	
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1
1960-61	..	120.0	110.0	119.6	145.4	130.5	122.8	123.9	124.8
January 1960	..	117.5	100.9	116.8	130.9	121.6	115.1	116.0	118.8
February "	..	118.0	96.0	117.3	131.6	120.5	115.6	116.3	119.5
March "	..	117.0	96.4	117.8	131.9	121.3	116.1	116.6	118.9
January 1961	..	116.4	111.2	120.0	154.7	133.9	126.5	127.5	125.6
February "	..	116.3	111.2	119.8	159.4	134.2	128.4	129.2	126.7
March "	..	117.6	114.2	121.3	159.1	137.2	128.1	129.4	127.5
18-3-1961	..	116.8	115.1	121.5	159.6	138.5	128.5	129.9	127.3
25-3-1961	..	118.2	114.6	121.3	158.5	136.8	127.4	128.7	127.5
1-4-1961	..	116.9	113.5	120.8	155.5	136.0	126.0	127.4	126.6
8-4-1961	..	118.0	112.7	120.8	152.8	135.3	124.9	126.4	125.8
15-4-1961	..	117.7	112.2	120.9	152.1	136.1	125.0	126.5	125.6

*Revised.

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

Period	Bombay		Delhi	Ben- gal	U.P.	Central Provinces		Madras June 1936=100	E.P.	Bihar	All India†
	Bombay	Bombay June 1934=100 Ahmedabad July 1927=100				Nagpur	Jabalpur†				
1939 (Aug.-Dec.)	103	—	—	—	105	104	—	106	—	—	—
1954	342	359	244	138	327	408	373	139	341	148	140
1955	322	338	217	130	321	371	364	133	321	134	135
1956	336	352	244	142	347	424	397	151	358	152	146
1957	352	368	259	150	364	448	422	162	374	157	152
1958	376	394	274	150	384	468	447	165	401	157	169
1959	393	412	308	158	384	469	498	163	429	166	173*
1960	401*	420*	296	158*	397*	476*	512*	165	462*	167	166
1960 June	403	422	297	154	399	460	510	165*	462	167	164*
July	404	423	302	160	406	484*	515	165*	467	169	164*
August	402	421	304	160	410	484*	515	163	470	169	168*
September	399	418	302	161	403	489	520	163	472	167	168*
October	402	421	304	162	396	488	517	163	477	171	164*
November	404	423	300	159	392	489	509	163	484*	171	168*
December	400	419	297	160	385	478*	507	163	488*	169	167*
1961 January	400	419	296	161	385	480	—	165	470*	171	166*
February	—	—	—	163	—	487	—	165	474*	172	164*
March	—	—	—	164	—	483	—	—	479*	—	—
April	—	—	—	—	—	—	—	—	482*	—	—

†Base 1944=100. *Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)
WEEK ENDED

	5-5-1961			28-4-1961			31-4-1961			14-4-1961		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	122.05	120.65	121.31	123.01	119.75	121.19	121.35	118.95	120.10	121.85	119.10	120.83
Silver (per kilogram)	202.30	196.95	199.93	203.45	200.75	202.09	203.50	200.50	201.92	204.25	200.95	202.75

RESERVE BANK OF INDIA ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES					ASSETS				
	Notes in Circula- tion	Notes Held in Bank- ing Dept.	Total Notes Issued (a)	Gold Coin & Bullion (b)	Foreign Securi- ties (c)	Total of (b+c)	(b+c) as Percent- age of (a)	Rupee Coin	Rupee Securities	Total Assets
1955-56*	1,339.39	17.08	1,356.47	40.02	656.52	696.53	51.35	106.87	533.06	1,356.47
1956-57*	1,475.77	18.75	1,494.52	40.02 (117.76)	545.61 (663.37)	585.63 (44.37)	39.95	115.93	755.22	1,494.52
1957-58*	1,529.36	23.18	1,552.53	117.76	329.65	447.41	28.79	1,30.06	975.06	1,552.53
1958-59*	1,593.88	19.34	1,613.21	117.76	182.04	299.80	18.58	133.99	1,179.42	1,613.21
1959-60*	1,730.90	19.86	1,750.77	117.76	167.62	285.38	16.30	131.50	1,333.83	1,750.77
Average of Fridays										
Feb. 1960	1,803.57	18.74	1,822.31	117.76	163.01	280.77	15.41	126.73	1,414.81	1,822.31
March 1960	1,836.41	16.63	1,853.04	117.76	163.01	280.77	15.15	124.00	1,448.28	1,853.04
April 1960	1,887.42	17.25	1,904.67	117.76	163.01	280.77	14.74	127.16	1,496.74	1,904.67
Feb. 1961	1,936.01	18.78	1,954.79	117.76	128.01	245.77	12.58	121.75	1,587.28	1,954.79
March "	1,970.51	14.91	1,985.42	117.76	127.01	244.77	12.33	119.42	1,621.24	1,985.42
April "	2,017.13	18.87	2,036.01	117.76	118.01	235.77	11.58	121.90	1,678.33	2,036.01
Week-Ending										
7-4-1961	2,039.91	9.88	2,049.79	117.76	123.01	240.77	11.75	121.82	1,687.20	2,049.79
14-4-1961	2,038.53	10.78	2,049.32	117.76	118.01	235.77	11.50	121.44	1,692.11	2,049.32
21-4-1961	2,007.65	22.28	2,029.93	117.76	118.01	235.77	11.61	122.10	1,672.01	2,029.93
28-4-1961	1,982.43	32.55	2,014.98	117.76	113.01	230.77	11.45	122.24	1,661.98	2,014.98

BANKING DEPARTMENT

(Rs. Lakhs)

Period	Deposits					Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad‡	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Gov- ernment	Other Gov- ernments	Banks	Others	Total									
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
1955-56*	60.11	19.85	53.77	18.31	152.04	35.59	197.64	17.21	9.78	66.96	1.73	36.99	49.36	15.61
1956-57*	57.52	14.10	52.46	19.73	143.81	91.21	245.02	18.91	5.69	64.77	4.89	85.34	51.82	13.60
1957-58*	54.61	11.28	81.00	111.38	258.27	84.36	407.63	23.30	4.81	40.47	32.90	77.91	213.92	14.32
1958-59*	57.62	20.80	87.53	118.73	284.67	71.71	441.44	19.41	6.18	25.57	28.23	65.83	284.49	11.73
1959-60*	55.50	23.24	79.61	123.48	281.83	83.18	450.01	19.94	15.54	28.97	25.53	88.92	258.90	12.22
Avr. of Fridays														
Feb. 1960	54.68	25.82	75.76	107.57	263.83	92.51	441.34	18.82	19.84	41.08	23.97	123.39	200.73	13.52
March 1960	54.19	41.86	83.07	96.73	275.86	110.21	471.06	16.71	18.36	33.02	25.06	143.45	220.44	14.03
April 1960	62.66	21.36	90.66	100.04	274.72	119.50	479.25	17.33	47.71	21.96	41.01	117.33	219.04	14.86
Feb. "	61.59	20.90	72.74	91.55	246.78	112.68	446.95	18.87	51.64	26.19	37.71	152.41	142.06	18.07
March "	61.08	20.34	72.56	91.25	246.03	125.10	456.13	15.00	33.81	26.22	44.51	168.25	148.97	19.38
April "	59.70	8.73	77.38	101.68	247.48	134.15	467.38	18.99	55.31	10.60	84.08	135.28	142.78	20.37
Week-Ending														
31-3-1961	76.46	28.99	70.85	87.96	264.25	136.39	485.64	7.94	39.17	13.24	39.02	195.50	180.95	19.82
7-4-1961	54.56	8.31	70.60	89.42	222.89	131.58	439.47	9.97	55.55	11.31	70.69	146.78	125.21	19.96
14-4-1961	68.68	3.99	73.70	94.19	240.56	131.65	457.21	10.87	64.73	9.98	88.17	142.61	120.74	20.11
21-4-1961	63.19	4.30	87.06	107.95	263.23	137.62	485.85	22.37	60.20	10.79	93.45	126.27	152.24	20.53
28-4-1961	51.63	18.31	78.16	115.15	263.25	135.74	486.99	32.66	40.76	10.32	84.00	125.47	172.91	20.88

* Average of Fridays. ** Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 23, 1957 and of Rs. 80 crores from July 5, 1957. † Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. ‡ Includes cash and short-term securities.

THE EXPORT PATTERN OF INDIA'S FOREIGN TRADE

(Rs. lakhs)			(Rs. Thousands)		
Commodity	1959	1960	Commodity	1959	1960
Traditional			Household Utensils of		
Cashew kernels	15.14	18.38	(i) Aluminium	4,88.62	1,68.12
Pepper	4.26	10.11	(ii) Iron and steel	20,38.97	29,25.36
Cardamoms	3.29	3.75	(iii) Base metals		
Chillies	32	1.31	(other than aluminium and iron and steel)	27,09.80	20,32.07
Ginger	52	71	Fluorescent tube lamps	12.43	79.06
Lac	6.06	6.30	Parts of Fluorescent tube lamps	85.67	2,43.50
Kyanite ore	60	67	Air conditioning machinery	3,13.07	1,53.70
Manganese ore	12.72	14.00	Flat irons (domestic)	15.69	19.13
Iron ore	12.77	16.27	Electric Stoves (domestic)	2.37	2.53
Sillimanite ore	14	25	Room heaters and electric fires (domestic)	0.95	1.13
Ilmenite	2.08	1.57			
Onions	1.86	2.20			
Hides and skins (raw undressed and fur skins undressed)	11.01	10.66	Machinery		
Tobacco and tobacco manufactures	13.84	15.65	Tea Machinery	87.54	5,10.26
Oilseeds, oilnuts and oil kernels	2.62	4.37	Parts of tea machinery	76.37	3,53.78
Tea	126.01	120.04	Sugarcane crusher	73.08	42.11
Cotton raw	11.22	8.14	Rice mill machinery	76.45	51.51
Cotton waste	5.14	2.61	Oil crushing and refining machinery	2,15.38	2,42.46
Wool and animal hair	12.23	8.67	Parts of oil crushing and refining machinery	11,44.56	11,64.99
Mica	10.28	9.82	Parts of Flour mill machinery	1,07.89	1,68.15
Coal, coke and briquettes	4.76	4.09	Weighing Machines (excluding laboratory)	54.70	28.85
Sugar	2.54	1.67			
Vegetable Oils			Others		
(Crude, refined or purified)			Glassware	23.72	25.50
Groundnut oil	5.65	26	Pottery	1.93	1.39
Linseed oil	2.76	1.01	Building materials	1,18.18	92.85
Castor oil	4.94	8.85	Furniture and fixtures	37.42	27.33
Oilseeds cakes and vegetable oil residues	19.40	16.12	Travel goods, handbags, and similar articles	66.38	40.84
Leather and leather manufactures	28.72	25.77	Sanitary, plumbing, heating and lighting, fixtures and fittings	16.01	15.48
Cotton manufactures	66.24	62.92	Musical instruments, phonographs and phonograph records	14.74	16.16
Jute yarn and manufactures	109.42	133.66	Scientific, medical, optical instruments and appliances	13.74	9.41
Coir yarn and manufactures	8.69	9.54	Exposed cinematographic films, whether developed or not	160.20	190.14
Iron and steel scraps	4.61	5.33	Clothing, except fur clothing	96.57	91.82
Total for traditional commodities	509.16	524.70	Jewellery and goldsmiths' and silversmiths' wares	118.71	155.10
			Articles made of pulp, paper and paperboard	7.32	6.94
(Rs. Thousands)			Rubber fabricated materials	7.33	10.64
Non-traditional			Perfumery, soaps and cleansing preparations	47.45	43.51
Engineering Goods			Medicinal and pharmaceutical products	83.01	102.18
Table fans	5,41.97	20,90.41	Food, and Food Preparations		
Pedestal fans	1,43.63	1,04.43	meat fresh, chilled or frozen	20.94	34.98
Ceiling fans	32,40.13	64,67.41	Meat and meat preparations (canned and not canned)	56.61	53.93
Sewing Machines (household)	23,96.20	26,57.26	Fish, fresh or simply preserved	584.64	405.55
Parts of Sewing Machines (household)	7,78.47	31,87.02	Fish and fish preparations (canned or not)	24.54	19.07
Bicycles	9,86.96	4,45.76	Sugar confectionery and sugar preparations	1.05	98
Other cycles (not motorized)	34.34	32.20	Fruits preserved and fruit preparations	6.28	6.44
Parts of bicycles and other cycles, not motorized	1,64.43	2,73.35	Exports	6,13.79	6,22.63
Safety razor blades	2,04.25	7,22.46	Re-exports	6.94	12.24
Table and kitchen knives, forks and spoons of base metals	11,56.68	12,27.67	Total Exports	620.73	6,34.87
Typewriters	39.46	55.71			
Hurricane Lanterns of metal	38.29	20.78			
Other metal lamps	43.85	36.86			
Central heating apparatus	2,12.18	2,45.49			
Internal combustion Diesel and semi-diesel engines	13,93.07	23,13.46			
Crown corks	9,89.45	9,96.83			
Primary dry cell batteries	10,50.88	7,53.58			

THE IMPORT PATTERN OF INDIA'S FOREIGN TRADE

(Rs. Lakhs)			(Rs. Lakhs)		
Commodity	1959	1960	Commodity	1959	1960
1. Food			6. Chemicals		
Dairy products	1,15.6	1,09.1	Inorganic chemicals	24,08.9	16,06.2
Cheese and curd	8.4	4.4	Organic chemicals	18,16.2	23,31.3
Milk and cream (evaporated, condensed or dried)	7,45.3	3,55.2	Coal-tar dyestuffs and natural indigo	7,14.2	9,16.8
Fish (Fresh or simply preserved)	2,96.6	3,68.0	Dyeing and tanning materials	1,28.5	1,26.3
Wheat and spelt, unmilled	134,92.9	103,51.4	Pigments, paints and varnishes	1,16.0	1,76.8
Rice	11,42.1	18,65.8	Medicinal and pharmaceutical products	8,91.0	10,95.5
Maize (corn), unmilled	3,01.9	3,05.2	Essential oils, perfume and flavour materials	1,00.7	1,27.2
Cereals, unmilled (other than rice, wheat, barley and maize)	87.9	45.7	Fertilisers manufactured	15,83.1	10,64.3
Fruits and nuts, fresh (excluding oil nuts)	11,19.3	13,20.8	Explosives	2,68.9	2,02.6
Dried fruits	5,03.4	5,45.7	TOTAL (including others)	88,31.7	86,08.6
Vegetables, fresh and dry, roots and tubers	27.4	13.8	7. Manufactured Goods		
Spices	2,51.8	2,19.0	Leather and leather manufactures	41.1	30.0
TOTAL (including others)	181,53.9	156,23.8	Rubber manufactures	1,17.3	2,82.5
2. Beverages and Tobacco			Paper, paperboard and manu- factures thereof	10,22.0	11,71.3
Alcoholic beverages	56.1	56.6	Textile yarn and thread	14,83.0	14,37.9
Tobacco, unmanufactured	1,37.6	23.3	Mineral manufactures (excluding clay and glass)	2,20.6	2,40.7
TOTAL (including others)	1,94.9	81.7	Precious stones and pearls	71.6	1,09.5
3. Crude materials, inedible, except fuels			Iron and steel	85,10.9	110,83.1
Hides, skins and fur skins (undressed)	1,74.3	2,58.2	Copper	16,44.5	22,86.9
Oilseeds, oilnuts and oil kernels	11,21.9	12,02.4	Nickel	80.6	1,24.8
Crude rubber	6,72.0	10,99.8	Aluminium	5,99.1	7,25.9
(incl. synthetic and reclaimed) Wood, lumber and cork	5,54.0	5,56.2	Lead	2,40.8	2,60.5
Pulp and waste paper	6,94.1	6,86.5	Zinc	5,28.3	8,88.2
Wool and other animal hair	9,16.7	10,69.8	Tin	4,76.7	4,09.6
Cotton	34,77.1	75,17.3	TOTAL (including others)	186,79.3	218,45.0
Jute, including jute cuttings and waste	1,47.2	7,94.0	8. Machinery and Transport Equipment		
Vegetable fibres (except cotton and jute)	86.6	1,11.0	Power generating (except electric) machinery	28,59.5	24,25.3
Synthetic fibres	11.3	23.2	Tractors, other than steam	2,55.3	5,17.0
Fertilisers (crude)	2,54.1	2,57.2	Metal working machinery	27,71.3	33,58.9
Crude minerals (excluding coal, petroleum and precious stones)	6,38.4	7,00.9	Mining, construction and other industrial machinery	91,23.4	113,63.5
Iron and steel scrap	1,29.3	78.2	Electric machinery and appliances	54,16.3	53,61.7
Ores of non-ferrous base metals	61.5	66.6	Railway vehicles	30,22.8	17,99.3
Non-ferrous metal scrap	1,54.5	2,30.2	Road motor vehicles	30,67.7	31,51.6
Animal and vegetable crude materials, inedible	3,44.5	3,44.1	Road vehicles, other than motor vehicles	1,09.0	1,49.1
TOTAL (including others)	94,93.3	150,20.5	Aircraft	14,75.1	8,57.7
4. Mineral Fuels and Lubricants			Ships and boats	89.6	69.5
Petroleum, crude and partly refined	9,33.1	22,90.9	TOTAL (including others)	283,46.9	293,00.7
Petroleum products	68,92.9	55,48.5	9. Miscellaneous manufactured articles		
TOTAL (including others)	78,32.9	78,44.1	Photographic and cinemato- graphic supplies	4,57.3	4,03.6
5. Animal and Vegetable Oils			Scientific, medical, optical instruments and appliances	5,41.0	5,31.8
Animal oils and fats	63.6	96.5	Printed matter	2,00.7	2,48.9
Vegetable oils	3,86.1	4,25.9	TOTAL (including others)	15,68.6	15,93.7
TOTAL (including others)	4,67.4	5,36.6	10. Miscellaneous transactions		
			4,70.7 6,80.0		
			TOTAL IMPORTS 940,39.5 1011,34.8		

ESSENTIAL DRUGS INDUSTRY ACHIEVEMENTS & TARGETS

Name of Industry	Capacity established for essential drugs by end of 2nd Plan	Capacities under im-plementation during 3rd Plan period	Target fixed for the 3rd Plan period
Antibiotics			
Penicillin (MMU)	55	150	120
Streptomycin and Di-hydro-streptomycin (Tons)	Nil	145.18	150
Chloramphenicol (Tons)	10	13.6	50
Tetracyclin (including Chlo-rotetracycline) and Oxyte-tracycline (Tons)	5	134.5	50
Sulpha Drugs (Tons)	366	974	1,000
Anti-tubercular Drugs			
P.A.S. and Salts (Tons)	100	296	400
I.N.H. (Tons)	33.1	21.3	100
Synthetic Anti-malarials			
Chloroquin			
Amodiaquin (Tons)	12	26.24	—
Anti-leprosy Drugs			
D.D.S. & derivatives (Tons)	18.3	Nil	40
Anaesthetics			
Procaine Hcl. (Tons)	6	50	75
Vitamins			
Vitamin A (MMU)	20	—	20
Vitamin B1 (Tons)	Nil	30	75
Vitamin B2 (Tons)	Nil	5	10
Vitamin B6 (Kgs.)	Nil	1,000	2,500
Vitamin B12 (Kgs.)	4	34	25
Folic Acid (Kgs.)	Nil	1,015	—
Vitamin C (Tons)	60	50	—
Nicotinic Acid and Amide (Tons)	43	20	75
Drugs of Vegetable Origin			
Emetine (Kgs.)	440	150	—
Ephedrine (Tons)	1	18	15
Glycosides of digitalis (Kgs.)	Nil	100	100
Ergot alkaloids (Kgs.)	Nil	50	50
Atropine Sulphate (Kgs.)	Nil	50	50
Scopolamine (Kgs.)	Nil	10	10
Reserpine (Kgs.)	12	200	2,000
Vitamin P (Tons)	Nil	1	1
Caffeine (Tons)	8.26	53.50	100
Papin (Tons)	Nil	10	10
Santonine (Tons)	2.2	Nil	10
Strychnine & Brucine (Tons)	36.0	Nil	—
Quinine (Tons)	80	Nil	—
Hormones			
Synthetic Hormones (Kgs.)	398	3,000	—
Analgesics & Antipyretics			
Sodium Salicylate (Tons)	379	138	500
Aspirin (Tons)	196	514	800
Luminal (Tons)	Nil	10	20
Phenacetin (Tons)	22	100	200
Novalgin (Tons)	Nil	10	—
Pyramidon (Tons)	Nil	40	—
Calcium Lactate (Tons)	204	Nil	—
Calcium Gluconate & other			
Calcium Salts (Tons)	158	111.7	—
Ferrous Gluconate (Tons)	29.7	18.3	—
Bismuth Salts (Tons)	103	Nil	—
Piperazine Salts (Tons)	0.1	50	—
Diethyl Carbamazone (Tons)	Nil	30.66	—
Nikethamide (Tons)	7.1	Nil	13

THE REGIONAL PATTERN OF INDIA'S FOREIGN TRADE IMPORTS

Region	1959	1960
(Rs. crores)		
European Free Trade Association		
United Kingdom	184.2	201.5
Norway	2.0	2.8
Sweden	10.8	11.0
Denmark	2.0	1.9
Switzerland	8.0	9.8
Austria	2.0	2.9
Portugal	0.4	0.3
TOTAL	209.4	230.2
Common Market		
Germany, West	120.3	112.7
France	21.7	18.1
Netherlands	13.2	12.6
Belgium	13.6	16.0
Luxembourg	0.3	0.4
Italy	26.7	24.5
TOTAL	195.8	184.3
Communist Bloc		
U.S.S.R.	17.9	13.3
China	4.9	3.3
Czechoslovakia	3.7	7.2
Germany, East	3.2	2.6
Poland	4.1	3.0
Hungary	2.4	2.0
Bulgaria	0.2	0.4
Rumania	1.5	3.8
TOTAL	37.9	35.6
ECAFE		
Burma	15.6	19.5
Ceylon	6.1	3.9
Federation of Malaya	10.6	13.7
Hong Kong	1.0	1.6
Indonesia	3.8	4.0
Japan	41.7	54.2
Afghanistan	5.7	5.0
Pakistan	5.5	15.2
Philippines	0.2	0.4
Singapore	9.1	11.6
China	4.9	8.8
TOTAL (including others)	105.4	133.2
Africa		
Egypt	8.0	17.1
Sudan	10.7	9.5
Rhodesia, Northern	6.4	10.6
Rhodesia, Southern	4.4	3.9
Kenya	11.6	14.1
Tanganyika (under British Trustee-ship)	3.3	5.8
Zanzibar and Pemba	2.6	2.3
Mozambique	4.9	5.5
Ghana (Gold Coast)	0.5	0.6
Uganda	0.6	1.3
Total (including others)	56.8	74.4
Oceania		
Australia	13.5	22.4
New Zealand	1.1	1.5
America		
U.S.A.	217.9	240.0
Canada	27.9	14.9

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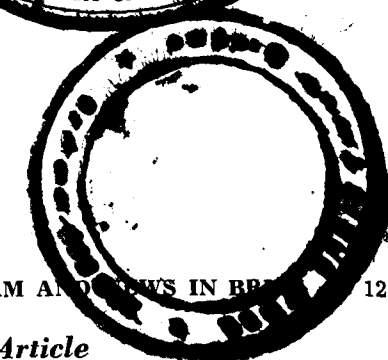
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Women's Education: Plus and Minus

MRS. Durgabai Deshmukh, delivering her presidential address at the recent session of the National Council for Women's Education, raised at the outset the grievance that a ruthless cut was being made in the allocation of outlay in the Third Plan on special schemes for the expansion of girls' education and training of women teachers. An attempt to do this in itself amounts to an unkind cut at the Government and the Planning Commission, which are doing their very best to remove the backlog in women's education as fast as the available resources, particularly in terms of finances and teachers, can allow.

A leap forward is being taken in the matter of women's education, if due allowance is made for the fact that paucity of resources in men and money has made it imperative on the Government and the Planning Commission to apply the axe, however reluctantly, to certain schemes of social welfare which have been admittedly slowed down in the first two plans. In the Second Plan, the original allocation for expenditure on the special schemes for girls' education and provision of an expanding base of women teachers was Rs. 7 crores, including allocations from the Centre and the States. For reasons which it is not necessary here to analyse, there was a serious failure on the part of the State Governments to perform their part in the matter of provision of funds. But totally disregarding the vital principle of extending assistance to the States on condition of matching resources of a modest size being raised by the States themselves, the Centre made liberal grants for these special schemes, so that a substantial part of the target was realized in fact. The attitude of the States deserves some attention, when the Centre and the Planning Commission are being made the targets of criticism for lack of full interest and sympathy for the cause of giving a pronounced acceleration to the spread of women's education. Relying on the experience of the Second Plan, the State Governments did not show any enthusiasm in making any contribution to the outlay on the special schemes for women's education. But at a later stage when they received a firm indication from the Centre that it was not going to bear the entire brunt in this matter, the States awoke to the necessity of their responsibility and showed

their readiness to provide finances for this programme.

The cause of women's education has continued to receive special attention since planning was undertaken. The extraordinary difficulties created by a legacy of social prejudices against women's education has made the magnitude of this task in physical terms very high. It is particularly in the rural areas that girls' education presents a tremendous problem. To get a sufficient number of girls to attend schools even up to the age of 11 years, which is the limit for the primary stage, is in itself a tough problem. To spread secondary education in the countryside in the case of girls is a matter as much of resources as of fighting social prejudices. Even so, finances are being provided with tangible results. In the Third Plan the percentage of boys in the age group 6-11 attending primary schools will be raised by 21 per cent to 100 per cent. In the case of girls it will be raised from 60 per cent to 80 per cent or an increase of 20 per cent. It is thus clear that allocation of funds for expansion of primary education scrupulously aims at maintaining parity in the rate of growth in the case of boys' education as well as girls' education. Who can say that a fair deal is not being meted out to the fair sex?

The point raised by Mrs. Durgabai Deshmukh would appear to be trivial. Originally when the outlay for education was estimated at Rs. 980 crores in the Third Plan, the special programmes for expansion of girls' education and training of women teachers were allotted Rs. 95 crores. This was only an estimate of the requirements of education conceived in isolation, which few believed to be feasible, when an integrated picture of the entire Plan would come to be drawn up. Actually, things happened this way. The outlay for education as a whole was brought down to Rs. 370 crores in which Rs. 17 crores were made available to programmes for special schemes in the case of girls' education. This allocation had to be revised and readjusted in the light of the priority and urgent demands for specified types of education. It is crystal clear that the exigencies created by limited resources and urgent preference for laying a sound base for industrial expansion dictate a deliberate preference to technical education. It was because of this

urgency that the overall provision for outlay on education was raised to Rs. 400 crores and in the process of making adequate allocations to priority programmes, the funds earmarked for expenditure on special programmes for girls' education were fixed at Rs. 11 crores in place of the earlier tentative estimate of Rs. 17 crores.

It is about this pruning of Rs. 6 crores that the President of the National Council for Women's Education has made so much ado. Her argument that at this rate it may take a full century for establishing parity between boys and girls in the matter of education at all stages may at best be taken as an outburst of sentimental resentment. Once a solid base of a satisfactory rate of growth in national income is created by expanding agriculture and industry, all the segments of the economy will expand on the principle of accelerated growth. Even those who are putting women's education above everything else need not despair of this country having to wait for a century for parity between males and females in education.

Mrs. Durgabai Deshmukh has raised the contention that the principle of proportionate reduction ought to have been accepted in revising downwards the allocations to different programmes of expenditure. She overlooks the fact that even as between the programmes of high priority there are wide disparities of importance and the principle of proportionate retrenchment is inapplicable. The fact that higher overall allocation for education was made on revised considerations is indicative of the compulsion of rectifying the mistakes in the earlier estimates of the requirements of priority programmes like technical education. It does not mean that more funds

can be made available for proportionate extra distribution to different programmes.

Dr. Shrimali made a very balanced assessment of the criteria which impelled the Government and the Planning Commission to make the allocations in the manner in which they have been made. He stressed the urgency of expansion of education not merely for social development but also for economic advance—a dictum which applied as much to women's education as to men's education. There has been no lapse on the part of the Government to render the maximum possible assistance within its resources to women's education; but, in the final analysis, it is difficult to escape the harsh limitations imposed by basic financial resources. In the case of women's education he appropriately laid stress on launching a determined campaign to remove deep-seated social prejudices to create a climate in which funds can be put to effective use in educating larger numbers of women. In the special programme for women's education top priority must be assigned to building up expanding cadres of trained women teachers because there is at present an acute shortage in this category.

Mere comparisons between percentages of boys and girls receiving education and an obsession with establishing parity between the two indicates a distorted view of this problem. In any event, the quality of education cannot be sacrificed in the pursuit of quantitative expansion. The National Council for Women's Education would be well advised to address itself to the task of preparing the necessary social background at a time when funds for opening more schools are insufficient instead of raising petty controversies over allotments in the Third Plan.

A Fair Deal for Shipping

MR. MORARJI DESAI'S dialogue with the Indian shipowners has revealed that the position has not improved in any mentionable degree since the Draft of the Third Five-Year Plan was released and that the major pressing requirements of the shipping industry remain unsatisfied. There is no room for pessimism at the present moment that the industry's demands will be cold shouldered, but some redress may be expected as the position is still indeterminate. The time has not yet arrived to take firm and positive decisions on outstanding issues, such as allocation of additional foreign exchange and grant of relief in income-tax.

The expansion of Indian shipping has been proceeding at a tardy pace chiefly because of the shortage of financial resources, which, in this context, mean foreign exchange resources. Fourteen years after the Shipping Policy Sub-Committee made out a very reasonably argued case for developing Indian shipping so as to enable it to capture at least 50 per cent of the overseas trades in less than a decade, the share of Indian shipping in these trades has not exceeded 9 per cent. Of course, percentage comparisons, particularly in this case, are not altogether appropriate inasmuch as the volume of sea-borne trade which has now grown so enormously could not be envisaged in 1947. Nevertheless, it is an indisputable fact that the gap between the target and its achievement is very big. The Plan conceived by the National Shipping Board, whose authoritative assessment ought to be accepted by the Government, con-

templates the allocation of the Indian tonnage at the end of the Third Plan roughly in the ratios of 2:1 for the overseas trades and the coastal trades on the assumption that the total tonnage will be 14.2 lakh tons.

But the target is pitched much lower in the Draft Third Plan at 11 lakh tons, of course, tentatively. This is because of the limitations of foreign exchange resources in respect of which the position continues to be fluid. The Draft has provided only Rs. 55 crores plus Rs. 4 crores from the Shipping Development Fund as against Rs. 118 crores from the Exchequer and the shipping companies as suggested by the National Shipping Board. There is a frank official admission of the gross inadequacy of allocation for shipping, but along with it there is the commitment that it will be revised. The overall outlay on transport has been stepped up marginally by Rs. 25 crores. These are rupee funds which are of little help to shipping and precisely for this reason the allocation for shipping remains what it was in the Draft. At last week's annual session of the Indian Steamship Owners' Association, Mr. Morarji Desai could do no more than to say that this issue would be borne in mind. At the present time India is spending as large a sum as Rs. 130 crores per annum by way of foreign exchange expenditure on shipping freight and the smaller the programme for the expansion of shipping the more onerous will be this liability because of the rapidly increasing volume of external trade which is implicit in the Plan. It would be a deplorable

policy to grudge foreign exchange for the acquisition of additional tonnage, while foreign exchange continues to be spent increasingly on foreign shipping freight.

The shipping industry has been caught in a very tight corner because of the prolonged depression in the freight market and all Indian companies, including the premier ones, have to eke out their existence with great hardship. Against this background, the demand of the shipping industry for economic freight rates to be paid by the Government for transporting food from America in Indian bottoms is quite reasonable. But surprisingly enough, Mr. Morarji Desai turned it down on the plea that India pays American shipping only at the prevailing global freight rates and the excess is paid by America. Here is a clear instance of how an advanced maritime country gives an operating subsidy to its national shipping. There is every reason why this imaginative policy should be followed by the Government of India. In no country has shipping grown and flourished by its internal competitive strength. This strength has

Guest Editorial

Another Year of Crises

By WILLIAM REES-MOGG

THIS year has started badly with two crises—Cuba and Algeria—which might reasonably have been avoided and with a third crisis, Laos, which is proving very intractable. Already one can see that two more international crises are being brewed, one in Iran and the other, the recurrent crisis of Berlin. Both are potentially very serious, and either could have been a cause of war in the pre-nuclear era.

The situation in Iran is that the existing Government broke down and has had to be replaced by the Shah. The story is one familiar in relatively backward and feudal countries. The feudal lords have failed to adapt their system to the pressures of the twentieth century. Great wealth is wasted; in the case of Persia, enormous oil resources have failed to provide economic stability. There is growing unrest in the towns. The Shah himself has the intention of reforming these abuses, but reforms are very difficult to carry through. The result is an extremely unstable political situation which, like that of Czarist Russia, sometimes looks less critical but never really hopeful. Not surprisingly, in his interview with Walter Lippmann, Mr. Khrushchev referred to Iran as a country in which a revolution might be imminent. His information services are no doubt thorough.

Obviously, it is impossible to predict for certain whether there is going, in fact, to be a revolution, and if so, what course it will follow. Potentially it must, however, be a threat to the international oil interests in Persia, of which Britain has the largest share. Even if Persian oil was cut off, there would be no world shortage (there would merely be a reduction in the world surplus). As in 1951, however, the Persian situation must be looked upon with doubts.

There is also a strong probability that the Berlin crisis will again reach an acute stage sometime in the course of this year. Russian diplomats make out that Berlin is the real problem that has to be solved and there is again talk of a separate Russian peace treaty with East Germany. There is no doubt that the Berlin situation has become an acute embarrassment to the

to be created by external assistance from the State. Considering the small share of Indian shipping in the transport of foodgrains from America, the burden of paying economic freight rates would be modest.

The shipping industry has certain grievances relating to taxation, particularly those relating to the development rebate reserve, whose compulsory earmarking from the very start detracts substantially from the relief provided by the rebate at the liberal rate of 40 per cent. There is also another reasonable plea that the sale-proceeds of ships and insurance amounts realised by the shipping companies should be exempt from income-tax wherever these funds are used specifically for reinvestment in the expansion of tonnage. The Finance Minister has referred the industry to the Select Committee on the Income-tax Bill and constitutionally he is right in not forestalling its recommendations. It is to be trusted that the Select Committee will consider these straightforward demands with a liberal attitude they merit.

Russians. East and West Germany provide the one direct comparison between Communism and the West in Europe. The steady flow of refugees from East Germany has denuded the country of skilled labour and of young people, and has been the clearest possible evidence that given a choice people choose not to live under Communism. This steady drain of prestige is probably the main reason for the concern that is felt over Berlin, for so long as Berlin is open there is no way of closing off East Germany. In any case, the German contrast must in itself be intolerable to the Russians. West Germany's spectacularly successful economy certainly disgraces East Germany's poor performance.

It also supports the theory that freedom of choice is a much larger economic advantage than appears on the paper. What matters is not the level of total production, but that production should correspond to what people want. In providing basic needs of food and shelter, what people want can be predicted simply enough—they want to be fed. Once that stage has been passed the problem of consumer choice becomes vital, for if an economy fails to satisfy people's wants, it fails to do everything.

The extraordinary thing is, however, that the world can be faced with the possibility or probability of two major international crises without anyone being really alarmed. The truth is that we all accept nowadays the immense strength of what might be termed the nuclear assumption, that is, the assumption that no country with nuclear weapons can afford to start a major war. This is enforced peacefully, even if it is not peaceful co-existence.

One cannot be equally sure that the economy of the world will not be affected. Each crisis does have some further inflationary impact. It makes real disarmament less likely and makes people more inclined to hold stocks. On the other hand, the jerking of confidence can do no good to investment. Another year of crises will be psychologically unpleasant and economically disadvantageous as well.

THE WEEK'S NOTES

Laos

GETTING OFF TO A START

THE INITIAL hurdles, which were by no means easy, have been crossed and the 14-nation International Conference on Laos got off to a start at Geneva on May 16. The main impediment to the start of the conference was the representation for Laos. In view of the firm positions taken up by America and Russia on the lawful Government of Laos, the problem presented real and serious difficulties. Nevertheless, a compromise has been found by inviting "the representatives of Laos", meaning thereby Prince Boun Oum's Government, Prince Souvanna Phouma's Party and the Pathet Lao. As an integral part of this arrangement the agenda at Geneva is to be strictly confined to the international aspects of the Laos problem, keeping the settlement of internal issues studiously out of the discussions at Geneva. These two points resolved the difficulty arising out of the recognition of the Government in Laos.

At last Tuesday's opening session, Lord Home presented a four-point plan, the essence of which is to establish neutrality in Laos and to give a reality to it by setting up an international machinery for control of delivery of arms into Laos and for channelling economic aid to that country. The conference was boycotted by Prince Boun Oum, but America attended it obviously to test Mr. Khrushchev's statement that he believed in the Austrian type of neutrality for Laos. Meantime, at Ban Na Mon the delegates of the three groups in Laos announced the agreement on the internal problem. But the nature of this agreement is significant. The first problem to be discussed, as agreed, is that of forming a coalition government and next would follow the issue of cessation of hostilities and, finally, defining the duties of the International Supervisory and Control Commission and cognate problems. The seeds of trouble in the immediate future are to be found in this order of priorities because any coalition would mean the inclusion of the Pathet Lao. International diplomacy will have a still tougher test here.

The Akali Dal

AFTER THE BREAKDOWN OF THE TALKS

THE TALKS between the Prime Minister and Sant Fateh Singh held on May 12 broke down in a matter of a few hours. Little information is available about the reasons which led to the precipitate breakdown. What exactly the Akali Dal expected the Prime Minister to concede, is difficult to comprehend. Early in January this year the prolonged talks which Master Tara Singh had with the Prime Minister made one thing clear beyond doubt. It is that the Prime Minister regards the Punjab as actually a unilingual State in existence and he is prepared to give full support to elevating the status of the Punjabi language in this problem State. But he has no illusions whatsoever that the demand for the Punjabi Suba is, in essence, not a demand for a unilingual State, but a demand for a Sikh State. As such, he is not prepared to countenance it. This attitude does not indicate any rigidity on the part of the Prime Minister, for he has made consistent appeals not to mix up the communal issue with the problem of the Punjabi language. In view of this clear and rational position

taken up by the Prime Minister, it was hardly to be expected that the Punjabi Suba of the type conceived by the Akali Dal would be acceptable to the Government. On the other hand, Master Tara Singh is not prepared to compromise on the question of a separate Punjabi Suba. To outward appearances, therefore, there is not much room for conciliation. The situation has been complicated by the avowed support which the Praja Socialist Party and the Communist Party have given to the demand for the creation of the Punjabi Suba.

The failure of last Friday's talks has relegated Sant Fateh Singh from the foremost position of a negotiator on behalf of the Akali Dal and Master Tara Singh emerges as the leader in the vanguard which he normally has been. He has consolidated his position and reasserted his personal influence on the Dal after it had received a temporary setback owing to the demoralization and frustration caused in the Akali ranks as a result of the Akali Morcha and Sant Fateh Singh's fast having led them nowhere. Now after the failure of the talks Master Tara Singh has reiterated his determination to continue the agitation for the Punjabi Suba and he has explained that he is going to make it an issue at the forthcoming general elections. As we go to Press, the Working Committee of the Shiromani Akali Dal has not met, but it may be that not much will be disclosed about the next positive move which the Working Committee decides to take. Two alternatives which seem to threaten the Punjab are a fast by Sant Fateh Singh, and also probably by Master Tara Singh, and revival of the Akali agitation.

This is a prospect by which neither party stands to gain and all that will happen is to embitter the feelings between the two communities in the Punjab. The movements of the Akali Dal disclose that it apprehends a sudden and swift anticipatory action by the Punjab Government to deal with the agitation. But neither precautionary measures to forestall the agitation nor the fast are going to solve the problem. It is vitally necessary that the good offices of influential mediators should be obtained for rapprochement.

Trade Unionism

REPORT TO THE ILO

THE REPORT prepared by Mr David Morse, Director-General of the International Labour Organisation, for submission at its forthcoming annual conference, makes a comprehensive survey of recent trends in the development of trade unionism separately in the industrialised and underdeveloped countries. Many of Mr Morse's findings in respect of the spread of trade unionism in the underdeveloped countries are highly instructive, although it may appear that some of them have a familiar ring. The Director-General has emphasised the vital part played by "outsiders" in the organisation and growth of trade unionism in economically backward countries. These outsiders, as is the common experience in Asia, are drawn from intellectuals, politicians, lawyers, etc. In this list, rather curiously, inclusion can be claimed in India by medical practitioners, too. These outsiders have become indispensable and this is also the consensus of opinion in this country. All the three parties, the government, employers and employees, agree that to exclude them in impatient haste would be to place the movement in the hands of irresponsible persons (controlling it from

outside), who cannot be brought within the discipline of the bipartite or tripartite machinery. Until the training of workers in sound trade unionism reaches a high level, the elimination of outsiders will be premature and a loss to good labour relations. While this is true, Mr. Morse is equally emphatic in stressing some pernicious influence exercised by the dominance of outsiders. Many of them are motivated by political ambitions or ideologies and it is an undoubted fact that inter-union rivalry from the base to the apex, which has become so rampant in underdeveloped countries, is directly attributable to the personal or political ambitions of this element. These observations will come home to many of the Asian countries, India not excluded.

Trade unionism has so far covered a small area of the industrial sector of the economically backward countries and the size of the unions, their limited membership and finances make them weak organisations for labour. If this finding is taken into account with the weight it deserves, it is difficult to reconcile with it the Director General's strongly argued plea that the process of collective bargaining which, in the ordinary course, will take a long time in the underdeveloped countries, should be hastened by all possible means. There is a limit to the speed with which programmes of education and training of workers can be pushed. Nevertheless, two observations made by the Director-General are very important: He has pointed out that a proper understanding of the human and social problems of work would be conducive to an enlightened appreciation of the role of trade unionism on the part of employers and, in so far as its organisers are concerned, the fundamental fact which need to be imbibed is that trade unionism cannot be divorced from the social and economic traits of the community as also from its past traditions.

Assam

THE DARKENING SHADOW

REPORTS EMANATING from the Cachar district and other hill districts of Assam hardly leave any doubt that the language issue with which peace and stability are interwoven in this frontier State, cannot be taken as settled after the exacting efforts at bringing about a compromise last year. General Srinagesh, the Governor of Assam, was here last weekend for discussions with the Prime Minister and the Home Minister on the likely resurgence of the threat to law and order particularly in the Cachar and hill districts. Independently of this official assessment, the Prime Minister has been apprised of the situation by Congress leaders. The memories of the ghastly language riots have not yet faded out and particularly in the areas, where Assamese is not the language of the majority, the fear that agitation may be rekindled is reasonable.

The Official Language Act was made acceptable to be linguistic minorities on the basis of a compromise to which they did not subscribe without reservations. The late Pandit Govind Ballabh Pant's strenuous personal mediation had succeeded in winning consent to the compromise whereby Bengali was conferred the status of the official language at the district level in Cachar, but not higher. There are now signs that dissatisfaction with this formula will make itself manifest in the demand by the Bengali speaking majority population of Cachar and the tribals in the hill districts and pressure will be exerted to concede to Bengali a higher status than that of the official language in the Cachar district—the status of the second recognised language in the State. If statesmanship and tolerance fail to exhibit themselves before it is too late, it is anybody's guess when disturbances involving a challenge to law

and order may rear their head. The status of Assamese will in no way suffer if the substantial linguistic minority demand to give higher recognition to Bengali is conceded. There is an earnest feeling that now is the time to make the necessary change, because the apprehensions are that, if it is postponed until after the general elections, the return of the rigid element in the linguistic majority, showing an illiberal attitude, may make the passage of the reform difficult.

Indian Muslims

THE PROPOSED CONVENTION

IN THE light of the unfortunate and tragic occurrences at Jabalpur and other cities in Madhya Pradesh, to question the propriety of the calling of the Muslim Convention would be to create apprehensions in the minds of the minorities that attempts are made to keep them inarticulate. The members of the minority communities have the freedom of association and expression like any other citizens and it is proper that they should take counsel together. The events leading up to the sending of the invitations to attend the Convention already show a happy change in the attitude of the sponsors. The move seems to have emanated from three organisations, namely, the Jamiat Ul Ulema-e-Hind, Jamiat Islami and the Kerala Muslim League. The Jamiat Islami's proposal of confining the invitations to real Muslims who believe in the true spirit of Islam was scotched at the very start by the Jamiat Ul Ulema-e-Hind. It is a happy augury that finally no such complexion was given to the Convention and the invitations were sent by the sponsors in their individual capacities. Among the 260 or so delegates who are being invited to the Convention, scheduled to start in New Delhi on June 11 next, are members belonging to other minority communities. This composition of the invitations would give the Convention a broader base than originally contemplated.

India is straining every nerve to establish a fully secular State and the Government can point to its credit that members of the minority communities, in particular those of the Muslim community, have been appointed to responsible positions, like those of Ministers in the various Cabinets, Governors, Judges of the High Courts and the Supreme Court, Ambassadors and so on. They also find an honoured place in other spheres of the nation's life. But the resurgence of communalism, as exemplified in Madhya Pradesh, may raise apprehensions about the security of life and property of the minority communities. This is one issue which will be taken up for consideration at the Convention. The National Integration Committee of the A.I.C.C., presided over by Mrs. Indira Gandhi, has reportedly come to the conclusion that full confidence about the security of life and property is the first condition of the integration of the minorities in national life. The Committee might very well benefit from the deliberations and recommendations of the Convention.

Nevertheless, it goes without saying that the minority communities of whatever description will be causing a serious harm to their natural and healthy growth if they rely upon the crutches of concessions. The Convention, it is said, is going to discuss the scope of employment and other economic opportunities that are actually available to them. Here it ought to be stressed that there is equality of opportunity for all citizens and the minority communities would be promoting the cause of their members if they align themselves with secular political parties which eschew communalism and base their programmes on economic creeds. It is primarily in this way that they will find integration without mental reservations easy of achievement.

The World Abroad

THE BRITISH LION TWISTS ITS OWN TAIL

By

ODYSSEUS

LOOKING BACK at this column over the years, I suppose that, with my periodical strictures of the nonsenses of the welfare state and nationalisation, I must have contributed something to strengthen the widely held view of the post-war UK as economically a decadent state. The truth — as always — is not so simple a black and white as that. I take the occasion of the appearance of a useful little book, "British Industry: Change and Development in the 20th Century" (Hutchinson. London. 1961. 232 pp, 30sh.) by J. H. Dunning and C. J. Thomas, of the University of Southampton, to try to sketch in some of the qualifications. I do not take back the criticisms that I have previously made of the tremendous burden that Welfarism and Nationalisation, with the killing taxation that they necessitate, have imposed on the UK's economy. But Dunning and Thomas's book does bring out how truly remarkable has been the UK's post-war effort and, indeed, industrial renaissance. One cannot help surmising that without this burden, she would have had export surpluses on the German scale, and with the City of London's natural bent towards overseas investment, some of the developing countries would be substantially further along their road. There is, however, new hope in the evolution of UK public opinion on policy towards lower tariffs and revision of the tax system that has been gathering impetus since Peter Thorneycroft's Chancellorship in 1957.

It is indisputable that in the inter-war years, the UK economy was languishing. Why was this? It was largely, I think, due to the inheritance of her own economic history. The UK pioneered the industrial revolution. When we think of industry, we are apt to conjure up pictures of vast enterprises like General Motors, Imperial Chemicals, or Tatas. But remember that the revolution in the UK was the cumulative work of innumerable small men, starting small, new, local enterprises. In the UK, it came first in the woollen, cotton, and silk textile industries, iron and steel, and shipbuilding, based on coal power. These industries were among the first to be exported and established in many overseas centres. In 1907, 88.9 per cent of the UK cotton industry's total output was exported, and over half of this went to Far Eastern markets. However, with growing competition from India and Japan, the UK's Far Eastern exports fell by 38 per cent between 1913-1925. India slashed her imports from the UK by 57 per cent.

The same story is roughly true of wool in these and other markets. The growth of iron and steel industries in Europe and the USA, and elsewhere, took heavy toll of the UK's export markets. The slump in the UK's coal exports from 87 million in 1913 to 48 million tons in 1929 was caused by the opening of mines in foreign countries, by greater efficiency in utilisation, by the appearance of oil as a substitute, and by the virtual disappearance of the coal-fired ship from the seas.

INTER-WAR DEVELOPMENTS

Inter-war Britain was slow to react to these challenges. Small enterprises, so many of them proud

family firms with long traditions of individual enterprise behind them, were loath to sink their identities in amalgamations. Just as striking was the UK's failure to grasp the opportunities offered by the growing world trade in newer industrial commodities. In 1929, of the total manufactured exports of the UK, the USA, and Germany, those in which world trade had expanded by more than 150 per cent since 1913 accounted for 28.6 per cent of U.S. exports, but only 4.5 per cent of German exports and 4.3 per cent of UK exports. On the other hand, those manufactures which had expanded by less than 75 per cent in world trade accounted for 17.1 per cent of US exports, but for no less than 42.1 per cent of UK exports. These figures show clearly the UK's declining role as a leading exporter of manufactures, her failure to forsake her old established lines, and to launch out on new ventures.

Part of the UK's difficulties was due to the belief that the depression was a passing phenomenon and to the failure to realise that the decrease in exports also reflected a long term shift in tastes.

On the other hand, it would be wrong to imply that there were no important technological advances in the UK in the inter-war period. The war and its aftermath gave impetus to many new developments, in wireless and telecommunications, ship propulsion, automatic welding and hull design, new stainless steel, and chemicals, and the expansion of the motor industry (although, in the last, the reluctance to limit the range of models and to amalgamate were handicaps). Notable increases in the production of electrical equipment were also recorded, although less than in the USA and Germany. The UK was slow to adopt electrical power because of the relative cheapness of coal power, the reluctance of staple trades to switch, and the multiplicity of small generating plants, each with their own frequencies and voltages.

The UK recovered slowly following the devaluation of sterling, the lowering of the rate of interest, and growing recourse to rationalisation. Although Dunning and Thomas do insert some qualifications, they also give credit to the UK's abandonment of free trade and adoption of protection, and to the Ottawa Agreements and Imperial Preference. I find this hard to accept. If the UK has staged a sizeable come-back after World War II, its magnitude has been limited by her relatively high tariffs and by keeping so much of her trade canalised towards old established, and mostly English-speaking, markets. This has undermined the competitive spirit, made it more difficult to quit established grooves and set ways, and helped to keep alive the comfortable belief that everyone the world over can read an English catalogue and is ready to write letters in English. Fortunately, the erosion of Imperial Preference by inflation is steadily correcting this.

THE SPIRIT OF THE NATION

World War II proved a blessing in disguise for UK industry. In the first place, the challenge to sur-

vival aroused the spirit of the nation as nothing else could have. Secondly, it dispelled the comfortable habit of thinking that the UK led the world industrially and foreigners would always prefer British "quality". As the war drew to its close, the whole nation realised that the UK's industrial future was uncertain, and that a real effort would be needed. War had shocked the nation out of its complacency, but had not undermined the Englishman's determination to continue to play a major role in world affairs. The national effort in the war itself, and in the post-war defence programme, gave tremendous impetus to readiness to launch out in new techniques.

In no period have circumstances been so conducive to change and technological progress as during 1939-59. The whole balance of industrial power has been shifted within the UK and the relations between individual trades revolutionised. The war accustomed companies to work together and made amalgamations easier. Of the developments, none has been more far-reaching than the emergence of the oil-refining and nuclear power industries, in which over £1,000 million were invested between 1945-59. Only second in importance have been the changes wrought by the discovery of many new industrial raw materials, the rapid innovations of the aircraft, electronics, and chemical industries, and the amalgamations and tremendous expansion of the motor car industry. Steel output has risen by 55 per cent since 1938. Shipbuilding has been modernised and has enjoyed prosperity for most of the post-war period, largely because of the expansion of the oil-refining industry. Only textiles have declined continuously, and rightly. Overall, the volume of industrial production has risen by 76 per cent since 1938. In contrast to the inter-war years, the rate of increase in exports has been even better, attaining 105 per cent

over 1938. Although the UK's share of world trade in manufactured exports has declined from 23.8 per cent in 1948 to 17.3 per cent in 1959, it remains true that the place of the newer industrial exports is much better than pre-war. In 1959, the UK's exports of, e.g., aircraft, refined petroleum, synthetic fibres etc., accounted for nearly three-fifths of all her exports.

Another evil of the inter-war years was that an ever-widening circle of industrialists met the challenge of depression and changing markets not by aggressive reorientation but by defensive agreements to regulate output and prices, and by other restrictive practices, which not only made for rigidities in production and distribution, but eroded the competitive spirit and principle. Rationalisation was identified more with defence than with development. In the expansive economic climate of the post-war world, the idea of competition has been born anew in the UK. Although I recently criticised the U.K. Restrictive Practices Act here, its weaknesses are in its methods, not in its aims, and there is no doubt that, as worked at present, it is giving a big boost to competition, and is serving the valuable purpose of making trade restrictions socially unrespectable.

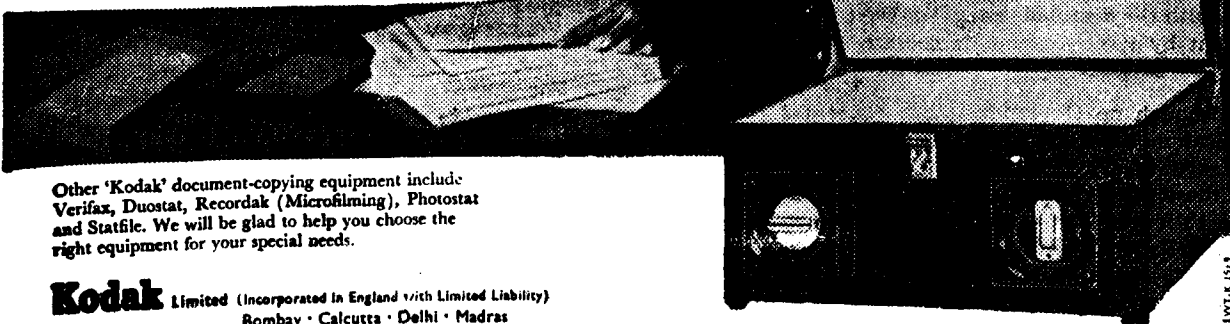
On the other hand, the post-war trend has seen amalgamations and take-over bids snowballing along, so that the milky way of small companies of the inter-war years has yielded to more and more oligopoly, which is not in itself an evil, and any of whose harmful possibilities, it is to be hoped, will be curbed by the Restrictive Practices Act.

Altogether, the old lion has sprung into active new life by vigorously twisting its own tail.

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The European Scene

WHEN COLONISTS COME HOME

From Our Special West European Correspondent

PARIS, May 11.

WHAT happens, it was asked recently on this page, when colonial capital comes home; and it was shown that, far from being "integrated" into the anonymous pool of domestic capital, it tended to follow characteristic occupations. Now, what happens when the colonists themselves come home to a Europe without colonies? The two questions are not by any means the same, since most of Europe's colonists were not capitalists or even well to do. The rich Rhodesian farmer, the wealthy landlords of Algeria, the well-paid servants of the Societe Generale in the Congo, and the Clive Street 'burra sahib' are, no doubt, typical products of European imperialism but, numerically, they are a small minority among an emigration that lasted several centuries and drew on every class. The reflux of these people to a truncated Europe creates many and various problems, both political and economic.

Compared with the 12 million refugees that West Germany has absorbed from the east, their numbers are moderate; about one million in the last decade, though this number could be doubled in the near future if the independence of Algeria leads to a wholesale exodus. To date 350,000 Frenchmen have returned from North Africa, 300,000 Dutch citizens from Indonesia, 250,000 Italians from Libya and East Africa and 60,000 Belgians from the Congo. This last figure, though the smallest, represented the most dramatic movement of refugees, for it was concentrated into a few days when the Congo collapsed into anarchy. The West German precedent shows that a refugee influx of these proportions can be digested without too much trouble by a vigorously expanding economy, but the present influence of the refugee parties in West German politics also shows that the political integration of the mass of newcomers is harder to arrange. Yet most of the German refugees, save those expelled from Czech Sudetenland and Polish East Prussia, came to West Germany on their own decision, or at least for reasons that were not the fault of the Government in Bonn.

The refugees of colonialism, on the other hand, return with a complex: the mother country is held responsible for their uprooting, since the political liberation of the colony was decided at home, so they feel that the nation is heavily in their debt. Whereas the East German often crossed the border because he knew that West Germany was booming, and then sought to earn his share of that prosperity, the colonials come home in a very different mood. They usually walk off the ship with a demand for a total indemnity for all their losses—a demand that no West European Government has agreed to meet. Even the Italians, whose expulsion from Africa was part of the collapse of Fascism, tend to contrast the hopes they knew in Mussolini's reign with the disappointments of the camps where they are sent by the successor democratic regime.

Although no Government has consented to pay decolonisation reparations, all have offered some special assistance to home-coming colonials. Only in Holland have these been adequate, in the sense of organising the reintegration of large numbers into the domestic economy. Holland has enjoyed a long boom that made work for everybody, so that today the country even has a manpower shortage after making room for 300,000 peo-

ple from Indonesia. (These people, incidentally, were Dutch only in that they carried Dutch passports; the majority were Eurasians.) Moreover the exodus began so early (Indonesia was freed in 1949 and all Dutch property in the islands was expropriated in 1953) that the effort required to receive them was grafted on the post-war reconstruction programme. Since Holland had lost 28 per cent of its housing in the war, the extra building needed to accommodate the newcomers was a simple extension of work in hand. This in no way detracts from the Dutch achievement, which remains a model for other European countries facing the problems of decolonisation. Holland lost 30 per cent of her revenues when Indonesia cut adrift, yet her economy is today one of Europe's soundest and her currency has just been up-valued.

The other former imperial powers on the Continent have managed less well. The Italians returned to a country where unemployment is still endemic and most of them went back to the poorest regions of the South where living standards have never been notably above those of Africa. The Belgians came back to a nation that was immediately plunged into a disastrous general strike, from which it has not yet recovered; it has now to organise a complete modernisation of its economy on an austerity basis. The returning French colons' had the good fortune to come back to a country where land is plentiful and work freely available, but which, on the other hand, is burdened with a chronic housing shortage. With about four million people at home yet to be rehoused in decent conditions, the Government has refused to give the colonials the preferential treatment in housing that they received in Holland and Italy. Discontent among the repatriated colonials is often acute and they constitute a pressure group whose influence over French policy in North Africa has been reactionary.

The purely economic difficulties of absorbing these people are not insuperable, but they make it an urgent duty for European Governments to maintain and if possible stimulate the expansion of their economies. President de Gaulle has understood this in posing the question of faster planned development in this country before the Algerian question is settled. Expansion at home is not intended to attract the many Europeans who remain in North Africa, and whose continued presence there, on different terms perhaps, will be useful to the young states. There are still several hundred thousand white settlers working in Morocco and Tunisia, and it is hoped on both sides that a similar number will stay on in Algeria. However, the possibility of speedy reintegration into the mother country's life must be open to settlers who want to stay without feeling that they are prisoners or hostages, and that possibility must be visible right now if they are to accept the necessary political transformation in Algeria otherwise than as a personal disaster.

For those who have returned and will do so in the future, moreover, their smooth absorption into the national economy is an urgent political necessity, since West Europe will not outgrow the imperial age painlessly if it leaves festering centres of discontent among the repatriated victims of decolonisation. Enough Italian colonials have joined the neo-Fascist movement, enough Belgians noisy and reactionary pressure groups, and enough Frenchmen sinister conspiracies and anti-demo-

cratic movements to make this point plain. It is not just a question of providing them with work and housing (which, I repeat, has not even been achieved in those three countries yet), but of drowning their rancours in a veritable surge of expansion that will make nostalgia for imperialism seem absurd. Most imperialist nations have pet theories about their national "dynamism," which is held to have revealed itself in their colonial exploits, and the fate they all fear is that of Spain: relapsing into a timeless torpor once the field of imperial enterprise is closed for ever. This torpor, furthermore, is the breeding ground of anti-democratic movements which will have less opportunity only if new and more timely national vocations succeed the myths and glories of imperial rule. The most effective vocation available today is that of national development and economic progress, and thus the expansion of the home economy is psychologically important beyond the matter of providing accommodation for the colonials.

The immense explosion of European imperialism in the last few centuries was an extraordinary display of national energies. Today it ends in the homecoming of hundreds of thousands of miserable, resentful and dispossessed colonists, looking for work and shelter in a homeland that tends to regard them as disgraceful reminders of a past that Europe wants to forget in a hurry. They are perhaps entitled to little pity, for what

most of them resent above all (even the "poor whites" from North Africa and Indonesia) is the loss of colonial privileges and the necessity to merge into a social landscape where they have no claims to special treatment. Yet their condition is a symbol and a challenge to the European economies, which have a political duty to engage them in a task bigger and better than imperialism. The alternative political danger is clearest in France, where the numbers of homecoming colonists is already greatest and could become embarrassing if events turn for the worse in Algeria. Most people here believe, correctly, that the recurrent threats to French democracy have come from the Algerian war, but they jump too hastily to the conclusion that once that war is ended, the threats will disappear. On the contrary, a settlement in Algeria that left a million or more people bitter and resentful (not to mention the ambitions of the soldiers who, during a long colonial war, have embraced the cause of the settlers), would just be the beginning of a period of political insecurity. The energies of homecoming colonists will have to be harnessed to other work, for reasons that are political and psychological as well as economic. The realisation of this fact, which is nowhere clearer than in the recent pronouncements of President de Gaulle, is a guarantee—one among others—of sustained effort in West Europe to maintain the pace of economic growth and the speed of economic integration in this region.



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Economic Report from the U.S.**CORPORATE TAXATION**

By GUY SIMS FITCH

WASHINGTON, May 11.

THE Kennedy Administration has followed the example of the Eisenhower Administration in urging Congress to retain the present high rate of corporate taxation to help meet the President's budget objectives. This point figured prominently in testimony given this week before the Ways and Means Committee of the House of Representatives by U.S. Budget Director David E. Bell. The Corporate Tax Act, which is calculated at a basic 52 per cent of earnings, has been scheduled to drop automatically for the past eight years, but each time has been continued by special congressional action. Chances now are that it will be continued again this year, even though the corporate profits picture has been anything but bright.

According to a recent survey by a leading bank in New York city, net income of nearly 700 companies during the first quarter of this year dropped 15 per cent below the fourth quarter of last year, and 19 per cent below the level of a year ago. It appears, however, that the worst may be over now, and this past quarter may well turn out to be the low mark for the year. Already, a number of companies have reported improvement in their earnings in the past two months. It seems likely that with new orders increasing and the economy in a definite upturn, corporate income also will be on the upgrade as the year goes on.

Of course, chances of accomplishing this would be enhanced if profit margins were larger. But profit margins have been historically low in the United States, running no better in most cases than five or six per cent of sales. And margins, if anything, have showed a tendency to grow smaller rather than larger in the past year, as competitive pressures and comfortable capacity positions have induced companies generally to hold their price lines. Even more revealing are the data showing after-tax corporate income. In 1959, this came to a total of \$23,800 million, of which \$13,400 million was paid out in dividends, leaving undistributed profits of only \$10,500 million. Yet way back in 1950, despite the notable gains in the U.S. economy since then, after-tax earnings of corporations came to \$22,800 million — nearly as much as in 1959 — and undistributed profits to \$13,600 million, even more than in 1959. This recital only serves to point up a fact that sometimes seems too little understood. It is that when all is said and done, the largest gains by far from the working of the U.S. economy have been won by the public at large, who are at one and the same time the nation's workers and consumers. For example, the personal income of all Americans — the wherewithal to turn the wheels of American industry — has been rising steadily throughout the post-war period. It is now at an annual rate of about \$410,000 million, compared with some \$230,000 million back in 1950 — a gain of fully \$180,000 million, or about 80 per cent. Even during 1960, a year of recession, personal income rose to record highs in every section of the country. For the nation as a whole, personal income last year totalled \$402,000 million, about \$21,000 million or five per cent higher than in 1959. What is more, income rose at a much faster rate than did prices. This means, in effect, that real purchasing power rose in every part of the country.

In a democratic society, of course, where the individual is essentially free to make his own choices as to how he earns and uses his income, there really is no such being as an "average" or "common" man. Yet for statistical purposes, it is interesting to note that average income per person rose four per cent last year to \$2,242. Even after taxes, per capita income

came to \$1,969, as against \$1,905 in 1959 and \$1,369 back in 1950. It is well to remember in assessing the role of the individual in the U.S. system that labour income, which means to all intents and purposes the total of wage and salary disbursements, accounts for more than two-thirds of all the personal income earned in the United States. As an example, in 1960 labour income accounted for some \$285,000 million of the personal income total. On the other hand, business and professional income came to about \$36,000 million.

Another recent survey — this concerned with personal rather than corporate income — throws considerable light on this situation, and offers a significant contrast with the corporate trends. Conducted by a New York purchasing company, and using the year 1951 as a base, it offers irrefutable testimony to the gains registered by the average or common man — for want of a better term — in the United States. For example, since 1951 the income of proprietors, meaning those who own their own business, farms or professions, has risen 14.8 per cent, while wages and salaries have gone up nearly 60 per cent, about parallel with the rise in all personal income since that year. In 1951, moreover, more than 16 per cent of all personal income came from professional, business and farm owners, as compared with less than 12 per cent today. The two most spectacular areas of increase since 1951 also reflect advantages accruing to the average citizen. For one, a 127 per cent rise is noted in "fringe" benefits for company employees — including such items as pension and retirement rights, medical insurance and other benefits which are not directly represented in the cost of wages and salaries. For another, Government transfer payments have gone up 150 per cent. At a current total of \$31,500 million, they now account for nearly eight per cent of all personal income, as against five per cent in 1951. The marked increases in these social insurance benefits, both public and private, provide statistical evidence of the growing security and sense of well-being the American is finding in his socio-economic system.



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WORLDGRAM**India**

Mor: Relief for Handloom Industry: It will be recalled that to help the handloom industry and to maintain the existing price level of the ordinary varieties of the handloom fabrics used by common people, the Government of India exempted mill-made cotton yarn of count not exceeding 40 if issued in hanks, from the whole of the excise duty leviable thereon. As a measure of further relief to the handloom industry, the Government have now decided to give an exemption of 10nP. per kg. to yarn of count above 40s if issued in hanks. Consequently the yarn of this description will now pay duty of five naye paise per kg. only. The reduced rate takes effect from May 12, 1961.

Prevention of Occupational Risks: India will participate in the Third World Congress on the Prevention of Occupational Risks to be held in Paris towards the end of this month. Mr V. N. Rajan, Director General, Employees State Insurance Corporation, has been elected Vice-Chairman of the Congress and in that capacity will also attend the meetings of the Committee on the Prevention of Occupational Risks of the International Social Security Association. He will be the Chairman of one of the three committees which will examine present-day trends in research work, progress in technical discipline and progress in medical and psychological disciplines. Mr N. S. Mankiker, Chief Adviser Factories, will represent the country on the Congress which will be attended by about 800 delegates from nearly 50 countries. The Congress has been organised by the French National Safety Institute in collaboration with the Committee on Prevention of Occupational Risks of the International Social Security Association and in co-operation with the International Labour Office. The object of the Congress is to enable specialists to examine various aspects of the prevention of occupational risks to enhance their knowledge of research and progress in the service of prevention.

Consumption of Petroleum Products in India: The trend in consumption of petroleum products in India was discussed at the third session of the Oil Advisory Committee which met recently. During the general review of the category-wise estimates prepared by the Steering Committee, the Chairman, Mr. K. D. Malaviya, advised the members to take into account the rising trend in consumption in the wake of speedy industrialisation of the country before arriving at any final conclusions. The Committee, therefore, decided to review the forward estimates. Reference was also made at the meeting to the price structure of petroleum products with special reference to the needs of the North-East region. It was agreed that the oil companies including the Government-owned Indian Oil Company should consider the question. The Committee was set up early in 1960 to advise on problems of common interest concerning petroleum products and in particular, problems pertaining to pattern of demand, supply, distribution and consumption of these products. The Committee includes representatives of oil companies and the concerned Ministries of the Government of India besides the Planning Commission.

United Kingdom

Employment in Britain: The number of people in employment in Britain increased in February by 13,000 to a total of 23,695,000, according to estimates issued

by Ministry of Labour in London. There were 3,35,000 more at work in February than a year earlier. The increase in employment figures, which has been steady in recent months, shows that industry as a whole is gearing itself for expansion of output this year, bearing out the forecast in the economic survey for 1961.

Aircraft Industry: India was the third largest buyer of the British aircraft and parts during February and the fourth largest buyer for the first two months of this year. For February, India's purchases were worth £421,000 and for the two months her purchases amounted to £911,000. The largest buyers during February were Canada and the United States. The British Aircraft Industry's export sales in January and February totalled £253,000,000—nearly £2 million more than the corresponding figure last year and only £280,000 less than the 1959 record for January and February.

U.S.S.R.

Overseas Aid: The Russians and their friends contribute in investment and aid to countries overseas a total of £100,000,000 in a year. The West's contribution to investment in aid is £2,100,000,000

Pakistan

Fish Production: The Government of East Pakistan proposes to reclaim 22,000 acres of derelict water areas for fish production in the province at a cost of Rs. 48.28 lakhs. These derelict areas will be improved and stored with important species of fish for a period of three years and then made over to the Board of Revenue for management and exploitation. The Board will grant leases to private parties for the purpose. And the entire project is likely to take five years to complete. The East Pakistan Government will also examine the possibility of leasing out larger areas to private parties on a long-term basis for 20 years or more. Private enterprise could thus be attracted to develop these derelict water areas.

Netherlands

KLM Airlines: KLM Airlines have announced that they will include Toronto on their services in the near future. There is already a service to Montreal. One of the most important features of KLM's summer schedules, introduced from 1st April, is the increase of capacity and frequencies of many services. The 12 DC-8 aircraft and 12 Lockheed Electras jointly account for nearly 65 per cent of the total capacity of 850 million ton kilometers in 1961. The fleet now comprises 105 aircraft; this summer it will be enlarged by the addition of 5 more DC-8 jetliners (equipped with Turgofan engines). The total distance flown will increase by 12 per cent and is estimated at about 55 million miles (last year about 50 million miles). The KLM network covers 114 cities; it is the second largest airlines company in the world.

Norway

Seamen's Education: In a report submitted to the Parliament recently, the Norwegian Ministry of Commerce has drafted a ten-year programme proposing that 125 million kroner be spent on improving seamen's education. This comes in addition to the ordinary grants

for the running of seamen's schools. The 10-year programme also makes provision when essential for a further 7.5 million kroner to be granted to purchase equipment for courses for engineering candidates. Provided the present ordinary grants remain unchanged, they will total approximately 70 million kroner during the ten-year period.

Increased Activities for Norwegian America Line:

The Norwegian America Line had a balance of 35 million kroner from its operations in 1960 before depreciation, interest and administration had been accounted for. The whole of the balance was then disposed of for these purposes. A dividend of 20 kroner per share was paid out from a special reserve fund. The company's three liners carried 22,529 passengers across the Atlantic roughly 1000 more than the previous year. Cruise activities also increased. Sixteen cruises based on New York took 5,621 passengers on round trips. The company's report says that there is growing competition in the trans-Atlantic traffic as well as in cruises. The company receives no government subsidies.

Brazil

Cocoa Beans Exports Rise: In spite of the fact that world cocoa markets had been unsteady in recent months, Brazil reports a 37 per cent rise in 1960 cocoa bean tonnage exports and a cruzeiro value increase of 61 per cent. According to the Rural Economic Services, the country exported 1,23,360 tons of cocoa beans valued at Cr\$6,235,000.

Automobile Industry: In the four years in which Brazil has had an automobile manufacturing industry, the country has produced 3,21,150 vehicles. According to the executive group of the automobile industry, which has released the data, the growth rate of the industry has been 20 per cent annually. This is approximately the same rate of increase as that of the demand for new vehicles. It is expected that the demand will grow and keep pace with the rising output.

Nigeria

£10m. Domestic Loan Floated: The Government has decided to allow the Central Bank of Nigeria to launch a £10m loan under domestic market. This is believed to demonstrate its determination to build up a domestic capital market. The loan is four times as large as the total volume of funds previously raised by the Government locally.

U.A.R.

"Arabization" of Syrian Banks: Early last month, President Nasser issued a decree calling for the 'Arabization' of all foreign banks in the Syrian province within a year. As a result of the new law, 19 foreign banking establishments in Syria will become limited joint stock companies, each with a minimum capital of about £300,000 and must be controlled substantially by U.A.R. subjects. This step, bringing the Syrian situation into line with that which has obtained in the Egyptian province for some years, has been officially explained as protecting the people's interests and assets against any foreign threat to the national economy. Foreign banks affected include the British Bank of Middle East with branches in Aleppo and Damascus. But it has been stated that the new law need not affect the relations of the Syrian branches of foreign banks with banks abroad.

Tanganyika

World Bank Survey: The report of an economic survey mission organised by the World Bank laid before the legislative council in February, expresses the view that agricultural, mining and industrial production have all been increasing at a reasonably rapid rate. It points out that the territory could benefit greatly from increased grants and low interest loans with long repayment periods.

Italy

Trade with U.S.S.R.: Under an agreement concluded in Moscow at the end of February, Italy will take 4m. tons of Russian oil in 1961, while the total trade between the countries should be of the order of £250m.

Japan

Reserves Up: The country's gold and foreign reserves rose by another \$52 millions in February to reach \$1,987 millions, but the Ministry of Finance Officials have pointed out that American measures to reduce procurement spending in Japan may cause the payment surplus to contract, slowing down the rate of growth of reserves.

Steel Expansion: Six leading steel producing companies have announced plans for expansion that will entail outlays of about £1,400m. between now and 1965. The aim of their programmes, in every case, is to double existing output.

Iceland

\$1.6m. Stand-by Arrangement: The Iceland Government has entered into a stand-by arrangement with the International Monetary Fund making \$1.6m. available in support of the economic stabilisation programme. When this plan was undertaken a year ago, \$2.8 millions were drawn from the fund and subsequently \$4m. were drawn under a standby arrangement. The credit of \$12 million was negotiated with the European Fund, of which \$5m. remains unused.

Fishing Agreement: Agreement has been reached with Britain on proposals for ending the fishery dispute. The main point of the new agreement is that the British objection to the establishment of a 12 mile fishing limit around Iceland will be withdrawn on the understanding that for a three year transitional period British vessels will be permitted to fish in the greater part of the zone between six and 12 miles of Iceland at certain seasons.

World Bank

Loan for Japanese Railways: The World Bank has made a loan equivalent to \$80 million to the Japanese National Railways for the new Tokaido line to link Tokyo with Osaka, via Yokohama, Nagoya and Kyoto. The railway will provide the fastest train service in the world; it will run 311 miles to the industrial heart of Japan, and will relieve the present heavily over-loaded rail and road transport facilities. The loan is for a term of 20 years and bears interest at the rate of 5-3/4 per cent annually including the one per cent commission which is allocated to the Bank's Special Reserve. Amortization will begin in November 1964. The loan is guaranteed by the Japanese Government. The cash requirement for the entire programme will amount to the equivalent of 3.8 million.

NEWS IN BRIEF

INDIAN

Statistics now available place the number of tourist arrivals into India (barring Pakistan nationals) during the year 1960 at 123,095 which is an all-time record. As compared with arrivals in 1959 (1,09,464) this registered an increase of 12.5 per cent.

The Railway Board has sanctioned the construction of the Diva-Panvel urban broad-gauge railway line on the Central Railway, covering a distance of 33.69 miles. The construction work will be carried out by the Central Railway administration.

The Union Government has reconstituted the National Shipping Board for two years from May 1, with Mr. G. L. Mehta, continuing as Chairman.

The Central Government has permitted the Gujarat Cotton Growers' Association to export 50,000 bales of cotton. According to the Association, more than two lakh bales of cotton are lying idle in Gujarat due to lack of demand.

The World Bank will give a loan of \$20 million for the development of Calcutta port and navigation on the river Hoogly. The Chairman of the Calcutta Port Commissioners, Mr. K. K. Mitter, and the Secretary of the Union Transport Ministry are likely to leave for Washington next month to sign an agreement for the loan.

The overall approximate production of iron and steel by the Tata Iron and Steel Company at their Jamshedpur works during April is lower compared with the previous month.

Tea exports from Cochin during March, 1961, were slightly higher at 6.53 million lb. compared to 6.24 million lb. in the corresponding month of last year.

It is reported, the Government of India has decided to extend the Intensive Agricultural District Programme (Package Programme) to all the States. Previously it was restricted to 7 States and was being implemented in co-operation with the Ford Foundation of America.

The Government of India have constituted a Committee to assess the working of the Contributory Health Service Scheme for Central Government employees in Delhi and New Delhi.

FOREIGN

Brazil and the U.S. have signed a third wheat agreement under U.S. Public Law 480, forming part of President Kennedy's "Alliance for Progress" programme for Latin America. The new agreement provides for the supply of 1 million tons of U.S. wheat during the current year valued at \$70 million.

U.K. consumption of lead in all forms rose to 32,601 tons in March from 30,430 tons in February, according to the British Bureau of Non-Ferrous Metals statistics. Total consumption for the first quarter of 1961, at 94,176 tons, was 2,876 tons lower than for the corresponding period of 1960.

President Kennedy has signed into law, a Bill passed by Congress authorising the U.S. to sell abroad an additional \$2,000 million worth of U.S. surplus farm products.

A widespread turnover to American management method is to be expected in the European steel industry, according to a report now circulated by the High Authority to steel companies in the six E.C.S.C. countries.

The French index of industrial production for March was 182, only 1 point above the figure around which it has stood for the previous four months.

A contract will be signed shortly between the Pan American International Oil Company and the U.A.R. State Petroleum Authority, covering oil prospecting in Egypt's Western Desert.

The International Bank for Reconstruction and Development reports that its reserves rose by \$72.8 million in the first nine months of the current fiscal year to a total of \$579.3 million.

Australia's trade gap of only £A5 million in April has reinforced earlier indications that a turning point has been reached. The Government's deflationary measures, although slow in operation, have at last succeeded in bring the imports bill for April down to the lowest level for years.

It is reported, Italians are offering to build a refinery, if the Ceylon Government sets up a joint corporation with the E.N.I. on a fifty-fifty basis.

Israel's exports of fresh citrus fruit — the country's largest single export item — declined by 20 per cent during the season owing to adverse weather conditions and pest infestation.

*Special Article***INVOLVEMENT IN AFRICA**

THIRTEEN months have passed between Mr. Macmillan's "Winds of Change" speech and the exit of South Africa from the Commonwealth. These months (if one may arrange the calendar a little) can justly be called the year of Africa. Sixteen African States have emerged into independence. Long term programmes for African development are being discussed. Technical assistance is being given an African slant. The explosion of freedom has more than doubled the United Nations budget and shaken the office of the Secretary-General. In the heart of the continent, a territory three quarters the size of India is advancing steadily from chaos into anarchy.

In all these happenings we have an unusual stake. There are close on half a million people of Indian origin in South Africa, over two hundred thousand in East Africa, perhaps twenty thousand in Zanzibar and fifty thousand in Mozambique. In Nyasaland the number is at least three thousand. Indian labour built the African railway system. Sikh soldiers liberated Nyasaland from the slave trade. Yet, in South Africa, the Indian community has celebrated its centenary, forced out from the prosperity it has helped to create. The country in which non-violence was born may yet have to face its most exacting applications. Elsewhere, the colons no longer rule, but the Indian community, even when it has not sided with the past, has failed to make its alliances with the future. It has lived in the economic middle and sat on the political fence. It now must look forward to majority rule, not with enthusiasm but with the uneasiness bred of its equivocations.

If Indians in Africa have sometimes been too restrained in their commitment to African nationalism, the same can hardly be said of our country's policy. We have pressed for African independence in the Trusteeship Council and in the committee on non-self-governing territories, which is itself partially an Indian creation. Indeed, our anxiety to secure the earliest possible independence for the French Cameroons brought us into conflict with Ghana and helped in the installation of a Government whose representatives are ironically, among India's most vocal critics. As for the item on race conflict in South Africa, it is worth remembering that we brought it before the General Assembly and that we spearheaded the attack on discrimination for five years at a time when no African government south of the Sahara was represented in the United Nations. We have reminded the Indian communities in Africa repeatedly and with clarity of the direction in which the destinies lay. We have set up University chairs in African studies and provided scholarships to African students, who criticise their host country with the same refreshing independence that Indian scholars show when returning from America.

It is in the Congo, however, that our policy towards Africa has been most vigorously formulated. We were quick to provide it with assistance, first with wheat flour, then with a hospital unit, and finally, with Mr. Rajeshwar Dayal. The worsening of the situation provoked no second thoughts. We made no attempt to assert our non-involvement by relieving Mr. Dayal of a task that was inherently all but impossible and which he had been obliged to perform under unprecedented handicaps. Instead, in an unprecedented act of commitment, we plunged the Indian army into the imbroglio after him. It must be presumed that we did so intelligently, which means that though the proximate reason for our action may have been our desire to arm Mr. Dayal with more than resolutions, or to save the

U.N. from impotence, or the Congo from itself, the real reasons must have arisen from the recognition that enlightened self-interest required us to take sides in Africa and so to commit ourselves decisively to the right side. Can we say with confidence that the decision was well-judged? Is our popularity in Ghana and Guinea at its zenith? Are the voices of criticism silenced in Nigeria? Is an Indian community anywhere in Africa more secure because of our African policy?

Perhaps we should take a second look, and ask ourselves if involvement is really necessary. Perhaps one should return to the everyday prudence of diplomacy which is to take a position only when one must and then only to the extent that one is obliged to do so. Behind the slogans of Pan-Africanism, of Africa for the Africans, behind the fervent talk of an African personality, there is the deep-seated desire of all Africans to find and form themselves on their own responsibility, free from external pressures. Perhaps, we should be circumspect in assisting this process while making it clear always that we stand ready to assist it. An approach to Africa that is more pragmatic and less evangelical will not be spectacular in terms of the world's headlines, but it may be at least as effective as our present policy which has neither won friends, nor commanded reluctant respect, nor increased the area or the degree of our influence.

Most of all we need to take a long hard look at the realities of our trade with Africa. In 1957, our balance of trade with the Continent was a favourable one of Rs. 419.7 lakhs. In 1959, it was unfavourable to the extent of Rs. 1065 lakhs. In 1960, this deficit rose to Rs. 2802.7 lakhs. These achievements took place at a time when African States were moving towards independence, when African incomes were rising steadily and when our policy towards Africa should have resulted in a better climate for commerce. Nor is this the entire story. On the eastern seaboard to which we have easy access and where large Indian communities with historic mercantile interests are placed to function as our commercial spearheads, the adverse trends have been particularly marked. Our exports to Africa as a whole fell by 17.7% from 1957 to 1960. In Kenya, Uganda and Tanganyika, they fell from Rs. 1219.0 to 760.3 lakhs, a decline of 37.6%. In Central Africa, the figures verge on the fantastic. We exported to Southern Rhodesia in 1957 slightly over two-thirds of what we imported from her. In 1960, this ratio fell less than two-sevenths. Our exports to Nyasaland in 1957 were over ten times our imports; today these exports are only two-thirds of our imports. Our export-import ratio for Northern Rhodesia was about one to ten in 1957 which is a sufficiently disconcerting figure; today it is of the order of one to sixty. The Central African tariff structure operates to our disadvantage and we have apparently been unable to use our position as one of the chief buyers of Northern Rhodesia's copper to have this structure altered in our favour. All over Africa the bicycle and the sewing machine are becoming status symbols; they are not which carry Indian trademarks. In the hard world of competition we are losing ground steadily to Japan whose African policy is unprogressive and whose attitude to racial discrimination is so equivocal that Japanese nationals are soon to be declared "whites" in terms of South African laws. It is, of course, naive to expect noble words and right action to succeed in selling textiles; but can it be said that our position would not be better if we were to bring to the unspectacular but vital world of commerce some of the energy, dedication, and passion we devote to the more diplomatic aspects of our African policy?

THE BUSINESS WORLD**Textile Wage Board Legislation**

By
CROESUS

THE appointment of a wage board for every industry has become the avowed and accepted policy of the Union Government. The acceptance of these Wage Boards, as also the implementation of their recommendations, by a majority of the units of the concerned industries is a tribute to all the interests concerned. But this is not to say that none of the industries concerned, or the interests involved, has had any protest to make against, or any mental reservation about, the awards of the Wage Boards. Yet, if implementation has generally been accepted by the employers, it is predominantly due to the intense desire on their part for industrial peace. For, as every one knows, without assured industrial peace for a reasonably long period, the tempo of industrial production can hardly be maintained, let alone augmented, as the planners envisage.

So far, however, the implementation of the Wage Boards' awards has been voluntary, which is as it should be. When a Wage Board is representative of both the employers and the employees, as well as the State, as it is, and when its recommendations are unanimous, few, if any, would refuse to implement them. Some units of an industry here or there might not implement these recommendations, but every care and effort must be employed to seek and find out the reasons for that. The need for this is obvious; whilst enforcing implementation, the authorities themselves try and exempt certain units for special and, no doubt, justifiable reasons. In view of this, it is really difficult to appreciate the logic behind the Cotton Textile Workers (Central Wage Board Recommendations) Bill, 1961, which was recently introduced in the Rajya Sabha by the Union Deputy Minister for Labour.

On the face of it, the proposed Bill is aimed at compelling those establishments which have not implemented the award of the Textile Wage Board to do so. Inasmuch as the Government can force the recalcitrant elements to toe the line under the existing machinery of Tribunals itself, the move only betrays the increasing mania of our Government these days to enact a law

for almost everything. This apart, it strikes at the very root of the principle of collective bargaining. It also calls in question the sanctity of agreements freely entered into by parties regarding the implementation of the Wage Board's recommendations; in fairness, at least such agreements should have been kept outside the pale of the Bill in question.

It is worth recalling here that, when the employers and the employees agreed to the appointment of the Central Wage Board for Textile Industry, the underlying idea was that the recommendations would not be left for legal enforcement but to the good sense of the parties concerned. Presumably because of this, one notes that the representatives of both employers and employees have been adopting a refreshingly reasonable and realistic attitude, but this is bound to be the first casualty if the proposed Bill to enforce the recommendations by law is enacted.

There is one other aspect that the sponsors of the Bill in question would have to bear in mind. It is the complications that are sure to set in, when, as seems to be the case presently, the authorities want to enforce only some of the recommendations and not all. If legal enforcement is thought to be necessary, it should not be restricted to the remuneration of workers alone, but should extend to the rationalisation of the industry as well. Again, although clause 6 of the Bill seeks to put restrictions on claims for further revision of basic wages (incidentally the loose use of the terms "basic wages" and "minimum wages" might raise a controversy) for a period of five years from 1-1-1960 and prohibits strikes and lock-outs on the plea of demands for higher wages, there is no knowing, judging from the interpretations which some labour leaders seem to be skilfully straining to put on certain terms and definitions, whether the much-desired industrial peace, the 'raison-de etre' for all this, will at all be secured. In short, the move to enforce implementation of recommendations of a Wage Board by law may create more complications than it is hoped to solve.

Business Notes**Coal Crisis****FICCI'S SOLUTION**

IN A COMMUNICATION addressed to the Coal Controller, the Federation of Indian Chambers of Commerce and Industry has offered a few suggestions to solve the current coal crisis in the country. Coming as they do from the premier body of Indian industrialists, these suggestions deserve particular notice. The Federation has pointed out—and rightly—that

creation of coal dumps, from where industries could draw their requirements, is not an economic proposition; instead of solving the problem, it might create many others as the price of coal is bound to go up if this method of solving the problem is resorted to for any long period. Building of coal dumps at transshipment points of metre-gauge and narrow-gauge railway systems can, however, serve some useful purpose, as also creation of dumps for catering to the demands of low priority users under classes DRK, Z and SSI.

The Federation is also critical of resorting to movement of coal by sea on a permanent basis. This, it says, will also raise the cost of coal which will ultimately lead to increased cost of production. As ex-factory prices of a number of commodities are determined by the Government on the recommendations of the Tariff Commission, the Federation quite legitimately feels that it is imperative to ascertain how increased cost of coal, consequent upon creation of coal dumps, movement of coal by sea or increase in excise duty under Coal Mines (Conservation and Safety) Amendment Bill, 1961, should be shared by the industry and the consumer.

The Federation's suggestion that the requirements of industries situated at places over 500 miles from collieries should be met by supplies of selected grades coal, so that their consumption is less and the transport capacity thus relieved can be used to meet the requirements of other consumers, is, however, incomprehensible. Output of selected grades coal in the country today is hardly sufficient to meet the requirements of top priority users such as steel plants, railways, etc. From where is the superior grades coal to come to feed the industries situated at long distances from the coal mines?

The ultimate solution of the present-day coal crisis obviously lies in augmenting the capacity of railways to move this vital energy producing material and switching over to other sources of energy such as furnace oil. Arranging of movement of coal in block rakes can go some way in resolving the crisis; turn-round of wagons can be improved considerably through this measure. There is also need to expedite the commissioning of 8-wheeler wagons by the railways. These wagons carry freight approximately double than what is carried by the conventional 4-wheeler wagons.

Foreign Aid

I.D.A.'S LOAN TO HONDURAS

IDEAS ABOUT provision of economic aid to under-developed countries apparently seem to be changing. An eloquent testimony of this fact is provided by the latest loan granted by the International Development Association for a programme of highway development and maintenance in Honduras. The Loan is for \$9 million, to be utilised for extension of the western highway of Honduras, construction of feeder roads, continuance of the maintenance programme of this highway and for undertaking further planning of the transport system in the region. No interest is to be paid on the loan as is the case with all the credits granted by the Association; only a small sum — 0.75 per cent of the amount withdrawn and outstanding at the end of a particular year — will be charged annually to meet the IDA administrative costs. The loan is repayable in dollars over a period of 50 years, with another 10 years of grace in case of default. The first instalment of repayment falls due not earlier than September, 1971. For the next 10 years, annual repayment obligation is confined to one per cent of the principal. The rest of the 90 per cent principal is to be repaid over a period of 30 years at the rate of 3 per cent per annum.

The terms of the credit are in line with those advocated in the recent past by India and as suggested by President Kennedy in his inaugural message to the U.S. Congress, for grant of loans by world lending institutions for economic development of backward countries. Confining of loan repayment liability to a short span invariably puts a great strain on the balance of payments of an economically weak nation. It is all to the good that this fact is increasingly being appreciated by the international lending institutions and the

more prosperous countries who provide aid to developing countries. Will this encouraging trend gather momentum?

Gujarat

SALES TAX ON STEAM

TO THE already existing taxes in the State, the Government of Gujarat has sought to add yet another in the form of sales tax on steam supplied to factories at Porbander. Whatever theoretical justification the tax authorities may find in support of this new impost, it seems hardly fair or equitable to the unit or units of the industry that would be affected by it. The Indian Merchants' Chamber, Bombay, has lost no time, therefore, in representing to the Secretary, Finance Department, the Government of Gujarat, that the decision to subject steam to sales tax is wrong in principle generally and, in the case in point, also inequitable.

Adducing arguments to prove this, the IMC has pointed out how one of the factories affected by the decision wanted to set up its own power plant for the supply of steam and electricity required by it and how the then Saurashtra Government actually dissuaded it from doing so in order that it should draw its supplies power, as well as of steam and sea water under an agreement, from the State's central thermal plant. If the Government of Gujarat has since decided, as reported, to levy sales tax on supplies of steam to factories, those factories that have to draw their daily supplies of steam from outside sources (for example, Saurashtra Chemicals) would be placed at a disadvantageous position vis-a-vis those—and there are at least two units—which produce their own power and get their own supplies of steam for producing energy, as the latter can do so without having to pay sales tax thereon. In the case of industries such as those affected which have to sell their products at prices fixed by the Government, the adversely affected one will suffer for no fault of its own, or rather, it seems, for the fault of having heeded to the suggestion of a predecessor Government to the present Gujarat Government. That surely is an unmerited reward.

It needs hardly to be mentioned that at a time when the intensive industrialisation of Gujarat is the avowed objective of the State, the levy of a novel tax, such as a sales tax on steam supplied to factories (at the rate of 3 nP in a rupee plus a general sales tax at the rate of 2 nP in a rupee) would only hinder and not help the achievement of the goal. On second thoughts, at least, it is to be hoped, therefore, that Gujarat Government would withdraw this new levy.

Engineering Industry

SHEET ROLLERS' SUFFERINGS

THERE IS no gainsaying the fact that the engineering industry plays an important role in the industrialisation of any country, even as it has been doing in our country. But it could play a more important role still if various other allied industries, such as the sheet-rolling industry, catered more fully to its requirements. If the latter is not able to do so, it seems, it is not due to any unwillingness on its part, but to reasons beyond its control, as Mr. S. P. Khaitan indicated in the course of his presidential address at the twelfth annual general meeting of the Western Indian Sheet Rollers' Association, in Bombay, last week.

The most important problem that the non-ferrous sheet rolling industry faces today is that of non-availability of raw materials, such as copper and zinc, in

required quantities. With the foreign exchange position worsening every year, one realises troubles are bound to arise in securing larger imports of these basic raw materials. But what passes one's understanding is that, even when larger imports are effected, the organised sector of the industry should be starved of its legitimate share. Thus, the statistics for 1960 show that imports in that year were higher than in 1959. Despite these larger imports and the doubling of production of sheets and circles within the country, according to Mr. Khaitan, the allocation of the raw materials to the scheduled sheet rolling industry was further pruned during the last import period. If the explanation for this is that the larger imports were partly on account of Government, semi-Government and new industrial undertakings, still the question which the President of WISRA posed remains to be answered, namely: "How could the total production in the country have gone up?" Now the monthly average of production of copper and brass sheets and circles, expressed in tons, was 263 and 1,700 in 1958, 223 and 1,747 in 1959, and 413 and 3,633 during January-September, 1960. Needless to say, and as Mr. Khaitan also rightly inferred, while the production of the scheduled units was restricted, that of the small-scale sector was allowed to be increased sharply.

There can be no prejudice in any quarter against the development of the small industries as such, but the authorities should take care to see that this does not happen at the expense of the organised sector. It should be borne in mind that it is far more difficult and complicated to allow any unit of the organised sector to retrench its staff or close down. In the interests of industrial peace at least, the authorities concerned should ensure a judicious and equitable distribution of the available raw materials among all so as to enable the scheduled units also to contribute their share to the general increase in production.

Forging Shops

A NEW VENTURE

THERE IS a rapidly expanding market for forging components and the automobile industry is perhaps the most important consumer. Other important consuming industries are internal combustion engines, motor cycles, railways, tractors, heavy earth-moving equipment, aircraft and agricultural machinery. They all need the services of forge shops. A new venture, Forgings and Drop Stamping Ltd., is, therefore, likely to have considerable scope for successful functioning. The principle promoter of this company, Mr. K. C. Sud, already has a concern in Calcutta, Sudsons (Manufacturing) Private Limited, which is catering to similar needs of several manufacturers of automobiles, like Ashoka Leyland Limited, Enfield India Limited, and Hindustan Aircraft Limited. His experience in forge shop techniques will be of considerable initial advantage to the new company. Further, the new company will have technical collaboration of Messrs. B. & S. Massey Limited, one of the important manufacturers of forge shops equipment in the United Kingdom.

The Industrial Credit and Investment Corporation of India has granted to the company a foreign exchange loan of Rs. 27 lakhs, which will be sufficient to meet the cost of capital equipment to be imported from the United States, the United Kingdom and other European countries. Rupee capital to the extent of Rs. 50 lakhs—Rs. 40 lakhs in equities and Rs. 10 lakhs in preference shares—is now being raised. In view of the experience of the promoter in this field, the company will hardly have any problem of marketing its products. The Government, it is gathered, has already asked the automobile and other manufacturers to reduce their imports and forgings. The new venture will thus have an assured market for its products.

Cotton Textiles

THE PROBLEM OF COSTS

MR. A. H. HAKSAR, Chairman of the Kohinoor Mills Company Ltd., at the Annual General Meeting of the Company, held in Bombay recently, highlighted the problem of costs of the cotton textile industry. There are two major elements which have complicated the situation, he said. Those are: the rise in the prices of raw cotton and the non-availability of foreign exchange for the import of new machinery necessary to increase efficiency of the industry. Mr. Haksar pointed out that earlier estimate of 48 lakh bales cotton crop during 1960 was revised to 38 lakh bales, a quantity far short of the demand. This resulted in an acute scarcity of the desirable quality of raw cotton despite liberal imports. Restrictive measures had to be taken by the Textile Commissioner in the form of quality controls. By the end of January, the Chairman pointed out, the situation was alarming and raw cotton imports had to be stepped up.

The Kohinoor Mills Company has tried to carry out a programme of renovation of its machinery. It has installed latest types of machinery which have modernized a part of the factory. The Chairman added that the 48 automatic looms which were allotted to the company had been ordered to be set up, but unfortunately no further allotments had been made. He was hopeful that further licences to enable the company to fulfil its programme of renovation and modernization would be forthcoming. The cotton textile industry, which through the Indian Cotton Mills' Federation is trying to reduce the sale price of cloth, obviously deserves a more sympathetic attitude because this price reduction has ultimately to come from an improved working of the mills. This has become even more important in view of the problem faced by the industry on account of raw cotton prices, which are not always stable.

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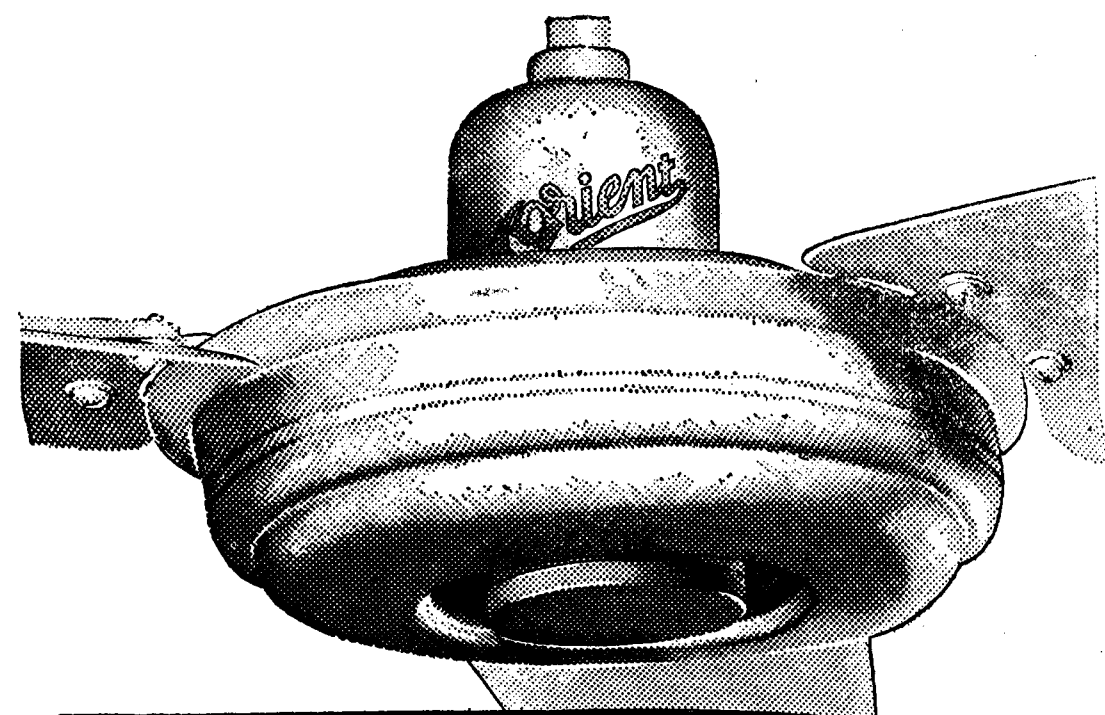
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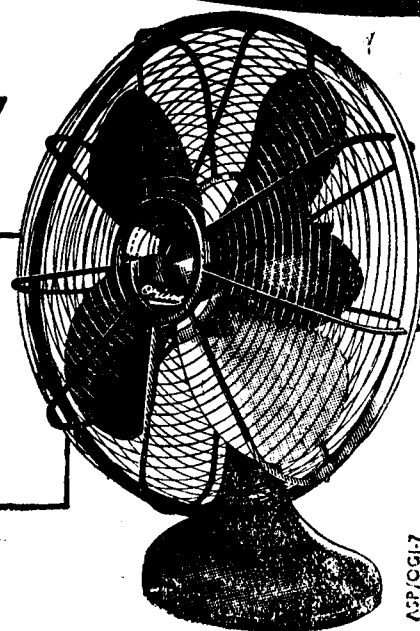
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FROM THE CAPITAL'S CORRIDORS

U.N. FERTILIZER MISSION'S REPORT

DETAILS are now available of the report submitted by the United Nations Fertilizer Mission to the Government of India on setting up of fertilizer manufacturing units under the Third Plan. The Mission visited this country early last year.

The Mission, in its report, recalls that during the Third Plan period, output of nitrogenous fertilisers in India is envisaged to be increased from 150,000 tons nitrogen in 1961 to one million tons nitrogen in 1965-66. To achieve this target, the Mission opines, India will have to set up thirteen factories which should go into production in the four years from 1962 to 1966. Besides, expansion of the existing factories will also have to be undertaken.

There are five fertilizer factories in operation, either fully or partially, at present in this country; they are, Sindri fertilizer factory, Alwaye fertilizer plant, Nangal fertilizer manufacturing unit and two by-product ammonia plants. The total installed capacity of these five units, in terms of nitrogen, is 243,000 tons per annum. Two fertilizer factories, one at Rourkela and the other at Neyveli, with a total capacity of 155,000 tons nitrogen per annum, are envisaged to be commissioned in 1962. Another three plants—at Trombay, Ennore and Vishakhapatnam—with a total capacity of 168,000 tons nitrogen per annum, are suggested by the Mission for completion in 1963. Five more plants, with a total capacity of 310,000 tons nitrogen per annum, are recommended for completion in 1964; they are to be located at Alwaye, Kothagudam, Nahorkatiya, Tuticorin and Durgapur. Another three plants, the Mission suggests, should be set up in 1965. They should have an installed capacity of 250,000 tons nitrogen per year and should be located at Gorakhpur, Ankleshwar and Mangalore.

The following are the observations made by the Mission on some of the proposed fertiliser manufacturing units:

Nangal Plant: With the heavy water production somewhat of a question mark at the present time, it appears that this plant will be a high cost ammonia production unit. The plant is now being brought "on stream." A long-term project should be drawn up to plan a gradual change over to a cheaper raw material when the electric power now used is required for other industries. The calcium ammonium nitrate production (nitrochalk) should be held at 30 per cent nitrogen content, instead of being diluted to 20.5 per cent as planned.

Rourkela Plant: Whatever help is needed to complete and start up the Rourkela fertilizer plant should be given immediately. This plant is designed for 120,000 tons of nitrogen production per year as ammonia, but some estimates indicate that a shortage of coke-oven gas will reduce the output to about 80,000 tons. If this is the case, some other raw material should be considered now and provided for in order to utilise the full capacity of this plant. The final product is to be calcium ammonium nitrate (nitrochalk) and, as for Nangal, a 30 per cent nitrogen content product, instead of 20.5 per cent, should be seriously considered.

Neyveli Project: Completion of Neyveli fertilizer plant should be speeded up by any means available. Long-term planning should include evaluations for phosphatic (complex) fertilizers to supplement the single plant product, urea. This plant has a capacity for 75,000 tons of nitrogen per year as ammonia at the reasonable operating factor of 90 per cent.

Trombay Plant: The Trombay fertilizer factory is being built for 350 tons ammonia per "stream" day, which is equivalent to 95,000 tons of nitrogen per year. The installed spare compressors at this factory will allow future incremental expansion at minimum cost and this course should be planned now because of

Trombay's excellent location as regards raw material availability and marketing.

Visakhapatnam and Kothagudam Projects: The pending decision on the grant of licence for setting up of the Visakhapatnam fertilizer plant should be made immediately since continued delay could seriously hamper the Third Plan schedule. (The licence has since been granted to Messrs Parry and Company). Visakhapatnam is an excellent site for setting up of a fertilizer plant in spite of the over-loaded rail system in this area. This situation must be recognised however and plans to avoid serious transportation bottlenecks should be made now. Low-cost naphtha raw material is available from the Caltex refinery and importation of both sulphur and phosphate rock is facilitated by the site being on the sea coast. Kothagudam, however, will definitely be a higher cost operation, both capital-wise and production cost-wise. It is favourably located from a marketing and transportation viewpoint, but this will not altogether counterbalance the effect of the use of a poor quality and expensive raw material such as slack coal. It is suggested that these two plants be considered together and be operated jointly, preferably by the same company. This would afford the most economic operation possible for Kothagudam and should not penalise Visakhapatnam too severely. They could complement each other in that phosphatic complex fertilizers could be produced at Visakhapatnam and high nitrogen content urea at Kothagudam, thereby affording the proper and required N-P or N-P-K ratio to be maintained throughout the combined marketing area.

Durgapur Plant: The availability of adequate coke oven gas to support an ammonia plant of economic size, i.e. 80,000 tons of nitrogen per year, in a potentially high fertiliser acceptance and consumption area, makes the Durgapur fertilizer plant a sound and financially attractive project. It is proposed to make here both urea and nitro-phosphate fertilizers; this should, therefore, be a relatively low cost operation.

Gorakhpur Project: There will be sufficient surplus naphtha available from the Barauni refinery (scheduled to be commissioned into production by 1963) to supply food to more than one ammonia plant in East U.P. and Bihar. The market potential for fertilizers is so large on the Gangetic Plain that Gorakhpur should be built initially for 85,000 tons of nitrogen per annum as ammonia, and arranged so as to be easily expandable. Urea is planned initially as the high nitrogen content solid fertilizer. For the longer term, it will be necessary to plan for complex fertilizers containing N-P-K. This plant should be planned to produce in the Third Plan. Additional site study is recommended to make sure that proper location is established from both the short-term and long-term viewpoints.

Ankleshwar Plant: The Ankleshwar fertilizer factory, in Gujarat, should be planned along with the Gujarat Refinery development. Naphtha supplied from Trombay could be considered initially as a raw material for this factory. Site studies should be conducted jointly with the refinery investigations, adequate port facilities being one of the principal factors to be taken into consideration in arriving at a decision about location. This plant should be planned on similar lines to Gorakhpur, on a large size expandable basis because of its economically favourable location.

Ennore Project: The Ennore fertilizer project is planned for ammonia production equivalent to 8,000 tons of nitrogen per year. This is a favourable plant location from a raw material, product marketing and transportation point of view. A site at or near Ennore should be studied with a view to erecting a plant to manufacture fertilizers containing 85,000 tons of nitrogen per annum. This could be done either by expanding the present small factory there, or by putting up a factory at a fresh site. The situation seems good from

both the transport and the market points of view. Either this factory or the one at Tuticorin should fit well into the Third Plan.

Tuticorin Plant: There are plans for further development of port facilities at Tuticorin. This is a logical and an economic location for a future fertilizer plant, particularly in view of the fertilizer acceptance and demand in the southern part of India. A plant, based on naphtha as raw material, making 85,000 tons of nitrogen annually is justified in this area. The market should require such a plant in the Third Plan. The market for ammonium chloride as a fertilizer for paddy and coconut in the Tuticorin area should be evaluated, and consideration should be given to the manufacture of ammonium chloride as one of the solid fertilizers to be made there. The complex phosphatic fertilizers and urea could also be produced at this factory to obtain the proper N-P-K balance.

Hanumangarh Project: The long-term development of extensive irrigation of large acreages as large co-operative farms in Rajasthan makes Hanumangarh a potentially attractive location for setting up a fertilizer plant. It will, however, take considerable time to put this land into extensive production and to develop the large fertilizer consumption required to justify the planned 80,000 tons per annum nitrogen output at this plant. The production of the fertilizer based on coal will be high cost. It is possible to utilize naphtha by transporting north from Gujarat, but this entails considerable freight and additional load on the rail-road. It is possible that gas will become available in Rajasthan either by agreement with Pakistan or by actual discovery of gas fields nearby. Since there is no urgency to build a plant immediately in this area, it is suggested that construction be postponed until the irrigation system is nearer operation and much more fertilizer market development work is done. During this period, if natural gas becomes available, plans should be made to build quickly a low capital cost and a low operating cost plant similar to the one in Assam, but larger and economically expandable to take advantage of the large potential future fertilizer market in Rajasthan.

Itarsi Plant: The initial studies for the fertilizer plant to be located at Itarsi were based on the development and use of good grade coal deposits in this area. Ammonia manufactured from coal is relatively high cost and much more capital is required for a plant to be based on it than for one based on naphtha. If a large fertilizer consuming area is nearby, freight, handling and distribution cost savings tend to counterbalance the higher basic fertilizer cost. This is not the case with Itarsi since the fertilizer market in Madhya Pradesh is small as yet, and demand is largely concentrated in the eastern parts, towards the Orissa border. Thus, not only will this be high cost fertilizer, but it will also be at a disadvantage freight-wise. The small size of the projected plant—50,000 tons of nitrogen annual capacity—is also a disadvantage. It is recommended that this plant be postponed until the Fourth Plan and re-examined at that time with the latest market demand and trend data. This will allow a more accurate economic evaluation of the project and facilitate a firm decision on its location, size, products to be manufactured by it and on raw materials to be used (Naphtha may be available as an alternative raw material).

Another Fertilizer Unit for Koyna Area: Growing fertilizer requirements will favour setting up of another fertilizer plant in the Koyna area. Site studies should be initiated now to determine the most favourable location for it. This plant should be scheduled for commissioning during the Fourth Plan period.

SHORTAGE OF TECHNICAL PERSONNEL

The Mission notes that India today faces a critical shortage of trained and experienced technical personnel

needed to meet the requirements of industrial expansion under the Third Plan. This shortage, it says, will be very keenly felt in the fertilizer manufacturing plants because the number of such units proposed to be set up is large. This Mission, therefore, suggests that the available talent should be made use of fully and some top technical help may even be solicited from foreign countries.

The Mission makes a pertinent observation about the wastage of technical skill in India; the number of engineers and chemists normally used in the Indian fertilizer plants, it says, is excessive. This fact, it observes, is recognised by some managements as well. Staffing of new plants, the Mission suggests, must be done on a planned and time-schedule basis so as to ensure adequate training of all personnel, whether supervisors, operators or craftsmen.

To make efficient use of the limited capital and production equipment available to this country, the Mission suggests that efforts should be made towards increasing productivity per man-hour.

THE TIME FACTOR

The following data has been adduced by the Mission to illustrate that the time taken in India to plan and erect fertilizer factories is much longer than warranted. The Mission, for the purposes of comparison, has worked out a normal time-schedule on the basis of the experience of some of the Western countries and has adjusted it to suit Indian conditions.

TIME TAKEN TO SET UP FERTILIZER FACTORIES IN INDIA COMPARED TO NORMAL TIME TAKEN ABROAD

Phasing of the Project	Approx. time taken by Government of India (months)	Normal time period (months)
1. Preliminary analysis, project report and initial decision to proceed with the project.	5—7	4—5
2. Preparations of tenders, preliminary process and specification, etc.	3—4	3—4
3. Contractor's project bid, review of bids and final decision to construct the factory.	12—20	4—8
4. Ordering, construction and Start-up	32—40	24—30
TOTAL	52—71	35—47

The Mission draws two conclusions from this data. Firstly, the time taken in India to plan, erect and commission a fertilizer factory into production is about 17 to 24 months longer than is warranted. Secondly, valuable time is lost in the process of arriving at a final decision and also in the actual erection and starting of the factory. The extra time taken in the latter part, in India's present state of development, the Mission thinks, is inexcusable. With a large development programme in progress, the deliveries of construction materials, locally made machinery etc. present problems of co-ordination and administration which effect the time-schedule of erection of a factory. But the extra time taken in arriving at a decision once the contractors' bids are submitted is serious. This, the Mission opines, is a part of the decision-making process which should be speeded up considerably.

In the case of private sector projects too, the Mission states, a similar situation exists. Decision-making, in this case again, has become the bottleneck. The time taken to start construction of the factory from the completion of preliminary studies is about 24 months, which is much the same as is taken in the public sector.

At its present stage of development, the Mission observes, India cannot afford to lose time. If two years are lost in commissioning a factory into production,

it makes a great deal of difference in the implementation programme of the Third Plan, which is only a five-year plan. It also means loss of valuable foreign exchange, which in the case of one factory alone would be about Rs. 8 crores—not to mention the exchange needed for the import of food. The Mission recommends that a time limit should be set for arriving at a decision. Once the bids are received, the total time to evaluate these and arrive at a decision should be under four months.

STANDARDISATION OF PLANTS

The Mission advocates setting up of standardised plants in India. This, it says, will result in accruing of the following advantages:

- (1) The capital cost of plants will be reduced and so will the cost of spare parts, of which fewer will be required.
- (2) The plants and spare parts will be more easily made, and hence will be made in India at an earlier date.
- (3) The time required to build plants, train personnel, and start up plants will be reduced.
- (4) Standard plants will facilitate good operation, good maintenance and inter-change of personnel with the minimum of training.
- (5) They will also facilitate and make more valuable the inter-change of design, production, maintenance and other technical data.

It is obviously too late, the Mission says, to attempt standardisation of the heterogeneous fertilizer plants already operating in India or those which are at the final stage of planning or construction. It is, however, definitely not too late, it opines, to consider standardisation of design and equipment for the new fertilizer plants now in the early planning stages and the succeeding plants.

A great capital advantage, the Mission thinks, can be obtained by standardisation of the plants requiring large capital investment. It, however, adds that this cannot be the sole criterion since some equipment and some processes are better adapted to standardisation than others.

For the future, setting up standardised single string ammonia plants of 300-350 tons per day capacity is recommended by the Mission. There should, thus, exist in India two standard sizes of fertilizer plants: (1) the 175 tons per day capacity plants now being built (as at Trombay), and (2) the larger ammonia units recommended by the Mission for future planning. The following plants recommended by the Mission for completion between 1964 and 1965 offer an excellent opportunity for standardisation:

- (1) Gorakhpur,
- (2) Ankleswar,
- (3) Tuticorin or Ennore,
- (4) Mangalore.

The Mission has recommended that these plants should be of the same design and use similar raw material (petroleum naphtha). Another plant in the Koyna area or South Maharashtra could be added to this list for completion in the Fourth Plan.

MINERAL CONCESSION RULES

The Government of India has invited the attention of applicants for grant of prospecting licences, mining leases or their renewal to provisions number 11 and 24 of the Mineral Concession Rules, 1960, which prescribe the time limit within which such applications are to be disposed of. These rules prescribe that in case the State Government does not dispose of the applications within the prescribed time limit, such applications shall be deemed to have been refused after the expiry of the prescribed time limit. Once an application has been refused or it is deemed to have been refused due to its not being disposed of by the State

Government within the prescribed time limit, it will not be permissible for the State Government in accordance with the rules to grant fresh concession or renewal against it.

In all such cases it is necessary for the applicant, in order to safeguard his interest, to come in review to the Central Government in accordance with rule 54 of the Mineral Concession Rules. If an applicant, in the circumstances, does not file a review application, he has no further remedies in respect of his application. It will be open to another person to apply for concessions over the same area and the applicant who has not filed a review application will not be entitled to consideration.

These provisions of the Mineral Concession Rules, 1960, are being specifically brought to the notice of persons interested in mining, as review applications can be filed only within a period of two months from the date an application is deemed to have been rejected.

DISTRIBUTION OF OIL PRODUCTS

The Indian Oil Company Limited, it is understood, is going ahead in right earnest with completing of its arrangements for distribution of oil products. The Company has already taken over from Burmah-Shell its naval tankage installations at Vishakapatnam. One storage tank has also been completed at Cochin and construction of a second tank and a broad-gauge railway siding there is on hand. Storage installations at Wadala, near Bombay, are expected to be ready by July next. Construction work on storage tanks at Kandla is said to be progressing well. The installations at Calcutta are also at an advanced stage of erection; they are expected to be commissioned by October. Construction of depots at Kotah, Nagpur, Bhopal, Amraoti and Sholapur has also been taken up.

The Company had imported 66,000 tons of kerosene and high-speed diesel oil from Russia against rupee payment. Nearly 37,175 tons out of these had been sold by then. A new licence has been issued to the Company to import one lakh tons of kerosene and HSD during the current licensing period. Besides, it has been permitted to import the balance of nearly 50,000 tons of these oil products against the unutilised portion of the previous licence. The Company is also negotiating with the Soviet Union for the import of furnace oil for meeting the growing demand for this fuel in Kandla and Cochin port areas.

To solve the current coal crisis in western and southern India, the Government, it is understood, has decided to encourage switching over from coal to furnace oil in some selected industries. It is estimated that by the end of the Third Plan period, furnace oil will replace coal as energy producing material to an appreciable extent; the demand for furnace oil may increase to about 5 to 6 million tons in 1965-66, as against 2.2 million tons envisaged in the Draft Outline. Most of this furnace oil, however, will have to be imported as the production plans of both the private and the public sector refineries provide for an output of only 1.7 million tons.

ROPEWAYS IN JHARIA, RANIGUNJE COALFIELDS

It is proposed to install seven ropeways in the Ranigunje and Jharia coalfields—one in the Ranigunje area and six in Jharia region. The capital cost of these ropeways, approximately Rs. 10 crores, is envisaged to be advanced by the Government of India as a loan. The foreign exchange cost of the first of these ropeways is likely to be met from the credit made available for the Third Plan by the British Government. Sources for meeting the foreign exchange cost of the other ropeways are being explored at present.

Project reports of six ropeways have already been approved by the Union Government. The project for the seventh one is expected to be finalised in the near future.

COAL REQUIREMENTS OF STEEL PLANTS

According to the latest estimates prepared by the Union Ministry of Steel, Mines and Fuel, coal requirements of steel plants during the Third Plan period are expected to be of the order of 25 million tons per annum.

The Polish Team, which had submitted a preliminary report, towards the end of March last, to the National Coal Development Corporation for operating a deep mine in Sudamdih area, is understood to have submitted draft agreements for preparing a regular project report and for shaft sinking in the mine. They are said to be under examination of the Government.

Import of machinery and technical know-how to work this mine will be financed through the aid provided for the Third Plan by the Polish Government.

INDIAN DELEGATION TO I.L.O. CONFERENCE

The Indian delegation to the 45th Session of the International Labour Conference, scheduled to be held at Geneva from 7th to 29th June, will be led by the Union Deputy Minister for Labour, Mr. Abid Ali. Other members of the delegation are: (1) Mr. R. L. Mehta, Joint Secretary, Union Ministry of Labour and Employment; (2) Mr. A. S. Mehta, Consul-General of India in Geneva; (3) Dr. S. T. Merani, International Labour Adviser, Consulate-General of India, Geneva; (4) Mr. N. S. Mankiker, Chief Adviser, Factories, Union Ministry of Labour and Employment; (5) Mr. Babubhai M. Chinai, M.P.; (6) Mr. P. Chentsal Rao, Secretary, All-India Organisation of Industrial Employers; (7) Mr. K. J. Khambatta, of the Bombay Dyeing and Manufacturing Company; (8) Mr. G. D. Ambekar, General Secretary, Rashtriya Mill Mazdoor Sangh; (9) Mr. Gulab Singh, M.L.C., Financial Secretary, INTUC-Punjab Branch; and (10) Mr. Heera Lal Sharma, General Secretary, Ujjain Mill Mazdoor Sangh. The first four are the Government representatives on the delegation. Mr. Chinai, Mr. Chentsal Rao and Mr. Khambatta will represent the management and Mr. Ambekar, Mr. Gulab Singh and Mr. Sharma will be the representatives of labour.

The 10-point agenda of the Conference includes discussion on reduction of hours of work, workers' housing, employment problems and policies, vocational training, need for equality of treatment of nationals and non-nationals in social security, the proposed convention for partial revision of the convention adopted by the International Labour Organisation at its first 32 sessions for the purpose of standardising the provisions regarding the preparation of reports by the Governing Body of the I.L.O. on the working of conventions, and the role of the I.L.O. in the promotion of economic expansion and social progress in developing countries.

CALCUTTA-ASSAM FREIGHT RATES

The Government of India has appointed a Committee to enquire into the reasonableness or otherwise of the freight rates charged by the Joint Steamer Companies for the transport of goods from Calcutta to Assam and vice versa.

The Indian General Navigation and Railway Company Limited and the Rivers Steam Navigation Company Limited (commonly known as the Joint Steamer Companies) who maintain services as common carriers on the inland waterways of North-East India increased the freight rates for the transport of all commodities, other than foodgrains, by the river route from Calcutta to Assam by 10 per cent with effect from March 15, 1961. Following discussions with the representatives of the Joint Steamer Companies for getting their freight rates reduced, it had been agreed that they would, with immediate effect, limit the enhancement of the rates to 6 per cent till June 30, 1961, and that

in the meantime, the Government of India will hold an enquiry into the economic working conditions and the rate structure of the steamer companies.

The Government, therefore, has set up a Committee to be known as the Inland Water Transport Freight Rates Enquiry Committee, with Mr. S. R. Kalyanaraman, Member, Railway Rates Tribunal, Madras, as Chairman. The other members of the Committee are: Mr. K. Nagaswami, Senior Cost Accounts Officer, Ministry of Finance, Mr. Surendra Nath Barua, Officer on Special Duty, Department of Transport, Government of Assam, and Mr. D. A. Rama Warriar, Under Secretary, Union Department of Transport (member-secretary).

The Committee will examine the traffic handled by the Joint Steamer Companies during the last three years on the river route from Calcutta to Assam, the freight rates prevailing in 1960 and the anticipated traffic and operational results in the immediate future on the basis of the freight rates in force prior to revision in March, 1961, and recommend whether any increase in freight rates is justified and, if so, to what extent. It will also recommend how the increase in freight rates should be distributed among the various commodities other than foodgrains.

The Committee has been asked to submit its report before June 15, 1961.

CENTRAL SEEDS CORPORATION

The Government of India has decided to set up a Central Seeds Corporation as a company registered under the Indian Companies Act, 1956. The Corporation, with a share capital of Rs. 5 crores, divided into 500,000 equity shares of Rs. 100 each, will promote the production of improved seeds in the country by giving financial aid, technical guidance, establishing suitable production and marketing organisations and sponsoring training programmes in collaboration with the Central and State Governments and other interests.

The Corporation will be an autonomous body. Its Board of Directors will include representatives of the Government of India, the seed industry and other interests. It will also have executive and financial committees.

The Foundation Seed Organisation, to be set up under the control of the Central Seeds Corporation, will have control over the production, movement and supply of seeds to units or agencies engaged in the production of certified seeds. Four such units, each of 500 acres, are proposed to be set up during the Third Plan period, for hybrid maize seeds, and one or two units for hybrid jowar seeds. They will also produce seeds of rotation crops such as wheat, groundnut and cotton as also seeds of green manure crops.

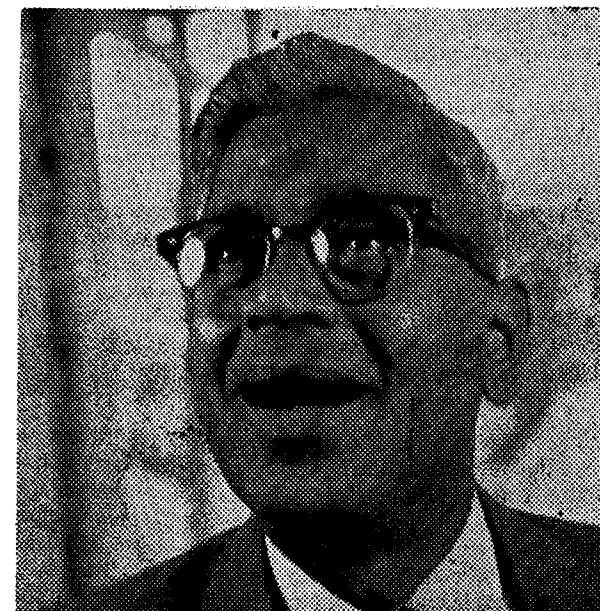
The scheme also provides for setting up of certified seed agencies which, as far as possible, will be co-operatives. These will in effect be seed-growing villages with all the villagers in contiguous areas growing the same hybrid or other improved seeds and organised on a co-operative basis.

BRIEFS

In view of the specific recommendations made by the Sachdev Committee on Utilisation of Middlings, the setting up of two coal washeries at Karanpura and Anuppur/Kurasia has assumed considerable importance. It is proposed to include the Anuppur/Kurasia washery in the Third Plan.

During the first quarter of the current year, India exported only 29,079 metric tons of motor spirit, as against 54,141 metric tons exported during the corresponding period last year. Exports of paraffin also declined to 4,518 metric tons in the first three months of 1961, from 5,587 metric tons during the corresponding months of 1960.

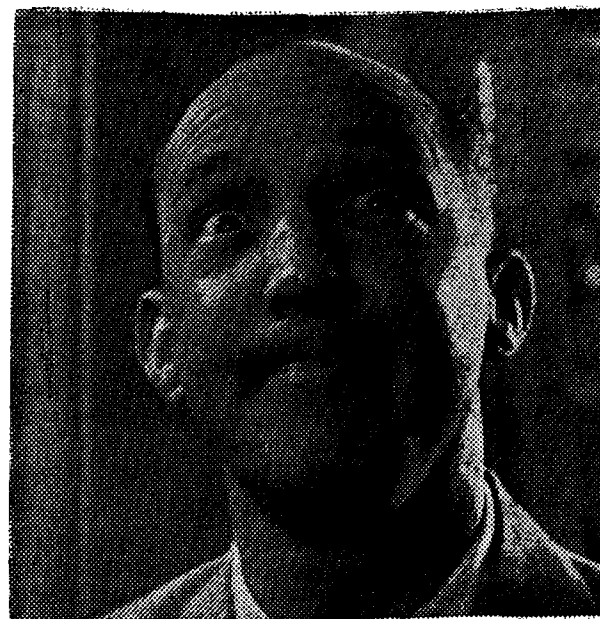
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BOOK REVIEW

LIBYA'S ECONOMY

THE ECONOMIC DEVELOPMENT OF LIBYA:
Report of a Mission organized by the I.B.R.D. (John Hopkins Press: Price \$7.50).

The Economic Development of Libya is a good well thought out book, written by the Economic Survey Mission to Libya which was sponsored, in late 1958, by the International Bank for Reconstruction and Development at the behest of the Libyan Government. The Mission comprised 13 experts from 9 different nationalities. Their report outlines the problems of the Libyan economy, discusses the long-term possibilities opened up by the discovery of oil there and makes specific recommendations for a five-year development programme for the country.

Some of the basic facts of the Libyan economy are: a population of approximately 1.2 million, 90 per cent of which is illiterate with only a handful of the remaining 10 per cent at a University or higher skilled level; 75 per cent of the population is spread over an area of 1,760,000 square kilometers of "neglected" land and the remaining 25 per cent is concentrated in towns; of the 75 per cent rural population, two-thirds exists on an out-dated agricultural system while the remaining one-third is nomad, living on livestock and shifting cultivation.

Thus, there exists in Libya today a dual economy. On the one hand, there are agriculturists and nomads who till land and graze livestock on the fringes of the desert, largely consuming what they produce, living in one or two-roomed houses, tents, tin shacks or caves and using for transport a camel, horse or donkey; such amenities as electricity and running water are practically unknown to them. On the other hand, there are the rich urban dwellers owning modern villas in towns or cities having brightly lit streets, shops, cinemas, restaurants and gas stations.

The modern sector of the Libyan economy consists of some 40,000 permanently resident Italians, other foreigners who live on a more temporary basis—foreign troops, technical U.N. and U.S. aid programme personnel and oil company employees—and a few thousand Libyans employed in industries and service trades which depend largely on foreign demand or on demand financed by foreign aid.

The urban 25 per cent absorb the influence of foreign aid (military and otherwise) which comprises one-third of the national product; there will, of course, be many more in the near future who will benefit from the direct and indirect multiplier effects of the revenues arising from the discovery of oil, although the actual business of producing and transporting oil is never likely to be a major source of income to them since oil operations are highly capital intensive. The rest of the people receive only one-fourth of the national income. It was estimated that £L 65,000,000 (£L=£s) were there for Libya's domestic use in 1958. On rough calculation, 55-60 per cent of this sum was absorbed by private consumption, 20-25 per cent by current expenditures of the Federal and Provincial Governments, municipalities and foreign aid agencies and 15-20 per cent by gross capital formation, both public and private.

Heavy current expenditure by the Government or by its agencies and gross capital formation of 15-20 per

cent of the national output have not meant increased income for the bulk of the Libyan people and neither will they increase their revenue in the near future if the national output continues to be spent in the same way as hitherto. The reasons for this are not far to seek; they are: shortage of skills; heavy concentration on social investments which take a long time to yield fruit; the need in agriculture to make good heavy arrears of investment in measures of soil and water conservation; the high cost of Government and investment in Government buildings; the dispersal of a small population over a huge area necessitating abnormal investment in transport and communications. All these factors, particularly the first one, help to explain why economic development programmes have so far yielded only limited dividends in terms of increased output.

The Mission thinks that at present agriculture and processing of agricultural products are the best activities that can be pursued in Libya. Fishing and tourism have great potential for development in the near future. In the long run, development of petro-chemical industries can add considerably to economic wealth. It is, however, necessary to build up the abilities and skills of the people, to give agriculturists individual rights on land, to provide improved Government services to the peasantry, to extend water and soil conservation work and to create better facilities for credit, marketing, cold storage and transport. To achieve all this, the Government has to be better organized, education and technical training must get high priority, the Federal Government must get more authority and there must be better co-ordination between the Federal Government and the provinces in the planning and execution of development programmes. The size of the public development programme should be increased gradually. The agriculturist must get an individual right to the land.

The latter recommendations are all to the good; otherwise there is no possibility of real economic progress reaching the mass of the people, i.e., the ones who are tied to the land. The imperative need seems to be a reform of the land laws. The Mission could perhaps put more stress on this.

The Mission is to be congratulated for its careful compilation of statistics. Further, it deserves congratulations for its very reasonable judgment of the capacity of the Libyan social system to absorb a development programme. Its recommendation for public capital expenditure of the order of £L 25 million for the five years, April 1960-65, appears to be very sound. The assumption is that total public expenditure, recurrent and capital, will rise from an estimated £L 20-21 million in 1959-60 to £L 24-25 million in 1964-65. Such a high level of public expenditure (50 per cent of the estimated gross product for 1958) is justified on the assumption that large oil revenues will eventually be forthcoming to sustain it.

Libya has a wonderful chance—a high revenue with a small population and a good authoritative report outlining its economic road. It must now get down to tackling its politico-economic problems of strengthening the Federal Government and of reform of its land laws, as also the educational problem of raising the level of skills of its nationals.

—V. A. KIRPALANI.

COMMODITY NEWS AND NOTES

ALL-INDIA FINAL ESTIMATE OF DRY GINGER, 1960-61

The All-India Final Estimate of Dry Ginger, 1960-61 puts the current year's area and production at 43,600 acres and 16,400 tons respectively, according to the Directorate of Economics and Statistics, Ministry of Food and Agriculture. As compared with the Partially Revised Estimates of 41,000 acres and 15,200 tons for 1959-60, the estimates for 1960-61 show an increase of 2,600 acres or 6.3 per cent in area and 1,200 tons or 7.9 per cent in production. The increase in area under ginger during the current year as compared to the previous year is accounted for mainly by Kerala, the main ginger producing State, and West Bengal and is attributed to favourable weather conditions at the sowing time. The increase in production is also shared mainly by these States and is attributable partly to the increase in acreage and partly to favourable weather conditions during the growing period.

MINERAL CONCESSION RULES, 1960

The Government of India have invited the attention of applicants for grant of prospecting licence, mining lease or their renewal to rule 11 and 24 of Mineral Concession Rules, 1960, which prescribe the time limit within which such applications are to be disposed of. These rules also prescribe that in case the State Government does not dispose of the applications within the prescribed time limit, such applications shall be deemed to have been refused after the expiry of the prescribed time limit. Once an application has been refused or it is deemed to have been refused due to its not being disposed of by the State Government within the prescribed time limit, it will not be permissible for the State Government in accordance with the rules to grant fresh concession or renewal against it.

In all such cases it is necessary for the applicant, in order to safeguard his interest, to come in review to the Central Government, in accordance with rule 54 of Mineral Concession Rules, 1960. If an applicant, in the circumstances, does not file a review application, he has no further remedies in respect of his application. It will be open to another person to apply for concessions over the same area and the applicant who has not filed a review application will not be entitled

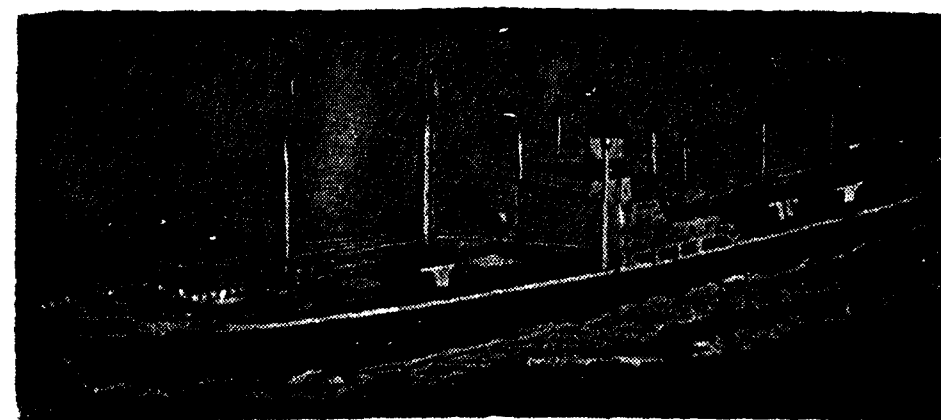
to consideration. These provisions of the Mineral Concession Rules, 1960, are being specifically brought to the notice of persons interested in mining, as review applications can be filed only within a period of two months from the date an application is deemed to have been rejected.

U.S. COTTON OUTLOOK

The 1960 cotton crop of 14.3 million running bales was about 2 lakh bales lower than that of 1959. Harvested acreage increased but yield per acre was down. With the starting carry-over also down from 1959, total cotton supplies of about 22.1 million bales for 1960-61 are 1.5 million bales below 1959-60. And with disappearance probably at about 15 million, carry-over next August should be around 7 million—about 1/2 million bales below 1960 and the smallest since 1953. Cotton exports for the entire season probably will be about 3/4 of a million bales lower than that of a year earlier.

PROBE INTO DECLINING EXPORTS OF INDIAN TEA

The Indian Tea Association and the United Planters' Association of Southern India have jointly made a representation to the Government of India to find out the causes of declining tea exports to the U.K., U.S.A., and to some extent to Canada. In an interview in New Delhi, Mr. D. C. Kothari, former president of the UPASI revealed that apart from strong overseas propaganda of Ceylon, African teas are coming into market in a big way and there is increasing competition from Brazil as well. Mr. Kothari who represents tea, coffee and rubber interests in the country on the Executive Committee of the Federation of Indian Chambers of Commerce and Industry, said the cost of Indian tea production was growing and, that the heavy taxation left nothing to plough back for further investment. During the last budget presented to the Indian Parliament on February 28, Mr. Kothari said, the Government had shown some awareness to making Indian tea very competitive abroad with the lower export duties. But in the opinion of the industry, the relief given was insufficient. Fertilizers were in short supply in the UPASI area. Tea propaganda within the country, Mr. Kothari emphasized, should be intensified. The number of tea promotion officers now being posted abroad, should also be increased.



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COMPANY AFFAIRS

BELSUND SUGAR

During the year to September 30, 1960, the Belsund Sugar Company Limited crushed 35.08 lakh maunds of sugarcane as compared to 31.12 lakh maunds in the previous year. In fact the quality of cane during the year under review was inferior in quality due to draught conditions and naturally the recovery was at 9.47 per cent as compared to 10.15 per cent in the previous year. The sale proceeds of the Company during the year under review were slightly lower at Rs. 1.11 crores against Rs. 1.26 crores during the previous year. Naturally, therefore the profit was slightly lower at Rs. 6.59 lakhs against Rs. 6.63 lakhs last year. After making the adjustments for taxation and development rebate reserve, the Directors proposed the payment of dividend at the rate of Rs. 1.40 per share subject to reduction of tax, absorbing Rs. 3.64 lakhs.

The Directors report that the crushing during the season 1960-61 is expected to be more than 48 lakh maunds and it is estimated that the industry will produce about 27 lakh tons of sugar.

DEORIA SUGAR

The season 1959-60 for Deoria Sugar Mills Ltd. was not very favourable because the Company crushed 31.70 lakh maunds of cane, with a recovery of 9.48 per cent which was considerably lower when compared to last year's cane crush of 32.63 lakh maunds with an average recovery of 9.72 per cent. The higher crush and recovery that was achieved during the previous season fell short of the year under review mainly due to series of unprecedented machinery troubles, which led to a loss in recovery too. The Directors have reported that necessary steps have been taken both from administration as well as mechanical side to set the matters right and the working of the factory in current season 1960-61 has been considered much better. The mills are reported to have crushed 36.33 lakh maunds of cane with a recovery of 9.3 per cent. The total estimated crush for the current season may be in the neighbourhood of 40 lakh maunds of cane. The reports from the factory reveal that the plantation of cane is progressing satisfactorily and the Directors expect to have still better crush and net gain than the last year. During the year to August 31, 1960 the Company made a gross profit of Rs. 3.75 lakhs as against Rs. 8.72 lakhs in the previous year. After making usual provisions for depreciations and taxation the Directors proposed the payment of a dividend of 35 nP. per share of Rs. 10 each subject to deduction of tax.

SITARAM SUGAR

Shri Sitaram Sugar Company during the year to August 31, 1960, crushed the total quantity of 34.42 lakh

maunds of cane with a recovery of 9.46 per cent. Last year 31.40 maunds of cane was crushed with a recovery of 9.60 per cent. The increase in total quantity of cane available for the crush this season was mainly due to large area and higher yields, as a result of cane development efforts on the part of the Company. The Directors have reported that the recovery percentage was slightly lower than the previous season mainly for two reasons: in the first instance, excessive rains in the earlier part of the season delayed maturity of cane and secondly due to higher crush the duration of the season had to be extended further during the low recovery periods. The Directors added that during the current season 1960-61 total cane crushed may be around 40 lakh maunds and the recovery too may be higher.

During the year under review the Company recorded a gross profit of Rs. 7.48 lakhs. After making usual appropriations towards depreciation and taxation, the Directors have proposed the payment of dividend on ordinary shares at the rate of Re. 1 per share of Rs. 10 each.

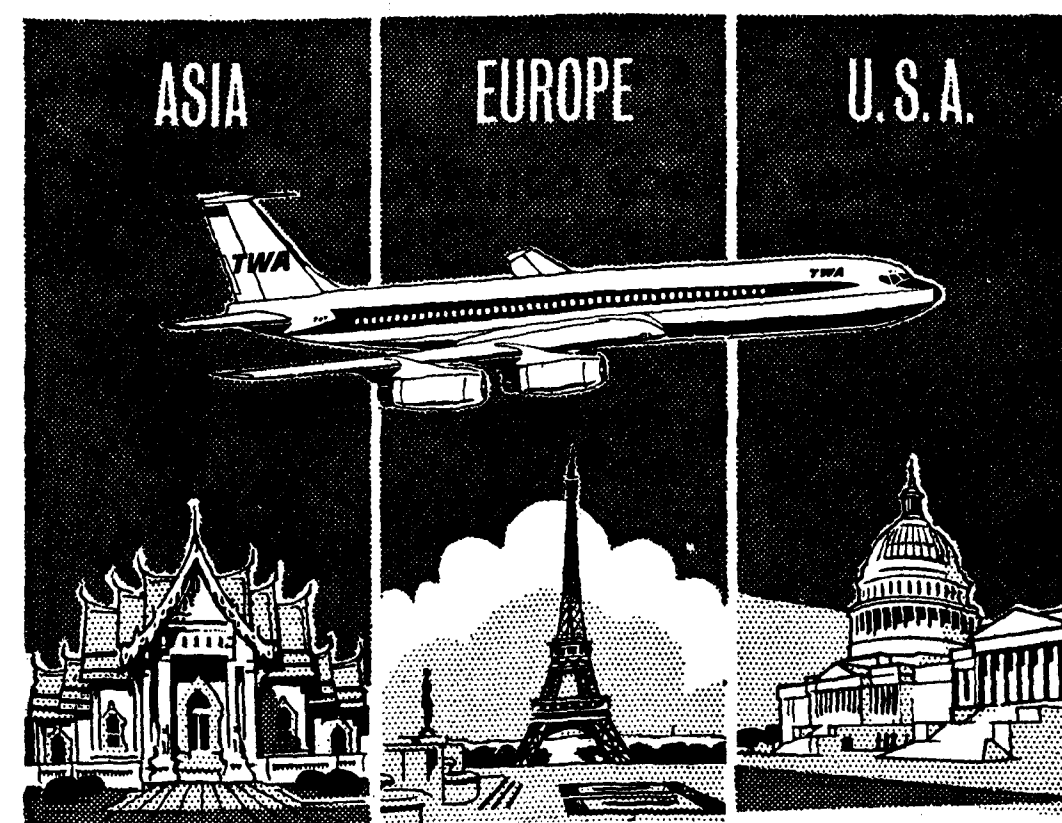
COMPANIES REGISTRATIONS IN THE EASTERN REGION

Two hundred and thirty-eight new companies with a total authorised capital of over Rs. 36 crores were registered under the Companies Act, 1956 in the Eastern Region, comprising West Bengal, Bihar, Assam and Orissa during the half-year ended March 31, 1961. Of these 26 were public limited companies with an authorised capital of Rs. 26.78 crores, 210 private companies having an authorised capital of Rs. 9.72 crores and the remaining two were companies limited by guarantee.

Forty-five public and private companies with a total paid-up capital of Rs. 88.82 lakhs went into liquidation while 51 companies with a total paid-up capital of Rs. 1.47 lakhs were finally dissolved.

In West Bengal 215 companies with a total authorised capital of Rs. 33.42 crores were registered during the period under review. Of these 24 were public companies with an authorised capital of Rs. 24.53 crores, 189 private companies having an authorised capital of Rs. 8.87 crores and two companies limited by guarantee. In Bihar two public companies and nine private companies were incorporated having authorised capital of Rs. 2.25 crores and Rs. 52.00 lakhs respectively. Six companies with total paid up capital of Rs. 4,39,000 (approximately) went into liquidation during the period. Only two companies having an authorised capital of Rs. 10 lakhs were registered in Assam. In Orissa, ten private companies having authorised capital of Rs. 23.20 lakhs were incorporated.

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Company Meeting

THE KOHINOOR MILLS COMPANY LTD.

CHAIRMAN'S SPEECH

By

MR. A. N. HAKSAR

Gentlemen,

I am glad to report that the year under review has definitely been an improved one for your Company. The working in all sectors of the Mill was better than last year and higher efficiency and production were achieved. Your Company increased the production of fine and super-fine fabrics to suit consumer demand. New bleached and dyed sorts in both men and women's wear were introduced and some of these have been popularised in the market. The Company progressively started 45,500 spindles by introducing a third shift in the spinning section of No. 2 Mill. This was done without additions to preparatory machinery. In your No. 3 Mill, screen printing was introduced and is running satisfactorily now.

COTTON:

The Cotton Year 1960 was a most difficult one. Untimely rains in most cotton producing districts adversely affected the crop quality and quantity. Early estimates of a 48 lakh bales crop had to be revised to 38 lakhs resulting in an acute scarcity of desirable qualities and a sharp advance in prices. Despite liberal imports and restrictive measures taken by the Textile Commissioner in the form of quality controls and Mill Quotas, cotton prices continued to advance. By the end of December, an extremely tight supply position was evident and at January end the situation was alarming. To overcome this shortage and enable Mills to maintain their production, Government was forced to step up imports of foreign cotton, especially of short staples from America. Even so, stocks in mills were reduced to a minimum at the commencement of the new crop. Fortunately, the quality of the new crop was good and first estimates forecast 50 lakh bales. To stabilise the market, however, the Textile Commissioner continued the system of Mill Quotas and Quality Control. These measures assisted by a larger crop, had the desired effect of bringing down prices and the position was much improved by the new cotton year. Your Company, like other textile units, suffered from higher prices both for Indian and imported cotton for the year under review.

CLOTH:

During the first half of the year, cloth movement was good and the stocks carried by the Company were reasonably low. In the second half, however, Government made it known that a reduction in cloth prices was desired. This caused uncertainty in the market and the movement of cloth became extremely sluggish. Negotiations took place between Government and the Indian Cotton Mills Federation and it was agreed to start stamping prices on cloth from 10th September, 1960, on a formula based on August 1959 cloth prices. Even after the agreement was reached, Government required still further reduction in cloth prices and, therefore, uncertainty in the market continued. The final formula applicable from 1st January, 1961, resulted in a still further reduction. This price reduction will obviously bring down the profit margin of all mills. It will be the endeavour of your management to make up

this shortfall in profit by improving working efficiency. Until the formula was agreed, movement of cloth was nominal and, therefore, stocks at the end of the year were higher than had been expected.

In our endeavour to earn foreign exchange both for the country's and your Company's benefit, we stepped up our exports from Rs. 22.37 lakhs last year to Rs. 34.97 lakhs. Even though we sell in the export markets at marginal profit levels, your management considers it beneficial to export with a view to earning machinery licences to modernise your Mills and to obtain licences for the import of extra quantities of cotton. In the coming year we hope to maintain and, if possible, to step up our export programme. This would, of course, depend upon market tendencies.

YARN:

We had no problems in the marketing of sewing thread and its movement was well maintained through the year. We ventured into certain new and more paying counts of yarn, and a part of this benefit was felt during 1960. Our yarn exports for 1960 were Rs. 15.51 lakhs against Rs. 7.44 lakhs last year.

SALES AND STOCKS:

Our sales for both cloth and yarn continued smoothly. I have explained above the reason for an increase in stocks in December, but as the trade finally settled down in January 1961, stocks moved extremely well. I am glad to report that today our total stocks of finished products constitute only about three weeks production. This is a very satisfactory position. It will be our endeavour to maintain low stocks and reduce them further if possible. Our thanks are due to your Selling Agents who have done very well throughout this period.

LABOUR:

By the Central Wage Board Award 1959, the basic wages of textile workers were enhanced by an average of Rs. 8 per worker. This was the first step in a two-phased programme which was intended to give a total benefit of Rs. 10 per worker. The additional Rs. 2 will be levied in 1962. Whereas this was a benefit to the labour force in the textile industry, it was a tremendous drain on the profitability of Mill units. This Award, however, recognised rationalisation as a part of the total scheme. This, I feel, is a step in the right direction as the Indian textile industry can only become competitive in world markets by linking up the utilisation of rationalised labour with high production machines.

Our relations with the Rashtriya Mill Mazdoor Sangh, which is the recognised Labour Union for our Mill, were most cordial, and with their help rationalisation and standardisation measures were introduced in various sectors. In all 785 posts were reduced and this without any deterioration in our labour relations. Out of this, retrenchment compensation and gratuity was paid to 547 persons and we took advantage of

natural wastage to abolish the balance 238 posts. The R.M.M.S. gave us their full co-operation during this period and assured us of their complete assistance in future. In our No. 3 Mill, the four-loom-to-a-weaver system was introduced in half the Weaving Shed and to avoid unemployment and the payment of retrenchment compensation and gratuity, a second shift was started in the whole Weaving Shed in the middle of the year.

MACHINERY:

A comprehensive programme of maintenance and rehabilitation was carried out throughout the year. New machinery of the value of Rs. 37.68 lakhs was installed in your Mill and we have further orders on hand for machinery worth Rs. 46 lakhs. New N.M.M. Ring Frames were received from the month of March onwards and these are being progressively erected to replace old ones. A new set of Whitin Combers was erected and are in production. The Company also installed the latest type of hot air stenter from Germany and automatic pirn winders from Holland. Most humidification systems were renovated and these have greatly improved working conditions. We have still to receive a number of modern machines which will improve the quality of your mill production. The 48 automatic looms which we had been allotted some while ago are now on order, but unfortunately no further allotments have been made. I trust, however, that in due course we will receive further licences to enable us to have a full shed of this machine. Your Management is seeking all avenues to modernise in the best and quickest manner possible.

NO. 3 MILL:

For your No. 3 Mills, which is a Silk and Art Silk Unit, we have been facing the problem of non-availability of raw material. There is a great shortage of synthetic

yarn in the country and sometimes very high premiums have to be paid for yarn vitally needed to keep the Unit working. To solve this problem, your Management has decided on a policy of export for earning licences for the direct import of the required yarn. This policy will certainly bear fruit and we hope the account of No. 3 Mill will show a marked improvement in 1961.

PROFIT AND LOSS ACCOUNT:

From this you will notice that we have shown a gross profit of Rs. 32.18 lakhs after adding back to the net profit Depreciation, Taxation, Managing Agents' Remuneration and Development Rebate totalling Rs. 24,41,572. This profit has been arrived at after payment of certain non-recurring charges which absorbed Rs. 15.91 lakhs. These constituted mainly of retrenchment compensation and gratuity paid (Rs. 6.49 lakhs and Rs. 4.50 lakhs respectively), and the payment of staggering compensation for the year 1952 amounting to Rs. 4.92 lakhs. Although these measures have reduced the profits in the year under review, there is no doubt that in the years to come these losses will be more than recouped and the Company will stand to benefit. You will appreciate that the actual working profit for this year was more than double that of the preceding one. This, I submit, is a reasonable achievement. I can only hope that this improvement will be maintained.

There were a few other additional burdens the Company had to bear over and above last year. Like all other Mills, we paid an additional average of Rs. 8 per worker which totalled Rs. 7 lakhs for the year. Dearness allowance was higher by Rs. 11.75 lakhs. The bonus for 1958 was also paid which amounted to Rs. 2.96 lakhs.

Note: This does not purport to be the proceedings of the Annual General Meeting which can be seen by any shareholder on request.

GOVERNMENT OF INDIA

Further Issue of $3\frac{1}{2}$ per cent. National Plan Bonds — Third Series ($3\frac{1}{2}$ per cent. 1967) — Issue Price
Rs. 98.90 per Rs. 100 (Nominal) — Repayable at par on 16th July, 1967.

The holders of $3\frac{1}{2}$ per cent. National Plan Bonds (First Issue) 1961, $2\frac{1}{2}$ per cent. Loan 1961 and 3 per cent. Hyderabad Loan 1951-61 (H.E.H. the Nizam's Government 3 per cent. O.S. Rupee Loan 1360-70F) have been given the facility of converting their holdings into $3\frac{1}{2}$ per cent. National Plan Bonds — Third Series ($3\frac{1}{2}$ per cent. 1967) to be issued at Rs. 98.90 per Rs. 100 (Nominal) and repayable at par on 16th July, 1967.

2. Securities tendered for conversion will be accepted at the following rates:-

$3\frac{1}{2}$ per cent. National Plan Bonds (First Issue) 1961: Rs. 100 per Rs. 100 (Nominal).

$2\frac{1}{2}$ per cent. Loan 1961: Rs. 99.75 per Rs. 100 (Nominal).

3 per cent. Hyderabad Loan 1951-61: Rs. 85.00 per Rs. 85.71 or O.S. Rs. 100 (Nominal).

3. Interest on the securities tendered for conversion will be paid at the respective rates upto 31st May, 1961 inclusive. Interest on the $3\frac{1}{2}$ per cent. National Plan Bonds — Third Series ($3\frac{1}{2}$ per cent. 1967) to be issued by way of conversion will be paid from 29th May, 1961; interest warrants for the period 29th May to 15th July, 1961 inclusive will be delivered along with the new securities and thereafter interest will be paid half-

yearly on 16th January and 16th July, commencing from 16th January, 1962.

4. Applications for conversion will be received during the period 29th May, 1961 to 3rd June, 1961 (both days inclusive) at the following places:

- Offices of the Reserve Bank of India at Bangalore, Bombay, Calcutta, Madras, Nagpur and New Delhi;
- Branches of the State Bank of Hyderabad conducting Government work and those at Jagga-yapet, Mancherla, Nagarjunasagar and Sirpur Kagaznagar in Andhra Pradesh, Manwath, Purli-Vaijnath and Sailu in Maharashtra State and Shahabad in Mysore State.
- Branches of the State Bank of Mysore in the State of Mysore except those at Bangalore, Mangalore and Gulbarga; and
- Branches of the State Bank of India at Mangalore and at other places in India except at the places specified in (a), (b) and (c) above.

For full particulars, a reference may be made to any of these offices/branches, or Government Treasuries.



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Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays	Fuel Power			Manufactures			All Comme- dities
	Food articles & Tobacco	Liquor and Lubricants	Light and Industrial Raw materials	Inter- mediate Products	Finished Products	Total	
1953-54	106.7	98.7	99.2	109.7	98.5	99.0	104.6
1955-56	86.6	81.0	95.2	99.1	100.1	99.6	92.5
1956-57	102.3	84.3	104.2	116.0	110.9	105.5	105.3
1957-58	106.4	94.0	113.5	116.5	107.3	108.2	108.4
1958-59	115.2	95.4	115.4	115.6	110.3	108.4	112.9
1959-60	119.0	99.5	116.5	123.7	113.8	111.3	117.1
1960-61	120.0	110.0	119.6	145.4	130.5	122.8	124.8
January 1960	117.5	100.9	116.8	130.9	121.6	115.1	118.8
February	118.0	96.0	117.3	131.6	120.5	115.6	119.5
March	117.0	96.4	117.8	131.9	121.3	116.1	118.9
January 1961	116.4	111.2	120.0	154.7	133.9	126.5	125.6
February	116.3	111.2	119.8	159.4	134.2	128.4	126.7
March	117.6	114.2	121.3	159.1	137.2	128.1	127.5
25-3-1961	118.2	114.6	121.3	158.5	136.8	127.4	127.5
1-4-1961	116.9	113.5	120.8	155.5	136.0	126.0	126.6
8-4-1961	118.0	112.7	120.8	152.8	135.3	124.9	125.8
15-4-1961	118.1	112.2	120.9	152.1	136.1	125.0	125.8
22-4-1961	116.8	111.1	120.9	152.2	136.2	125.1	125.2

*Revised.

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

Period	Bombay			Delhi	Ben- gal	U.P	Central Provinces		Madras	K.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	—	—	—
1954	342	359	244	138	327	408	373	139	341	148	140	138
1955	322	338	217	130	321	371	364	133	321	134	135	132
1956	336	352	244	142	347	424	397	151	358	152	146	145
1957	352	368	259	150	364	448	422	162	374	157	187	152
1958	376	394	274	180	384	468	447	165	401	157	169	161
1959	393	412	308	158	384	469	498	163	429	166	173*	168
1960	401*	420*	296	158*	397*	476*	512*	165	462*	167	166	171
1960 June	403	422	297	154	399	460	510	165*	462	167	164*	171
July	404	423	302	160	406	484*	515	165*	467	169	168*	174
August	402	421	304	160	410	484*	515	163	470	169	168*	174
September	399	418	302	161	403	489	520	163	472	167	168*	173
October	402	421	304	162	396	488	517	163	477	171	164*	173
November	404	423	300	159	392	489	509	163	484*	171	168*	171
December	400	419	297	160	385	478*	507	163	488*	169	167*	171*
1961 January	400	419	296	161	385	480	—	165	470*	171	166*	170*
February	—	—	—	163	—	487	—	165	474*	172	164*	170*
March	—	—	—	164	—	483	—	—	479*	—	—	—
April	—	—	—	165	—	—	—	—	482*	—	—	—

†Base 1944=100. *Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)
WEEK ENDED

	12-5-1961			5-5-1961			28-4-1961			21-4-1961		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	122.00	119.20	119.94	122.05	120.65	121.30	123.01	119.75	121.19	121.35	118.95	120.10
Silver (per kilogram)	199.15	197.85	198.76	202.30	196.95	199.93	203.45	200.75	202.09	203.50	200.50	201.92

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Note + 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. Secur- ities in India
	Demand	Time	Total (2+3)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
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	60.68	339.74
1955-56 ..	608.64	407.95	1,016.59	34.04	52.52	8.69	514.37	118.08	63.02	370.71
1956-57 ..	653.34	453.92	1,107.26	36.94	50.23	7.96	626.08	155.56†	71.39	359.35
1957-58 ..	723.89	619.19	1,343.08	39.34	77.55	8.72	723.79	167.32†	66.77	385.54
1958-59 ..	735.93	860.33	1,596.26	40.30	83.99	7.74	766.56	133.27†	56.37	565.14
1959-60 ..	745.83	1086.79	1,832.62	44.84	75.81	6.58	842.75	144.49†	53.87	725.20
1960-61* ..	794.49	1155.87	1,950.36	47.04	93.09	7.17	995.75	162.94	59.48	688.52
Average of Fridays										
November 1960	790.80	1141.27	1,932.07	46.65	97.56	7.46	954.21	153.78†	57.32	688.21
December 1960	794.20	1128.10	1,922.30	45.61	91.21	7.12	991.46	155.21†	59.65	662.44
January 1961	793.54	1103.32	1,896.85	44.79	78.39	6.49	1042.22	169.59	63.89	621.24
February 1961	803.25	1092.13	1,895.38	45.46	71.07	6.15	1071.18	183.27	66.19	593.27
March 1961	820.31	1074.28	1,894.59	45.14	70.03	6.07	1107.98	197.93	68.92	566.54
April 1961	854.21	1093.17	1,947.38	47.78	74.18	6.27	1111.89	205.35	67.64	553.13
Week Ending										
7-4-1961 ..	853.92	1088.12	1,942.04	47.42	67.67	5.93	1117.54	211.26	68.42	551.29
14-4-1961 ..	848.93	1095.94	1,944.87	47.82	74.88	6.31	1113.82	206.13	67.87	560.41
21-4-1961 ..	852.49	1091.79	1,944.28	48.20	80.28	6.61	1108.39	202.90	67.44	538.36
28-4-1961 ..	861.50	1,096.84	1,958.34	47.69	73.89	6.21	1107.80	201.11	66.84	562.46
5-5-1961 ..	859.20	1,097.67	1,956.87	48.74	75.85	6.37	1110.18	200.10	66.96	547.14

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Lakhs of rupees)

Last Friday	Deposit money with the public					
	Money supply with the public	Total currency with the public	Total	Demand liabilities of banks	Other deposits with Reserve Bank†	Total variations in money supply
(1)	(2) — (3) + (4)	(3)	(4)	(5)	(6)	(7)
1953-54	1,793.97	1,229.43	564.54	549.83	14.71	+ 29.26
1954-55	1,920.63	1,311.77	608.86	599.16	9.71	+ 126.65
1955-56	2,184.32	1,505.09	679.23	667.22	12.01	+ 263.69
1956-57	2,312.89	1,556.50	756.39	744.74	11.65	+ 128.57
1957-58	2,388.83	1,606.60	782.22	762.36	19.87	+ 75.94
1958-59	2,498.75	1,724.53	774.23	754.98	19.25	+ 109.92
1959-60	2,703.13	1,862.72	840.41	818.62	21.79	+ 204.38
September 1960	2,630.61	1,819.61	811.01	791.73	19.28	— 28.35
October	2,660.69	1,823.80	836.89	812.18	24.71	+ 30.08
November	2,576.08	1,843.44	732.64	711.55	21.09	+ 8.66*
December	2,641.74*	1,898.72*	743.02	717.51	25.50	+ 65.66*
January 1961	2,696.30*	1,944.58*	751.73*	725.78*	25.94	+ 54.56*
February	2,719.01*	1,965.67*	753.35	732.80*	20.54	+ 22.71*

* Provisional.

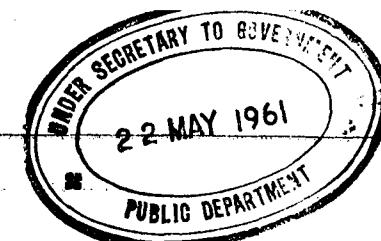
* Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

THE REGIONAL PATTERN OF INDIA'S FOREIGN TRADE

Exports Including Re-Exports

(Rs. Crores)			
Region	1959	1960	
European Common Market			
Germany, West	19.6	19.6	
France	8.2	8.7	
Netherlands	9.0	7.2	
Belgium	5.1	5.1	
Luxembourg	Neg	Neg	
Italy	5.7	8.3	
TOTAL	47.6	48.9	
European Free Trade Association			
United Kingdom	171.7	174.4	
Norway	1.3	1.1	
Sweden	1.4	1.5	
Denmark	2.3	1.8	
Switzerland	0.9	1.2	
Austria	0.2	0.2	
Portugal	0.3	0.2	
TOTAL	178.1	180.4	
Communist Bloc			
U.S.S.R.	30.0	29.9	
China	7.5	5.6	
Czechoslovakia	4.1	6.0	
Germany, East	2.5	3.9	
Bulgaria	0.2	0.1	
Rumania	2.0	1.4	
Hungary	0.7	1.1	
Poland	3.6	3.3	
TOTAL	50.6	51.3	
ECAFE			
Afghanistan	4.5	6.0	
Burma	12.5	6.9	
Ceylon	22.3	18.5	
Federation of Malaya	4.9	4.7	
Hongkong	3.4	2.5	
Indonesia	3.8	4.4	
Japan	34.2	33.9	
Pakistan	6.3	9.5	
Philippines	1.0	1.1	
Singapore	7.6	6.9	
ECAFE (Contd.)			
Thailand	2.4	2.4	
Viet Nam, South	1.0	0.8	
China	7.5	5.6	
TOTAL (including others)	113.4	104.4	
Africa			
Egypt	8.8	14.2	
Sudan	14.5	8.1	
Tanganyika	2.7	2.2	
Kenya	4.9	4.7	
Mauritius and Dependencies	1.0	1.0	
Ghana	1.2	1.7	
Nigeria	4.2	5.0	
Rhodesia, Southern	0.9	1.0	
Ethiopia	2.4	2.3	
Mozambique	0.6	0.9	
Morocco	0.4	0.5	
TOTAL (including others)	46.2	46.4	
Oceania			
Australia	19.1	21.7	
New Zealand	4.7	7.9	
America			
U.S.A.	95.2	101.6	
Canada	15.2	16.9	
Others			
Iran	4.4	4.7	
Iraq	2.9	3.3	
Saudi Arabia	3.8	4.5	
Aden	5.7	5.1	
Bahrein Islands	2.3	2.2	
Cuba	2.5	5.5	
Argentina	7.9	6.1	
Finland	0.3	0.2	
Greece	0.3	0.3	
Yugoslavia	1.7	3.4	
Exports	613.8	622.6	
Re-exports	6.9	12.2	
TOTAL EXPORTS	620.7	634.8	



India and Africa

THE TRENDS IN INDIA'S EXPORTS : 1957-60

(Including Re-Exports)

(Rs. lakhs)				
	1957	1958	1959	1960
1. Gambia	34.2	22.4	8.5	15.8
2. Sierra Leone	59.6	45.9	28.8	51.8
3. Ghana (Gold Coast)	144.0	100.5	115.4	170.1
4. Nigeria (incl. Cameroons under Br. Trusteeship)	690.4	689.9	415.1	499.4
5. St. Helena and Ascension	Neg.	1.1	Neg.	Neg.
6. South West Africa	2.8	0.02	1.1	Neg.
7. Union of South Africa	2.3	3.0	3.9	9.0
8. Bechuanaland Protectorate	Neg.	Neg.	0.07	Neg.
9. Basutoland	Neg.	Neg.	Neg.	Neg.
10. Swasiland	1.4	0.9	0.7	0.2
11. Rhodesia — Northern	52.2	27.0	25.1	18.5
12. Rhodesia — Southern	159.1	66.9	85.5	104.3
13. Zanzibar and Pemba	62.4	38.9	39.3	35.3
14. Kenya	779.8	475.0	489.3	472.6
15. Uganda	78.8	73.4	60.4	63.3
16. Tanganyika under Br. Trusteeship	360.4	239.8	272.3	224.4
17. Nyasaland	83.2	56.4	43.4	20.3
18. British Somaliland	11.4	11.7	8.1	5.7
19. Mauritius and Dependencies	109.5	118.5	98.4	104.0
20. Seychelles	9.0	9.9	10.6	8.2
21. Egypt	1134.3	868.3	882.7	1423.3
22. Sudan	976.6	716.4	1448.4	813.7
23. Libya	56.2	34.1	42.2	28.2
24. Tunis	13.1	19.0	15.8	31.7
25. Algeria	6.2	9.3	11.2	21.2
26. Morocco — Northern	1.6	8.8	1.2	46.1
27. Morocco — Southern	66.0	53.2	36.8	
28. Tangier	4.0	7.2	2.4	0.2
29. Canary Islands	0.2	0.04	0.1	1.0
30. Spanish West Africa	Neg.	0.9	1.0	0.1
31. French West Africa	70.1	66.0	47.1	45.8
32. Liberia	Neg.	Neg.	5.8	4.8
33. Fr. Equatorial Africa	12.5	9.5	4.6	10.3
34. Belgian Congo (incl. Ruanda Urundi Trust Territory)	18.3	13.3	9.9	9.3
35. Angola	45.7	27.9	5.4	8.3
36. Portuguese Guinea	1.5	1.5	1.1	0.4
37. Cape Verde Islands	0.01	0.05	0.1	Neg.
38. Sao Thome et Principe	0.3	1.2	1.0	0.3
39. Mozambique	81.9	99.2	60.0	90.8
40. Madagascar and Kerguelon	44.0	36.6	21.5	19.0
41. Re-Union	4.1	2.7	3.4	4.6
42. Italian Somaliland	24.3	28.1	31.2	31.7
43. French Somaliland	7.5	29.4	41.1	19.0
44. Ethiopia (including Eritrea)	427.7	236.2	237.4	228.2
45. Comoro Islands (other French Possessions)	Neg.	0.2	0.3	0.5
46. Other Spanish Africa (Alboran, Alhucemas, Chafarinas, Ifni, Penon de Velez, Peregil)	Neg.	Neg.	Neg.	Neg.
TOTAL	5636.6	4250.3	4617.7	4641.4

India and Africa

THE TREND IN INDIA'S IMPORTS : 1957-1960

(Rs. lakhs)

	1957	1958	1959	1960
1. Gambia	Neg.	Neg.	0.02	Neg.
2. Sierra Leone	Neg.	Neg.	0.04	0.2
3. Ghana (Gold Coast)	2.3	43.4	50.8	58.0
4. Nigeria (including Cameroons under British Trusteeship)	0.1	33.9	26.6	50.5
5. St. Helena and Ascension	Neg.	Neg.	Neg.	Neg.
6. South West Africa	0.1	10.1	0.07	0.23
7. Union of South Africa	0.6	0.5	0.5	0.4
8. Bechuanaland Protectorate	Neg.	14.3	Neg.	Neg.
9. Basutoland	Neg.	Neg.	Neg.	Neg.
10. Swasiland	11.7	21.5	2.3	0.08
11. Rhodesia — Northern	541.1	562.6	637.2	1064.6
12. Rhodesia — Southern	229.3	274.0	439.6	386.9
13. Zanzibar and Pemba	235.8	238.1	261.2	231.5
14. Kenya	934.8	1150.0	1163.9	1411.3
15. Uganda	122.9	177.5	64.2	129.3
16. Tanganyika under British Trusteeship	317.0	288.0	330.7	575.2
17. Nyasaland	7.8	21.7	31.8	29.3
18. British Somaliland	0.8	0.1	1.0	0.4
19. Mauritius and Dependencies	0.09	Neg.	0.3	2.6
20. Seychelles	58.6	65.6	56.1	54.4
21. Egypt	1068.0	623.6	804.9	1705.4
22. Sudan	779.7	749.0	1067.5	952.6
23. Libya	3.9	Neg.	0.05	Neg.
24. Tunis	4.7	Neg.	2.0	2.0
25. Algeria	Neg.	Neg.	Neg.	0.2
26. Morocco — Northern	Neg.	6.5	27.7	52.4
27. Morocco — Southern	7.7	28.3	42.1	
28. Tangier	Neg.	Neg.	0.2	0.04
29. Canary Islands	Neg.	Neg.	Neg.	0.03
30. Spanish West Africa	Neg.	Neg.	1.4	0.01
31. French West Africa	4.7	2.3	2.1	1.4
32. Liberia	Neg.	Neg.	0.01	0.01
33. French Equatorial Africa	Neg.	Neg.	0.5	1.0
34. Belgian Congo (including Ruanda Urundi Trust Territory)	192.5	119.0	176.5	178.5
35. Angola	Neg.	Neg.	Neg.	Neg.
36. Portuguese Guinea	Neg.	Neg.	1.0	0.3
37. Cape Verde Islands	Neg.	Neg.	Neg.	Neg.
38. Sao Thome et-principe	Neg.	Neg.	Neg.	Neg.
39. Mozambique	686.3	573.7	486.6	552.2
40. Madagascar and Kerguelon	3.0	0.7	0.03	0.03
41. Reunion	1.0	Neg.	0.3	0.09
42. Italian Somaliland	1.8	1.0	0.8	0.2
43. French Somaliland	0.02	0.1	1.1	0.1
44. Ethiopia (including Eritrea)	0.6	0.1	1.1	2.9
45. Comoro Islands (other French Possessions in Africa)	Neg.	Neg.	Neg.	Neg.
46. Spanish Sahara (Riode, Ore, Saguia el Hamra)	Neg.	Neg.	Neg.	Neg.
47. Other Spanish Africa (Alboran, Alhucemas, Chafarinas, Ifni, Penon de Velez, Peregil)	Neg.	Neg.	Neg.	Neg.
TOTAL	5216.9	5005.6	5682.2	7444.1

PATTERN OF OWNERSHIP OF GOVERNMENT SECURITIES

Centre and States

(Amounts in Crores of Rupees)

Category	End December				End March			
	1957 Amount	1957 Per cent to total	1958 Amount	1958 Per cent to total	1959 Amount	1959 Per cent to total	1960 Amount	1960 Per cent to total
I. Governments	218.0	10.9	226.8	10.1	229.0	10.2	262.9	10.2
II. Reserve Bank of India (Own Account)	311.8	15.6	305.9	13.7	313.3	14.0	466.9	18.1
III. Commercial and Co- operative Banks	477.7	24.0	639.2	28.6	618.6	27.7	732.5	28.4
IV. Insurance	269.8	13.5	301.5	13.5	308.5	13.8	334.4	12.9
Of which Life Insu- rance Corporation	246.1	12.3	275.1	12.3	281.8	12.6	305.7	11.8
V. Provident Funds	109.8	5.5	133.4	6.0	141.5	6.3	173.2	6.7
VI. Industrial Finance and State Financial Corpo- rations	3.2	0.2	3.3	0.1	2.8	0.1	3.2	0.1
VII. Reserve Bank of India held on account of others	27.4	1.4	32.6	1.5	39.2	1.8	41.2	1.6
VIII. Non-residents	35.9	1.8	33.9	1.5	33.9	1.5	34.5	1.3
IX. Others (Residual)	540.7	27.1	559.8	25.0	551.0	24.6	531.7	20.6
Total (I to IX)	1,994.2	100.0	2,236.4	100.0	2,237.8	100.0	2,580.5	100.0

PATTERN OF OWNERSHIP OF GOVERNMENT DEBT

Central Government Securities

(Amount in Crores of Rupees)

Category	End Dec. 1957		End Dec. 1958		End March 1959		End March 1960	
	Amount	Per Cent	Amount	Per Cent	Amount	Per Cent	Amount	Per Cent
I. Governments	189.7	11.2	204.1	10.8	202.5	10.8	221.2	10.3
II. Reserve Bank of India (Own Account)	310.7	18.3	305.9	16.3	313.3	16.7	466.9	21.8
III. Commercial and Co- operative Banks	396.9	23.4	527.3	28.0	507.3	27.0	584.8	27.3
IV. Insurance	223.5	13.1	240.2	12.8	244.8	13.0	257.5	12.0
V. Provident Funds	109.5	6.4	133.0	7.1	141.1	7.5	172.7	8.1
VI. Financial Corporations	1.4	0.1	0.9	—	0.7	—	0.3	—
VII. Reserve Bank of India (held on account of others)	23.0	1.3	26.3	1.3	32.3	1.7	32.0	1.5
VIII. Non-residents	35.8	2.1	33.8	1.8	33.8	1.8	34.4	1.6
IX. Others (Residual)	409.0	24.1	409.4	21.9	405.2	21.6	368.4	17.3
TOTAL	1,699.5	100.0	1,881.0	100.0	1,881.0	100.0	2,138.2	100.0

PATTERN OF OWNERSHIP OF GOVERNMENT DEBT

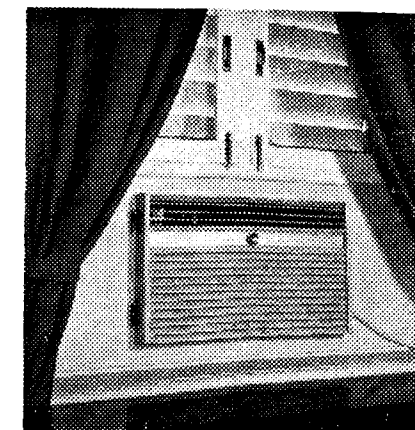
State Government Securities

(Amounts in Crores of Rupees)

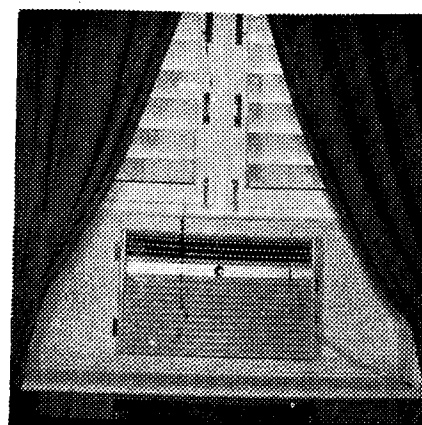
Category	End Dec. 1957		End Dec. 1958		End March 1959		End March 1960	
	Amount	Per Cent	Amount	Per Cent	Amount	Per Cent	Amount	Per Cent
I. Governments	28.3	9.6	22.8	6.4	26.5	7.4	41.7	9.4
II. Reserve Bank of India (Own Account)	1.1	0.4	—	—	—	—	—	—
III. Commercial and Co- operative Banks	80.8	27.4	111.9	31.5	111.3	31.2	147.7	33.3
IV. Insurance	46.3	15.7	61.3	17.2	63.6	17.8	76.9	17.4
V. Provident Funds	0.2	0.1	0.4	0.1	0.4	0.1	0.5	0.1
VI. Financial Corpora- tions	1.9	0.6	2.3	0.7	2.1	0.6	2.9	0.7
VII. Reserve Bank of India (held on account of others)	4.4	1.4	6.3	1.8	7.0	1.9	9.2	2.1
VIII. Non-residents	0.1	—	0.1	—	0.1	—	0.1	—
IX. Others (Residual)	131.7	44.7	150.4	42.3	145.9	41.0	163.3	37.0
TOTAL	294.7	100.0	355.4	100.0	356.8	100.0	442.3	100.0



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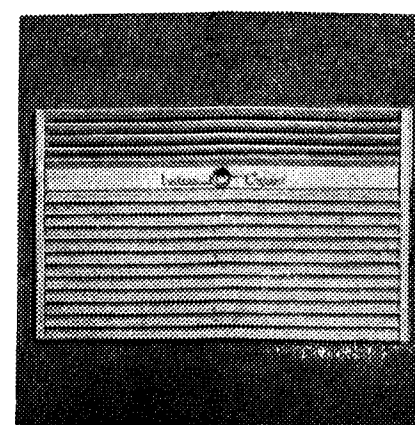
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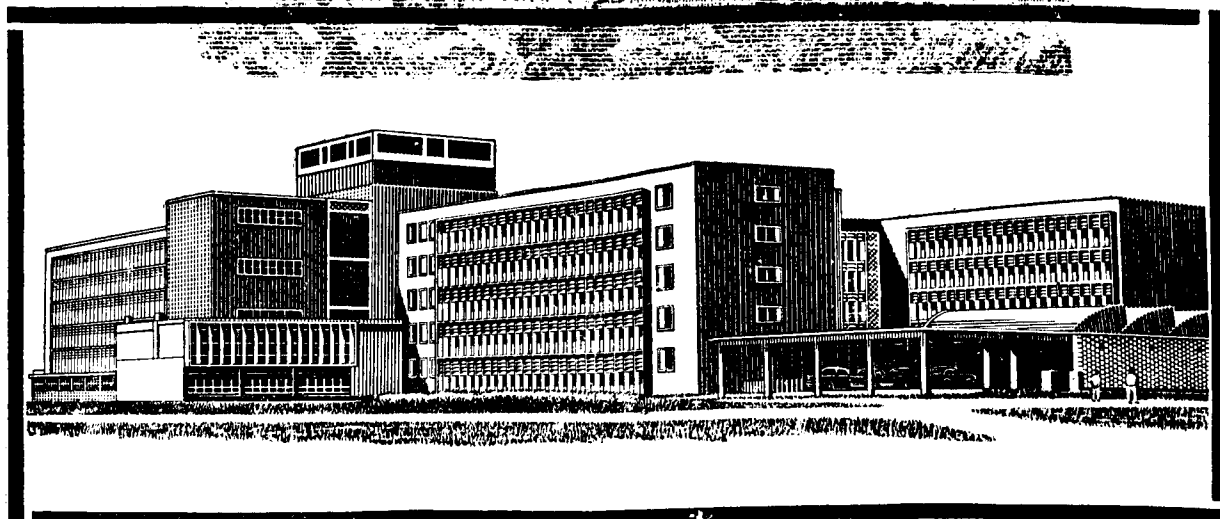
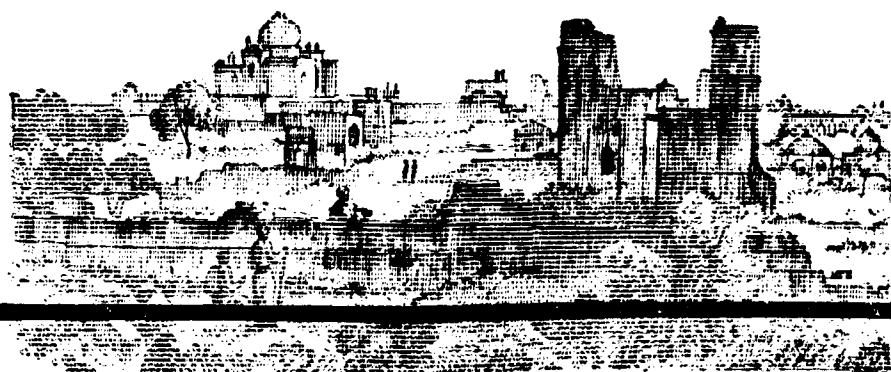
NEW DELHI: MAY 26, 1961.

ONE RUPEE



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The Eastern Economist

MAY 26, 1961.

Exploration at Vienna

TO describe the meeting between President Kennedy and Mr Khrushchev at Vienna on June 3 and 4 as another summit conference is a misnomer. It is also to miscalculate its purpose and to set, by implication, exaggerated standards to assess its outcome. The Washington communique on the agreement to hold the meeting anticipated speculation of this variety and it took the precaution to explain that the object in holding the talks was not to negotiate and conclude any settlement on the international issues crying for solutions at the present time. If a summit conference is to be held on a compact basis, by limiting it to the Big Two in place of the Big Four, the least that Western unity and identity would require is prior consultation between the allies. No such consultation has been arranged and it is by a chance coincidence, resulting from a programme fixed earlier, that President Kennedy is scheduled to have talks with President de Gaulle on the eve of the Vienna meeting. The Moscow radio has broadcast that the object of the two leaders in getting together is to open up a new prospect of improved relations between the Soviet Union and America which may produce a salutary effect on lessening existing tensions. The object of the Vienna talks will be exploratory—to hold a dialogue to try to understand each other, to explain respective viewpoints in an effort to narrow down the area of tension and to discover the possibility of reaching a common ground.

Any attempt to recall for comparison the Geneva Conference of 1955, the profuse display of a new spirit at Camp David in 1959 or the debacle at Paris in May 1960 would be out of place. It would also be hardly relevant to question whether President Kennedy has agreed to a timing that could be considered appropriate. The swift developments in Laos and Cuba have produced adverse repercussions on American influence in the context of international affairs, Russia's space performance, though offset partially by America's success, has nonetheless shown the present time-gap and on the Continent itself President de Gaulle's regime has still to recover fully from the aftermath of the Algerian shake-up. It is persistently asked whether this atmosphere is propitious for talks to produce substantial results.

The White House communique explains that discussion was started as early as the beginning of March through diplomatic channels to arrive at an arrangement on holding the talks and that these preliminary approaches were followed by a regular exchange of communications between President Kennedy and Mr. Khrushchev. The period of these diplomatic and direct communications was coincident—particularly its latter half—with

the developments which are being mentioned. If in spite of them, President Kennedy has deemed it essential to meet Mr Khrushchev and the latter finds no bar in them to hold useful talks, it underscores the object of the meeting which is exploratory. And there can be no exploration worth the name without a personal contact and a personal exchange of views.

The question of negotiating from positions of strength hardly arises at all. In the first place, there is no agenda that should contain issues on which negotiation is sought for a settlement. In the second place, a build-up of strength by the two leading countries is part of the objective philosophy of each as a defensive preparation. President Kennedy's message to Congress on May 25 to launch a great positive adventure, to which a solid content is to be given by a defensive build-up, including a 9-billion dollar five-year programme for the space conquest, was delivered at this time as part of the American process of Congressional appropriations for the ensuing fiscal year. Neither Russia nor America has indulged in the incredible professions of unilateral nuclear disarmament or at least freezing of such armament. The fact that the American programme is publicly announced, while the Russian programme which is under way is not, explains the difference between the democratic and totalitarian processes of budgetary expenditure. It would be an error to read anything purposeful in yesterday's presidential message to Congress.

An exchange of views necessarily implies a brief discussion on each important outstanding problem. President Kennedy and Mr. Khrushchev, as leaders of the two premier nations leading the two world blocs, have it in their power to influence, within the limits of their political systems, the defence and international policies which their governments have to carry out. It is from this angle that personal contacts between them and a meeting of minds are vitally necessary to explore fresh ground to reduce existing tensions. The greatest single obstacle to their reduction and eventual elimination is armament, which, in the existing context, means nuclear armament. Coexistence is no longer a question for debate. It is accepted by both the sides. In the growing state of nuclear armament, no alternative to peaceful coexistence is possible except that of co-destruction. An explosive nuclear build-up holds a perpetual terror and a dangerous potentiality of being let loose in a moment of desperate decision. The Geneva deadlock notwithstanding, it is nuclear control to which the exploratory dialogue will be principally directed.

The Accord on Oil

NEGOTIATIONS between the Burmah Oil Company and the Union Ministry of Fuel on oil exploration in Assam, over an area of 1,800 sq. miles in the neighbourhood of Nahorkatiya and Digboi oilfields, have come to a fruitful end. Understanding has been reached at the "official" level on the terms and conditions for the issue of a prospecting licence to Oil India Limited, a partnership firm of the Government of India and the BOC; a formal agreement is expected to be signed early next week. In the absence of precise details of the pact, it is difficult to say which party has got the better of the bargain. On the Government side, much of the grace in coming to a fair settlement has been lost in view of the failure of talks with the Esso Standard Oil Company and the stalemate in the negotiations with Ente Nazionale Idrocarburi of Italy.

From the precious little that has been permitted by the Fuel Ministry to percolate through selective channels, it appears the Burmah Oil Company would give to the Government 50:50 partnership in Oil India Limited, which will enable the latter to have equal representation on Oil India's Board of Directors. The Chairman of the Board and the Financial Director of the reconstituted Oil India would be alternated between the two partners by annual rotation. The BOC has been assured of an average return of about 10 per cent on its capital employed in Oil India; for this a formula has been evolved which would govern the price of Nahorkatiya crude and of the oil that may be struck in the area for which a new prospecting licence is to be granted. The Burmah Oil Company will meet all the foreign exchange cost of the project, but Oil India will have no share in the refining and marketing of the oil. It will also pay all the taxes which aggregate 63 per cent of the profits. An assurance has been given to the BOC that the existing share of its subsidiary, the Assam Oil Company, in the petroleum products market of Assam will be safeguarded; it may even be given some concession on exchange of products with the Nummati Refinery. The pre-production expenditure which Oil India may have incurred, or will incur, on exploring the area, including that on infructuous wells, will be treated as expenditure for the purposes of income-tax. Since the effective control of administration of the reconstituted Oil India has been left to the technical skill perfected by the BOC, undue interference in the day-to-day matters, it is hoped, would be avoided. The agreement needs to be implemented in the spirit it has been entered into.

The accord obviously has been reached after considerable accommodation from each side. The Burmah Oil Company has made a major concession in stepping up the Government share in Oil India from one-third to parity. Mr. K. D. Malaviya, the Minister for Fuel, has apparently climbed down from the high pedestal of ideology — may be, by the hard logic of reality. The agreement, it is fair to presume, sets the pattern for future collaboration in oil exploration with foreign private investors. Incidentally, it removes one superfluous hurdle in the flow of foreign private investment into India. By the consensus of authoritative business opinion abroad, the obduracy shown so far in Government's oil policy had a deterrent effect on the inflow of foreign private capital. The modification now introduced should help fostering an attractive climate.

In view of the rapidly expanding industrial base of the Indian economy, our oil requirements

are bound to grow at a strident pace. Conservative estimates, based on the current pattern of energy consumption, made by an expert, put India's minimum requirements of petroleum products at about 12 million metric tons by 1966, 16.4 million tons by 1970, 24.1 million tons by 1975 and 35.9 million tons by 1980. These may go up substantially—anywhere up to 23 million tons by 1970, 39 million tons by 1975 and 72 million tons by 1980—if the pattern of energy consumption changes as envisaged in official assessments. To provide for the minimum needs alone, the crude oil requirements will be of the order of 13.2 million metric tons in 1966, 18 million tons in 1970, 26.5 million tons in 1975 and 39.5 million tons in 1980. Of this, India today produces only a fraction. The indigenous output even after exploitation of the Nahorkatiya-Moran and the Cambay-Ankleshwar oilfields will be about 4 million metric tons per annum. To meet the oil requirements of the Third Plan alone, it is estimated we will have to incur an expenditure in foreign exchange to the tune of Rs. 520 crores.

There is, thus, a need to redouble our efforts to tap indigenous sources of crude oil. This is a function primarily of expeditious exploration of the country's potential oil-bearing belts and this type of exploration involves the risk of a gamble. The experience of the public sector in oil exploration—though the Oil and Natural Gas Commission has been singularly lucky in finding oil in Cambay, Ankleshwar and Sibsagar areas without heavy investment—is not adequate to the task by global standards. The time taken by the ONGC in drilling a well is much too long and unless greater efficiency is injected into its operations, the ONGC, despite all the luck it has, cannot be expected to deliver the goods in an optimum period. Large areas which may be having black gold in their bowels have been reserved by the Government for exploration by the public sector. This is, perhaps, a folly. The interests of the nation brook no delays in the exploration of these areas as the huge outlay of foreign exchange on imports must be eliminated as expeditiously as possible. Oil imports otherwise will be a criminal drain on the country's limited foreign exchange resources, thwarting the development of the economy in other sectors. It is to be trusted that the new chapter which has now been opened will be carried to its logical conclusion. In this alone the interests of the nation really lie.

Some foreign oil companies may like to come to terms with the Government of India on slight variations from the agreement with the BOC; instead of offering 50 per cent partnership to the Government, they may offer 25 per cent to it and another 25 per cent to the private Indian investor, which, in effect, safeguards the principle of parity for India. This should be tried. Again, the Burmah Oil Company may also be interested in areas like the Indo-Gangetic Plain or the Himalayan southern foothills. The capital which this company is understood to be diverting to South America and elsewhere can profitably be induced to stay in India. Since refining of crude has been specifically earmarked for the public sector—which is of key significance—there is little to lose by interesting foreign companies in oil exploration here. Inducement to foreign capital to remain or flow into India can be offered effectively only if the pragmatic, flexible approach now accepted by the Government is faithfully adhered to. Let us hope that there is an end to ideological brinkmanship.

Project Planning for Fertilizers

MORE than usual interest attaches to the report of the United Nations Fertilizer Mission, a brief summary of which was published in the last week's issue of *The Eastern Economist*. Food self-sufficiency by the end of the Third Plan has become not only an acid test of the success of planning but a pre-condition of the accelerated development of the economy in every other sector. Even industry cannot be expanded at the rate necessary to redress the imbalance in the economy, unless expenditure of foreign exchange on food imports is first eliminated.

A new urgency has now been imparted to the achievement of self-sufficiency in food and in real terms it demands a higher target of food production. The preliminary estimates of the 1961 census results have brought the agonising reappraisal that the first sector of the economy in which the targets in the Third Plan must be revised upwards is food. It is the estimate of *The Eastern Economist* that the target of output of foodgrains will now have to be stepped up by not less than 3 million tons. Any future increases in the production of food can be brought about principally and substantially by intensive methods of cultivation alone. There is no conceivable alternative.

Among the intensive methods of cultivation, first reliance must, perforce, be placed on extensive application of chemical fertilizers. In fact, the contribution of chemical fertilizers to the additional output of foodgrains in the Third Plan cannot be less than two-fifths of the total. If a slogan were to be coined for food self-sufficiency, it would hardly be possible to find any more meaningful than "fertilize or perish". This vulnerable dependence on fertilizers as the mainstay of additional food production imparts special significance to the planning for fertilizer projects. It is the realisation of this urgency and the technical complexities involved in the decisions on setting up fertilizer projects that impelled the Government to obtain the good offices of the United Nations Fertilizer Mission to enable it to reach correct decisions on the projects after the spade work was completed by the Kane Committee. The Mission's report is in the hands of the Government now for nine months and it is only to be presumed that full consideration has been given to its views on the merits or otherwise of the individual projects.

There appear to be grounds for misgivings that the Mission's expert advice is receiving less than the weight that is undoubtedly due to it. Some representative illustrations may be cited. The Hanumangarh project in Rajasthan has a potential market in the State itself and on this ground the location of the project is fully justified. But in the context of the Third Plan it is hardly entitled to priority as the demand will materialise only after more experience is gained to stabilise large-scale farming and irrigation facilities bring large areas under cultivation. But the licence for setting up of this plant has already been granted and, in the result, the output will have to be marketed at a high transport cost. The plant at Itarsi is out and out a low priority project and it could certainly have been relegated to

the Fourth Plan, but in this case, too, the licence for the plant has been issued and an erroneous priority is being allowed to divert foreign exchange from other programmes of higher urgency. Similarly, the Mission had strongly urged that the two projects in Andhra Pradesh at Visakhapatnam and Kothagudam should be operated as a joint enterprise for a variety of technical reasons. But the grant of the licence for the Visakhapatnam project to a private party and the reservation of the Kothagudam project for the State Government obviously defeat the Mission's recommendation. It must be questioned whether the State Government would have made any surrender of genuine gain to the State, if it had abandoned its pet scheme of operating this plant under its own auspices.

The end of the Third Plan will find a string of thirteen fertilizer plants fully or partially erected in this country. This is obviously a period of concentrated development of fertilizer projects and it offers quite a fruitful opportunity to plan the projects on an integrated basis of proved principles and techniques. The Mission has argued a very strong case for the standardisation of groups of plants on the ground of reduction in capital costs, expediting indigenous manufacture of whole equipment as well as spares, saving in construction time, uniformity in the training of technical personnel and facility in maintenance techniques among other benefits. It has suggested two standards for fertilizer plants in this country and has stressed the point that a good start can be made in standardisation at least with the five plants at Gorakhpur, Ankleshwar, Tuticorin, Ennore and Mangalore. Since all these projects are still being processed, standardisation can be laid down as one of the imperative conditions in the issue of licences.

This concentrated programme of expansion of fertilizer projects necessarily raises the basic question of procuring the technical knowhow. Frankly, the Mission has made the forthright suggestion that in many of these plants the services of foreign technicians will need to be obtained at the top level. Standardisation will surely facilitate the schemes of technical training at all levels, including engineers, supervisors, operators and craftsmen. But a broad-based plan of building up indigenous cadres will have to be drawn up in advance. The Mission has uttered a timely warning against the paradox of waste of technical skills in the midst of their scarcity. The number of engineers and chemists normally employed in India's fertilizer plants is excessive by any test. Productivity per man-hour, too, leaves considerable room for improvement. Here is one direction in which the resources can be conserved, while there is a pressing need to acquire more.

It is one of the fortuitous circumstances attending the priorities in the setting up of the plants that they will necessarily be spread over the entire period of the Third Plan. This opportunity can certainly be put to good use by refraining from making any further departures from the advice of the experts. There is still ample area available to proceed in the right direction.

THE WEEK'S NOTES

Iran

ANOTHER BID FOR REFORM

THE CUP of corruption and maladministration was full to over-flowing when the Shah of Iran made a supreme decision to dismiss his Cabinet of Ministers and appoint Dr. Alimi as the new Prime Minister. Four generals and several civilian officials holding high ranks have been put under arrest. The immediate cause which resulted in the previous Ministry toppling down was the general strike of teachers (forced to go without pay) in which one was shot dead in the capital city. This was a signal for a likely conflagration to be kindled. But the dismissal of the Ministry put a stop to further precipitate developments.

It is an empty treasury which Dr. Alimi has taken over. It has been emptied by reckless expenditure undertaken by a corrupt administration. Popular discontent was rising high, but there was no genuine forum from which to ventilate it. The Majlis was elected under laws which were anything but just and fair. The Majlis and the Senate have now been dissolved and it is Dr. Alimi's important charge to evolve fair laws to ensure free elections. The first nationwide reform which is indispensable for progress in any direction is the breaking up of the huge-sized agricultural estates and redistribution of land. Dr. Alimi himself belongs to the landed aristocracy, but he holds progressive views and believes conscientiously in reform through redistribution of land as the primary necessity of the economy. There are other reforms too, but more urgent than any of these is the stamping out of corruption and establishing a clean administration which will inspire the confidence of the people. This is a herculean task. The entire administration needs to be toned up and overhauled to the extent practicable before programmes of economic development can be executed faithfully.

No time schedule has been fixed for the holding of the general elections to the Majlis and restoration of parliamentary rule. This gives Dr. Alimi good starting opportunity to put through expeditiously the urgent, preliminary administrative measures without the handicap of the dilatory process which was proverbially involved in the leisurely working of the Majlis. Dr. Alimi was Ambassador of Iran in Washington as recently as 1957 and it may be that now as Prime Minister his task may be facilitated, if an approach is to be made for economic aid from abroad which the near-bankrupt state of the treasury may make indispensable. It is likely that in the general elections the National Front—a common platform for different political creeds with a preponderance of leftists—will emerge victorious. But the Tudeh Party—the Communist Party of Iran—has been studiously excluded from this platform. The Tudeh Party is torn by internal dissensions and even otherwise its influence is restricted within severe limits. That is a saving grace in a situation which is otherwise explosive.

Communalism

CURBING THE MENACE

THE COMMITTEE on National Integration has submitted its report to the Congress President for consideration at the forthcoming session of the AICC scheduled to commence at Durgapur on May 28. If the diverse recommendations of the Committee for fighting the canker of communalism and promoting harmony sound somewhat platitudinous, the Committee is hardly to be

blamed for it. The problem of integration is essentially a problem of emotional integration and no remedies can be prescribed at the legal, governmental or political level to ensure its accomplishment. This is largely a function in the sphere of economic and social intercourse. A sense of homogeneity and identity can be created only by strenuous effort over a period of time.

Nevertheless, in recent times, the monster of communalism has threatened to rear its ugly head to such an extent that it would be a grave dereliction of duty on the part of the Government not to take stern legal measures for its prevention or for exemplary punishment where it takes a violent form causing loss of life and property. To this end, the Committee has very rightly urged that the Preventive Detention Act should be used strictly and even ruthlessly, where a breach of peace by communal disorder is apprehended. It has suggested that where a particular community is proved to be the aggressor in an area troubled by riots, collective fine on the members of the aggressor community should be imposed. It has pointed out, without naming any particular State for obvious reasons, that to foster a sense of security of life and property in the minds of the members of the minority community the State Government must display alertness and effectiveness in maintaining law and order. By implication, in some parts of the country at least, performance has not been up to the standard desired. In matters of appointments to the services under the State auspices, the Committee has ruled out the policy of adhering to prescribed proportions for minority communities as any reservations of this type tend to perpetuate themselves and also perpetuate a sense of separateness. Fair representation is left to the sense of justice on the part of the various Governments.

There is one significant suggestion for maintenance of law and order which cannot escape notice. The Committee commends for consideration the proposition of setting up a Federal Police Force. This recommendation is not so simple as it appears on the face of it. Law and order is a State subject and to set up a Federal Police Force for its emergency maintenance, presumably for use in areas of any State, is to infringe upon the State's jurisdiction. The constitutional implications of this suggestion are very complex.

South Korea

THE MILITARY COUP

THE FULL implications of the coup d'etat staged by the military junta in South Korea will be unfolded only in course of time. But one thing is certain and it is that the coup came as a surprise. Lieutenant-General Do Yung Chang, the Army Chief of Staff, who led the coup, was determined in ousting the Ministry of Dr. John Myon Chang and he lost no time in putting a majority of the members of Dr. Chang's Cabinet under arrest. Apparently, President Po Sun Yen, who disapproved the coup and in any event did not want to associate himself with it, immediately tendered resignation of his high office. This was an embarrassment to General Chang, who prevailed upon the President to withdraw his resignation in a matter of twenty-four hours. The ostensible reason given for this course was to save foreign governments from the trouble of recognising the new regime, but in reality General Chang was in doubt whether recognition could be taken for granted at least from some foreign governments which he cannot ignore. However, matters were complicated by General Magruder, the American Commander of the

UN forces stationed in South Korea, who called upon General Chang to withdraw with his units to the 38th Parallel and put Dr. Chang's Cabinet back into power. But he had no intention to be obliging enough.

General Chang has left no doubt that he would take a firm stand against any communist activities, overt or subversive, and to that end he has issued an omnibus decree, which passes under the name of a decree against anti-State organisations. The downfall of Dr. Syngman Rhee thirteen months ago brought about only one significant change and that was the holding of really free elections throughout the country. Dr. Chang's government which was put into power had hardly sufficient time to grapple with the multifarious problems left unsolved by Dr. Rhee. His government's energies were pre-occupied with new problems created by serious crop failures, inflation and growing unemployment. But the younger generation which had extended full support to the overthrow of Dr. Rhee had no patience and it demanded quick removal of corruption and administrative incompetence. Meantime, new trends emerged. In Seoul itself there was a good deal of talk seriously questioning the economic viability of South Korea and pressure began to be exerted on Dr. Chang for contacts with North Korea. It was probably to forestall this new trouble that General Chang staged the coup. But he has to demonstrate that his regime will safeguard political stability in his country. Already the junior army officers are getting restive. How far he has the intention and capacity to introduce economic reforms thereafter, it is difficult to surmise.

By-election

A MAJOR CONGRESS REVERSE

THE DEFEAT of the Congress Party candidate at the by-election to the Lok Sabha from the Sultanpur constituency in Uttar Pradesh cannot but be ranked as a major reverse for the party. The vacancy was caused by the death of Mr. Govind Malaviya, who, in the last general elections of 1957, won a splendid victory over his rivals. The Sultanpur constituency has always been a stronghold of the Congress Party. In selecting Mr. K. C. Pant as its candidate the party counted on an apparent advantage. Sultanpur is a "convenient" constituency where the political consciousness of the electorate cannot be rated high. The combination of all these factors should have made it possible for the Congress to retain the seat. But Mr. Pant was defeated by an independent candidate, Mr. Ganpat Sahai, who polled 37,785 votes as against Mr. Pant's 36,656. The remaining candidate in this triangular fight was Mr. Jitendra Kumar, a nominee of the Jan Sangh, who captured a good 28,577 votes. The margin by which the Independent candidate won cannot be considered as slender. He owed his victory to the support of the Communist Party. The votes secured by the Jan Sangh, although the lowest at the poll, are substantially large. The growing influence of the Communist Party and the Jan Sangh in this virtually harmless constituency speaks for the breach which has been made in the prestige and influence of the Congress Party.

The implications of the verdict at Sultanpur are much deeper than what ordinarily may be attributed to the results of by-elections. They indicate the ebb in the influence of the Congress Party in Uttar Pradesh and this is a matter for serious introspection. The morale of the leadership and organisers of the Congress Party in Uttar Pradesh has shown evident signs of a sharp decline. In Uttar Pradesh, May 20 was fixed as the final date for tendering of applications for candidature at the next general elections in respect of the constituencies which were lost to the Congress Party in the general elections of 1957. The response is de-

pressing. If a significant pointer to the general morale and self-confidence of the members of the Congress Party was required, it is provided by the refusal of the Chief Minister, Mr. C. B. Gupta, to bow before the earnest appeal of the Party to contest the forthcoming election from his traditional constituency of Lucknow East, where he was defeated in 1957.

A party which has remained long in office anywhere is generally tested by the gap between its election promises and performance while in office. The Congress Party labours under this handicap. But the decline in its influence goes far beyond this explanation. The causes of disillusionment and dissatisfaction with the Congress Party on the part of the electorate in all parts of the country need to be probed into to rectify its shortcomings to the extent now possible in the short period available.

The Congo

MR. DAYAL'S RESIGNATION

MR. RAJESHWAR DAYAL'S resignation of his office as Mr. Hammerskjöld's special representative in the Congo to supervise the United Nations complicated operations may possibly bring some relief, at least for the reason that it puts an end to a long suspense whether or not he would return to his post at Leopoldville. Mr. Dayal's services were spared by the Government of India at the request of Mr. Hammerskjöld in September last and it was then presumed that his good offices may not be required longer than six months until February. The Government of India, in the meantime, kept his post as High Commissioner for India in Pakistan vacant and it remains so up to this day. Mr. Dayal certainly did well in declining to accept the UN Secretary General's offer of another post at New York as an adviser on the Congo.

It was in February that Mr. Dayal went to New York for consultations with Mr. Hammerskjöld. His presence was of value during this period for the debates on the Congo in the Security Council and the General Assembly as well as for the deliberations of the Secretary General's 18-nation Advisory Committee on the Congo. But ten weeks was a long period for the usual diplomatic consultations and it was no secret that Mr. Dayal's stay was prolonged at New York owing to the resistance put up by Mr. Kasavubu to his return. By its very nature Mr. Dayal's assignment was delicate, embarrassing and likely to create frequent misunderstandings. To negotiate with such diverse and opposite personalities as Mr. Kasavubu, the late Mr. Lumumba, Mr. Tshombe, General Mobutu, Mr. Bomboko and still others required the high skill of a diplomat of calibre and Mr. Dayal showed it in a good measure. His task also involved unravelling the tangle created in Katanga by the presence and the activities of the Belgians. The pressure for the demand for his recall by the leaders of the Congo was somewhat strengthened by the tacit attitudes, actual or supposed, of some of the embassies stationed in that country.

But independent elements in this country have rightly questioned the wisdom of the original decision to spare him for deputation to function in such an awkward situation in Africa. Mr. Dayal often found his patience strained in his negotiations with the Congolese leaders and on not a few occasions he made no attempt to conceal his feelings about their immaturity, lack of experience and extremism resulting from, what he considered, misguided views. This personal equation stiffened the attitude of Mr. Kasavubu and others. For whatever reasons the Congolese might choose to regard as correct, they seem to have formed their own judgment on India's neutrality and probably its repercussions have spread to other countries in Africa.

*The World Abroad***STATE ENTERPRISE**

By
ODYSSEUS

THE case for state enterprise has never been better put than in Professor William A. Robson's new book, "Nationalised Industry and Public Ownership" (Allen & Unwin, London, 1960. Price 50s.), which gives a detailed account of the motives, parliamentary control, organisation and management, consumers' and consultative councils, public accountability, labour relations, finance, and an objective analysis of the actual performances, of all the UK's nationalised industries.

Professor Robson shows that a great deal of the criticism directed against the UK's nationalised industries is ill-informed and factually untenable. The Professor firmly believes in nationalisation, but he is as fair as it is humanly possible to be, and while exploding ill-informed criticism, he makes many constructive criticisms, which every convinced upholder of state enterprise should ponder. His object is to try to make state enterprise work as efficiently as possible.

The morale of the management and the workers of many of the UK's state enterprises, particularly the coal mines and railways, is low. This is because a substantial part of public opinion—more than half, judging by the General Elections covering the last ten years—does not accept the principle of nationalisation. It follows that the managements have had to work under a continuous fire of nagging public criticism, grumbling and disgruntlement. In such circumstances, the best men shrink from undertaking the thankless job of entering the public service; those in office are disheartened; and the mass of the workers feel that they belong to enterprises which are despised.

If the state ownership of the UK's existing nationalised industries be accepted for what it is—an unalterable fact—one can have nothing but praise for Professor Robson's defence and his sound suggestions for improving efficiency and morale. Unfortunately, Professor Robson does his own cause serious disservice, by feeling it necessary to carry the war into the enemy's camp and to denigrate private enterprise by criticisms just as untenable as those which he is rebutting. It is one thing to say "We are faced with the accomplished fact of nationalisation. What can we do to get the best results of it?" It is altogether another to say that the principle of nationalisation is sound, that private enterprise is incapable of handling such industries as have been nationalised, and that nationalisation should be extended because private enterprise is itself full of demonstrable human weaknesses.

THIS IMPERFECT WORLD

Professor Robson's well-informed criticisms of industrial leadership in both private and state enterprises shows that neither system is perfect and prompt the question: Which, public and private ownership, is conducive to fewer mistakes and carries in it more or less built-in correctives? All the evidence suggests that the verdict is on the side of private enterprise.

Professor Robson complains, for example, that where as any mistake of policy or other committed by public management is jumped upon in press and parliament, private enterprise can commit the same errors twice over without denunciation. But the answer is that once an enterprise is nationalised, it becomes nobody's business, and what is nobody's is everybody's business. Everybody criticises because in a state enterprise it is generally impossible to pinpoint responsibilities which lurk in the interplay of personalities in a parliament (inundated

with legislation), in the Nationalised Boards of Control, and in departmental committees in the Ministries concerned. In such circumstances, wrong policies can go uncorrected for years, partly because it is usually in the interests of the Nationalised Board and/or the Ministry, and/or one of the political parties, to conceal it, or play it down, partly because it takes a large-scale drive to get anything done. The result is exasperation on the part either of disinterested people who want to improve matters, or of individuals or groups which suffer from the error.

Much of the difficulty arises because once an industry is nationalised it becomes a vested interest, which can, by and large, be protected for decades on end from the cold North wind of change, the biting East wind of diversification, and the stormy West wind of growth, that blow on private enterprise.

Private enterprise, all the way from giant units like General Motors or Imperial Chemicals down to the grocer on my street corner, is subject to competition. General Motors in recent years has had to meet a head-on challenge from small European cars in its vast, apparently safe, home market. I.C.I. has been forced to decide that it must set up factories inside the European Economic Community, if it is not to lose its markets there. Professor Robson objects that it is unrealistic to assert that the distinction between public and private enterprise is the difference between monopoly and competition. In most of the important branches of UK trade and industry, he says, belief in competition is no longer found, either among managers or trade unions. A vast network of restrictive practices, designed to eliminate many important aspects of competition permeates industry, big and small. The steel industry was probably the most heavily cartelised of any UK industry before it was nationalised. Neither nationalisation nor denationalisation, he asserts, has had any serious effect on competition in steel production. Many UK industries are riddled with restrictive practices imposed by trade associations in order to reduce competition. Although the experience of the Restrictive Practices Act of 1956, he says (writing presumably in 1959), is that the number of restrictive agreements is likely to diminish rapidly, it remains to be seen how far amalgamations will take their place.

THE RENAISSANCE OF COMPETITION

All this may be true, but it is an argument for the promotion of competitive conditions, not for the expansion of nationalisation. It is true that the unions do not believe in competition, but it is not true that industry and trade no longer believe in it. It was the depression of the inter-war years, which undermined free trade and competition, and promoted protectionism. But now that we understand better how to deal with unemployment, the logic of free trade and competition has reasserted itself to an extent so remarkable, that the minority of us who believed in competition during the depression, and who foretold that protectionism would merely make matters worse, would never have dared to hope would be possible. The anti-trust laws in the USA have never been so actively enforced as today. The passing of the Restrictive Practices Act in 1956 by a Conservative government itself shows the strength of the reversion against protectionism. That the Conservative government was able to put forward its scheme for a European Free Trade Area, which would have meant opening the UK's industrial markets to free imports from the whole of Europe, was not only received without any significant hostility but was acclaimed by the majority of industry, from the

Federation of British Industries and the Association of British Chambers of Commerce downwards, disproves Professor Robson's contention that belief in competition no longer exists. Since the inception of the 1956 Act, some 600 agreements have been abandoned, and an unknown but substantial number have been dissolved rather than face publicity. Whether many amalgamations are to follow remains, as Professor Robson says, to be seen. But they will have to pass the tests laid down by the Act, recently outlined in this column. What is more, mere amalgamation, or mere size, does not necessarily mean monopoly. In the USA, the courts found that although du Ponts' supply 75 per cent of cellophane output, the market is sensitive to price changes and that du Ponts in fact have no significant power in the packaging market as a whole.

I suggest that Professor Robson's argument constitutes an indictment of state, rather than of private enterprise, because although admittedly private enterprise often seeks to create monopolies or to restrict markets, the ever increasing diversification of products makes effective restrictions more and more difficult. Plastics, for example, are in many uses a substitute for steel and other metals, and no amount of restrictive agreements has altered the fact that the UK motor car

industry remains, despite amalgamations, one of the most fiercely competitive. On the other hand, a nationalised industry like coal or electricity, backed by the full support of the state, the Exchequer, and the voice of organised labour, has many means of resisting competition and change, for example, by maintaining such low prices as artificially to swell demand for its products at the expense of potential competitors.

The doubts at first expressed about the efficacy of the Restrictive Practices Act have dwindled. The pressure of informed opinion, led by such organs as "The Economist" of London, is to extend its powers. People may criticise the means adopted by the Act: nobody criticises its objectives.

Finally, the searching of heart provoked by the UK's halting rate of economic growth have produced widespread agreement that among the UK's greatest sources of weakness are her high tariffs and inadequate domestic competition. This is, in effect, another argument in favour of flexible private enterprise and against the extension of ponderously moving, defensively minded, nationalised industries.

(This is the first of three articles discussing the problems and lessons of nationalisation in the U.K.—ED.)

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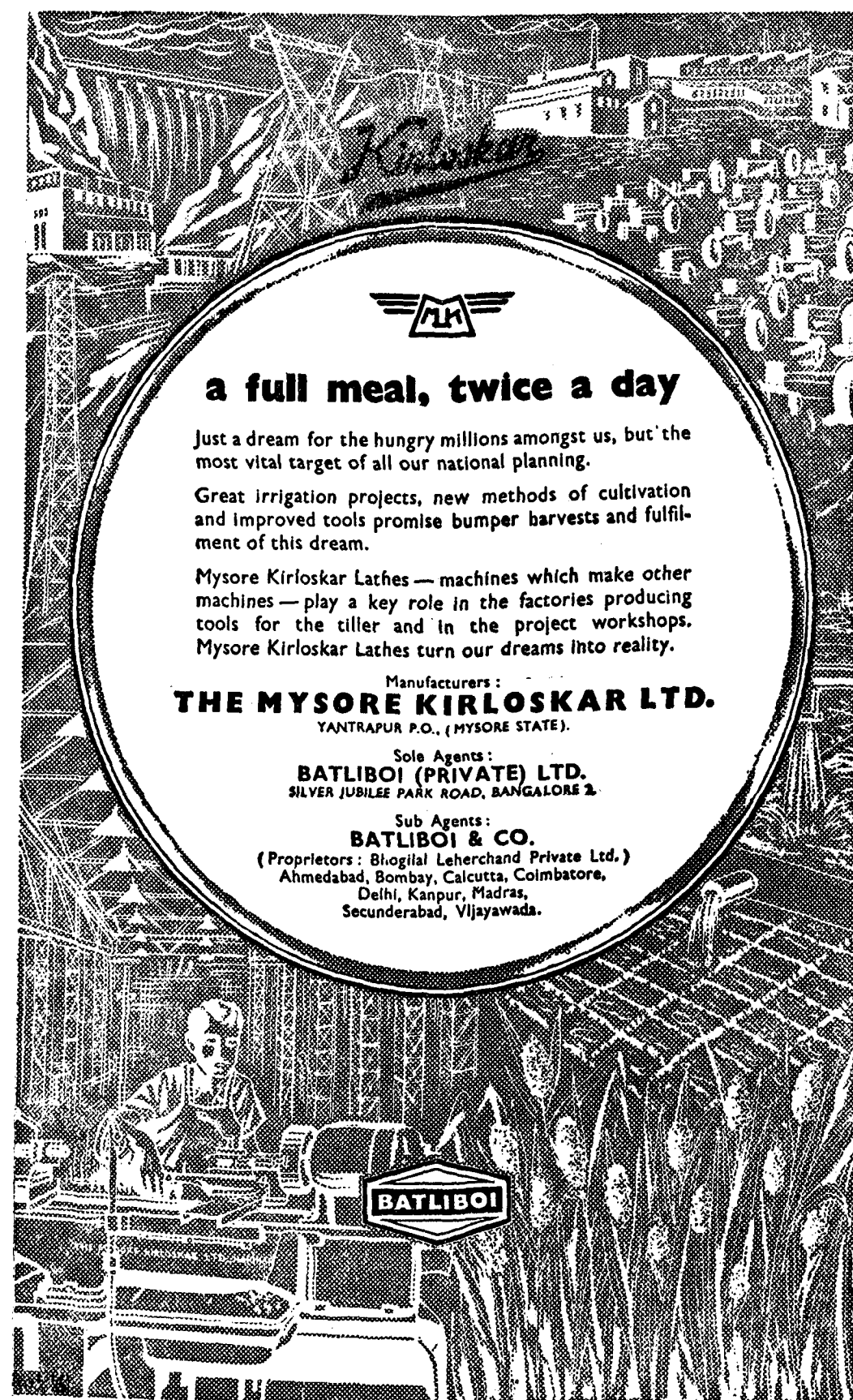
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The European Scene

THE ENGINEERS' EUROPE

From Our Special West European Correspondent

PARIS, May 21.

A ship suitably named Ampere is this week loading on board in the port of Calais a cable 35 miles long, which it will proceed to lay on the floor of the English Channel to connect together the French and British electricity grids. This will be the first time anywhere in the world that high-tension electric current has been transported by submarine cable. Its economic justification is evident; given the difference in time between the Continent and the British Isles, peak periods of demand for current do not coincide and so it is possible to share the burden first in one direction then in the other. In the same week but at the other end of the country, Italian and French engineers announced that, burrowing under Mont Blanc (Europe's highest peak) from opposite sides, they had completed over half of the road tunnel that has been a dreamed of project since the 18th century. The Italians have dug 3,130 yards and the French 3,390 yards, making a total of 6,520 yards out of the 11,600 yards that will be the length of the completed tunnel. The French team is already directly under the South Needle of the peak, at which point their tunnel is 2,440 yards below the surface. This latter distance, known to engineers as the "cover", is the deepest the tunnel will require and it is also the greatest cover under which such as tunnel has ever been constructed anywhere.

Turning to Europe's southern shores, the South European Pipeline Company (which groups 16 American, British, French, German, Dutch and Belgian oil companies) last month floated a loan to complete the capital necessary for its 470-mile crude oil pipeline from near Marseilles to Strasbourg and the German Ruhr. The piercing of the few tunnels that will be needed to get the pipe up the Durance valley has already begun. Outdistanced by pipelines in the USA, Canada and Russia, this will nevertheless be the first comparable European achievement and, with its ultra-modern electronic equipment for remote control, it will be technically their equal. Moreover, it may soon have equals elsewhere in West Europe: a pipeline from Rotterdam to Strasbourg, and an Italian-Swiss-Austrian line from Genoa to the heart of the Continent. Meantime, the oceanographers continue the work of plotting the course of a pipeline for oil and/or natural gas that will go under the Mediterranean from North Africa to Cartagena in Spain, follow the Mediterranean littoral around via Barcelona till it meets the South European line. Completion of that project would require the South European line to be extended westwards across France, sending out a shoot to the Parisian region, so far as Dunkirk, so as to carry the Saharan fuel to the English Channel. The British gas corporation last month signed the contract for purchase of the fuel over a long period.

We are now back on the shores of the Channel where we began, once again looking across the strait of Dover from a power-surplus Europe to an England whose energy needs will increase as her economy develops, while her native resources of high-grade coal dwindle. At this point we come upon the most ambitious of the projects so far mentioned, one that is connected with the transport of fuel but which would serve many other needs besides — and which was in fact dreamed of before modern fuels were known. This is the plan for a permanent structure spanning the 20-mile Channel, that "scar on the face of Europe" that

Charles James Fox and Bonaparte first aimed to mend. Best known to the public in the shape of a design for a rail tunnel, this project has by no means run into trouble, as the lack of news since the Suez Company formed the new Tunnel Company might suggest. Technical preparations continue, only under the shadow of a new and even more ambitious rival scheme: the construction of a road plus rail bridge across the Channel. The Suez Company, rejuvenator of the tunnel scheme, thinks this rival serious enough to have brought up a tenth of the capital of its author, the Compagnie Francaise des Entreprises, whose designs have been underwritten by the biggest British and U.S. engineering firms. The tunnel plans are already before the two governments concerned and the bridge plans will be so next month; one or other of them is bound to mature, it is believed here, within a year or so.

This glance around at some of the biggest projects that West European now has in course of execution or on Ministers' desks reveals the shape of the engineers' Europe. It is composed of works in no way unworthy of the age of space travel, whose interest and utility they considerably exceed. With work of this size in hand it is no wonder that the six-nation coal and steel pool was once again, in the first quarter of this year, the world's biggest steel producer, surpassing the output of Russia and the U.S.A. The South European pipeline alone will require 138,000 tons of steel tubes, while the Channel bridge would need 800,000 tons. (Europe's biggest metal beam plant, which could make the sections of the bridge, was opened in Alsace this month by the company that designed the bridge). European engineers and the financiers who are backing them are in an ambitious mood, and the sort of united Europe they have in mind would be easily the equal of the Russian and American economies. All the projects mentioned are multi-national and represent a pooling of European abilities such as has never occurred before. They give point to M. Antoine Pinay's claim last week in Buenos Aires, "In the next few years we shall witness the formation (in Europe) of an immense market whose size and capacity will be able to rival those of the American and Soviet markets. Thus the union of our efforts and our means will enable us to reply to the challenge thrown by the Communist world to the free world, to reply effectively and victoriously". There is no braggadocio in this, at a time when the region is turning out more steel than its compeers and has in hand the most considerable engineering projects.

It will already have struck readers that the engineers' Europe does not coincide with the Europe of the trading blocs, the Six and the Seven. The world's first submarine high-tension cable and the projected bridge/tunnel across the Channel concern the originator the Common Market, France, and the instigator of EFTA, Britain. The network of oil and gas tubes involves members of both blocs, as well as Spain, while even the Mont Blanc tunnel concerns Switzerland as much as the two builders, France and Italy. In other words, the imagination of the engineers who are seeking to convert Europe's chequered geography into a 20th-century-size space cannot be limited by the divisions imposed by tariff preferences. That does not entitle us to conclude that there is something unnatural or uneconomic about the formation of limited trading

zones such as the Common Market, any more than U.S.-Canadian collaboration on the St. Lawrence seaway proves anything about the insufficiency of the U.S. economy.

It should be noticed, rather, that the engineers' plans are being realised despite the division into trading blocs, which, we were assured till lately, would disrupt and cripple Europe. Far from the commercial division being inconsistent with great works of physical unification, it has made them possible, for the node of concentrated energy formed by the Common Market has everywhere been the rallying point for external collaboration. Constructions such as the Mont Blanc tunnel and the fuel networks are economic only in view of the expansion and intensification of trade stimulated by the Common Market. The scope of the engineers' designs only shows that, far from being dismantled, the Common Market should perhaps be extended, as far as is consistent with its unificatory aims. This is especially pertinent in regard to the Channel bridge or tunnel: its completion will no doubt coincide with Britain's entry into the Common Market, which — while still for the middle future — becomes rather more likely every month. The Channel link, that is, will not connect France with Britain but will connect Britain to the Common Market.

However, though the engineers' Europe is outward-looking in the sense that it bursts the six-nation framework of the present Common Market, it is inward-looking in another sense. It represents a determined concentration of West European efforts on the affairs of West Europe itself. The men behind it, both engineers and financiers, are, after all, the same as built the Suez Canal, constructed giant barrages everywhere from Java to Bolivia, developed the oil resources of countries from Iran to Venezuela, and put up the material monuments that European imperialism has left in colonies scattered about the earth, as well as in the countries now behind the Iron Curtain. Their capital

and their capacities are today, for the first time strange as it may seem, being concentrated within West Europe, whereupon they immediately open up the prospect of achievement as notable as American or Russian. So far, their work is hidden from a distracted public attention by the more spectacular events attending the winding up of colonialism; the Congolese and Algerian affairs, for example, claim more space in the European Press today than do the tasks to which West European capital and technique have already turned from the blind alley of imperialism.

Perhaps a better symbol of the transfer of interest that is taking place is the announcement that at the end of this month the Orient Express will cease to run, after 78 years' service between Paris and Constantinople. It is difficult to see this today, but the departure in 1883 of the first Orient Express was hailed as one of the great international achievements of the 19th century. The first land link, and the fastest, between Europe and Asia, it rapidly acquired a symbolic fame, which was no stranger to its appearance in the adventure fiction of the past two generations down to Graham Greene and Agatha Christie. It was, indeed, a typical achievement of 19th century enterprise. Invented by a Belgian called Nagelmackers, who founded the Wagons Lits Company, and backed by King Leopold II, the "owner" of the Congo, it required the co-operation of the private, imperial or royal railroad companies of East France, of Alsace-Lorraine, of the Grand Duchy of Baden, of the Kingdom of Wurtemberg, of the Kingdom of Bavaria, of the Austro-Hungarian Empire, of the Kingdom of Rumania, and so on. In short, a considerable and complex enterprise. Today, the Iron Curtain and the aeroplane have killed it, and the most romantic of trains will be stopped. The engineers and financiers who ventured as far as Constantinople and Suez two generations ago have been much further since — as far indeed as they could go — but now they are back to where they began and are looking for greater works to accomplish between the Alps and the English Channel.

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Economic Report from the U.S.**INTERNATIONAL COMMODITY AGREEMENTS**

By GUY SIMS FITCH

WASHINGTON, May 17.

RECENT weeks have seen increasing evidence that the United States is prepared to take a serious and sympathetic look at reasonable proposals for international commodity agreements. This does not mean that the United States has adopted a doctrinaire approach in favour of these stabilizing agreements, any more than it had a doctrinaire opposition to them in the past. But it does indicate that the administration of President John F. Kennedy is moving beyond what was once described as a U.S. attitude of "benevolent neutrality" to a more positive and receptive position on this difficult subject.

Perhaps the most explicit elaboration of the developing U.S. position, which was first indicated by President Kennedy some months ago, was that offered by Deputy Assistant Secretary of State Werner Blumenthal at the meeting in New York two weeks ago of the United Nations Commission on International Commodity Trade. At that time, he offered the following significant comments: "Though we do not as yet have any firm conclusions, there are at least two basic assumptions under which our work in this field is progressing: 'First, we have no doctrinaire or 'a priori' opposition to any particular method of attacking the malaise of a commodity market. My government is willing to examine any reasonable proposal ranging from informal consultation to more formal multilateral types of agreements. 'Second, we believe strongly that commodity problems must be studied . . . on a case-by-case basis since each commodity has its own special characteristics and presents particular and unique problems.' In this connection, it is generally agreed that such products as coffee, cocoa, lead and zinc are among those which tend to fall in the problem area where current supply price situation could endanger the economies of exporting countries. As a practical matter, and as far as Latin America in particular is concerned, the United States thus will be going to the Inter-American Economic Conference in mid-July with an open mind on the question of establishing price-stabilizing international commodity agreements. By the same token, one cannot say whether or to what extent the United States will be prepared to commit itself to any particular form of stabilizing agreement. The interest of the United States in this entire subject springs naturally from its international economic position and from its long-standing policies in pursuit of economic development around the world. The United States, after all, is both a major consumer and importer, and a major producer and exporter of commodities. As an example, it is the world's leading exporter of such products as wheat and cotton, and the largest single buyer of such products as rubber, coffee and cocoa. In addition, the United States has been expending in the neighbourhood of \$4,000 million a year on economic assistance to other countries.

About 40 of the developing nations today depend on the export of one or two basic commodities for the bulk of their foreign exchange earnings. For many of them, there is an obvious connection between their export income and their development programmes. These programmes are dependent not only on outside aid, such as that offered by the United States, but also on the ability of the developing nations to finance them to a significant degree from internal resources. It follows, then, that the United States has a vital interest in seeking constructive ways of helping developing lands expand their markets and eliminate extreme fluctuations in their export earnings from primary commodities. What is more, the U.S.

Government believes that all industrialized countries have a responsibility to help in these related fields of aid and trade. But an open mind on this subject does not necessarily signify that any one solution is applicable to all international commodity problems. Nor does it necessarily follow that an international commodity agreement would be the best, or even a desirable, step in every case. Economists point out that over the long run there may be many fruitful approaches to commodities problems. To name a few: there is the accelerated development of the economies of exporting nations—an important element in President Kennedy's foreign aid programme; the diversification of these economies once they have developed sufficiently; the reduction in the marketing costs of primary commodities through improved research; the continuing search for new markets and new uses for commodities. There also is the international study group approach, which has been found effective, apparently, in the case of rubber, under which interested nations sponsor the exchange of economic data and perfect advanced techniques of production and of market research and forecasting. From this, it appears that international commodity agreements, while they may prove after consideration to be worthwhile remedies in some cases, should not be accepted merely as substitutes for other types of constructive action. Other forms of national endeavour and international co-operation also should be explored and utilized where feasible in meeting the challenge. That challenge, as Mr Blumenthal pointed out to the U.N. Commission lies over the long run "in developing the economies of all countries throughout the world so that all people can enjoy an adequate standard of living."

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Chanda Committee's Questionnaire: The Central Excise Reorganisation Committee has extended the time limit for submission of replies to its questionnaire upto July 31, 1961. This decision has been taken in response to several representations both from the public and the trade. The Committee while issuing the questionnaire, had fixed the dead-line for replies by the end of this month.

*

General Insurance Business in 1959: The net premium income in India in all classes of general insurance business of Indian insurers increased to Rs. 15.02 crores in 1959 from Rs. 12.98 crores in 1958. In 1959, Rs. 5.14 crores were earned from fire insurance, Rs. 2.6 crores from marine insurance and Rs. 7.26 crores from miscellaneous insurance business. In the case of non-Indian insurers, the net premium income in India was also higher in 1959 than in 1958 in marine and miscellaneous insurance business, but it was slightly lower in fire insurance business. The corresponding figures in their case in 1959 were a total of Rs. 7.45 crores, of which Rs. 3.19 crores related to fire, Rs. 1.81 crores to marine and Rs. 2.45 crores to miscellaneous insurance business. The net premium income outside India of Indian insurers which was also higher in 1959 than in 1958, amounted to Rs. 13.32 crores in 1959, of which Rs. 7.28 crores were earned from fire insurance, Rs. 2.39 crores from marine insurance and Rs. 3.55 crores from miscellaneous business. The index number of general insurance business in India recorded a rise of 10.5 points for 1959 as against a rise of 6.4 points in 1958. These figures are given in the Indian Insurance Year Book 1960 recently published by the Controller of Insurance, Government of India.

*

Gandakh Irrigation and Power Project: In pursuance of the agreement between the Government of India and the Government of Nepal on the Gandak Irrigation and Power Project, the Government of India with the consent of the Government of Nepal has set up a Co-ordination Committee to establish a forum for discussion of problems of common interest and in order to expedite decisions for the early completion of the project. The Committee will consist of three representatives from each country to be nominated by their respective Governments. The Chairman of the Committee will be a Minister of the Government of Nepal or an officer deputed by the Government of Nepal and the Secretary of the Committee will be the Chief Administrator of the Gandak Project. The Committee would meet from time to time to consider certain matters of common interest concerning the project including land acquisition, rehabilitation of displaced population, maintenance of law and order, soil conservation measures and such other items as may be referred to the Committee for consideration by the Nepalese Government or the Government of India from time to time. The Committee will meet as and when necessary at Khatmandu or at the project or such other place as may be necessary at the direction of the Committee.

*

Bhal Reclamation Scheme. A Memorandum was signed the other day between representatives of the

Government of India and the Royal Netherlands Government to effect the transfer of the Pilot Polder (Reclamation of low-lying land) of the Bhal Reclamation Project to the Government of Gujarat. The transfer will come into effect on June 1, 1961. Technical and financial assistance to accelerate the desalinization of saline soils along the Saurashtra coast of Gujarat State was provided by the Netherlands Government under an agreement concluded in 1959. In addition the Netherlands undertook construction of the pilot Polder at a cost of little over Rs. 19 lakhs. The total project, which aims at raising the standards of living of the population by increasing the productivity of the local soils, is expected to benefit ultimately a net area of 55,800 acres and yield produce worth about Rs. 75 lakhs a year. Netherlands assistance will be continued till 1963, by which time the Pilot Polder is expected to be brought progressively under cultivation. The Government of Gujarat will provide funds and the staff for the execution of the scheme.

*

Technical Properties of Foundry Moulding Sands:

Technical data on the properties of moulding sands, bonding clays and other bonding materials have been made available to the foundry industry in India for the first time as a result of an extensive survey carried by the National Metallurgical Laboratory of India. The preliminary results of the survey are embodied in a 180-page monograph published recently by the Council of Scientific and Industrial Research. The monograph gives the chemical, physical and moulding characteristics of more than 40 samples of foundry sands taken from all over the country. Recommendations for the utilisation of these sands in moulding for different metals and alloys have also been made. The survey fills an important lacuna in the development of the foundry industry, which did not have adequate technical data available till now. With the growing demand by the engineering and basic industries for castings of exact specifications, quality control has become essential. At present about 80,000 tons of steel castings are made in approximately 1,500 established foundries. More and more heavy quality casting of 100 tons and above are being moulded in the country. A significant contemporary development in foundry technology is the realisation of the importance of proper selection and use of foundry sands and moulding materials.

United States

Bank of America: It is reported, a new overseas branch of Bank of America NT & SA will soon be opened in Karachi, West Pakistan. Bank of America NT & SA and its wholly owned subsidiary Bank of America (International) have officers and representatives in 20 countries of the world. The last overseas branch was opened in Buenos Aires, Argentina, in October 1960. The Karachi branch is expected to be operational soon. Quarters for the new office have been leased in the New Jubilee Insurance Building on McLeod Road, in the financial centre of Karachi.

U.S.S.R.

World's Largest Steel Smelting Shop Designed: The world's largest steel smelting shop has been designed at the Ukrainian State Institute for designing metallurgical works. The gigantic shop which will

occupy an area of 40,000 sq. metres will have super-powerful arch furnaces whose volume will be 150 per cent larger than that of the furnaces now in operation in Soviet Union. All latest achievements of Soviet metallurgical engineering have been taken into account in the design of these powerful steel smelting units. The furnaces will be equipped with original mechanisms which will make it possible to quickly lift and turn the bell of the furnace, to incline and rotate its hearth. These improvements will help to cut considerably the duration of smelting. Special induction devices will be used for stirring liquid metal and pumping off the slag. A cybernetic installation will calculate with absolute accuracy the composition of the charge and also determine the most rational thermal regimen of steel making. A 165 cubic meter bucket has been designed for carrying the ore to the furnaces. It is transported to the furnaces by the overhead crane of 300 tons capacity. Such mechanisms are being created for the first time in world practice.

*

Biggest Sheep Breeding Museum: The world's biggest museum of Karakul sheep breeding has been established in the Uzbek city of Samarkand. The collections of the museum include about 500 Karakul sheep skins of rare colouration including such as "Shamchirak-Guli" which means the colour of a candle flame and "Malya-Sur".

*

Automatic Magnetic Station: Soviet polar explorers are preparing to install an automatic magnetic station 800 km. east of the Mirny South Polar observatory in Antarctica. Geophysicists believe that a second zone of polar light and magnetic activity is located in this area.

Japan

Technical Assistance Agreement with Ceylon: For the economic development of Ceylon, Japan has agreed to set up a fishery technical training centre in Negombo, near Colombo as a joint project of the two nations. An announcement made by the Ministry of Foreign Affairs states that the agreement was signed in March in Colombo by the Ceylonese Minister of Agriculture, Land Irrigation and Power and the Japanese Ambassador to Ceylon. Under the agreement, Japan will send to Ceylon technicians to train Ceylonese fishermen and the fishing boat engine repairmen and engage them in improving fishery techniques at the projected training centre, and will provide training materials including boats, fishing tackle, engines, machines, educational materials, tools, machine parts, and the like. On the other hand, Ceylon will offer a site for the centre, buildings, port facilities, operating funds and indigenous personnel.

Yugoslavia

Improvement of Health Services: Some 96 billion dinars will be invested in health service promotion in Yugoslavia during 1961-65. These funds will be used primarily to expand the capacity of hospitals, which now have 90,000 beds as well for medical staff training, preventive protection, etc. There are some 14,000 physicians in Yugoslavia today or one per 1,320 people which is above the world average. Over 6,500 physicians graduated during the last seven years. Two more medical faculties were opened last year, in Nis and Novi Sad, which brings their number to 8. There are over 5,000 clinics for out-patients, carrying out some 85 million examinations a year.

United Kingdom

Big Overseas Attendance Expected at Interplas: Organized parties of businessmen, technicians and students, from 26 countries are already being arranged to visit Interplas one of the world's largest international displays of plastics materials machinery and products—which opens at Olympia, London on June 21. Countries represented by these parties include Australia, Brazil, Canada, Ceylon, Denmark, Egypt, Eire, France, Germany, Holland, Hungary, Iraq, Israel, Italy, Japan, New Zealand, Norway, Portugal, Pakistan, South Africa, Spain, Sweden, Switzerland, U.S.A. and Yugoslavia. Prominently featured at Interplas will be the international design display in which the world's foremost industrial designers will show their application of plastics to over 200 products for the home, ranging from dinnerware and dining chairs to dish drainers, dustbins and electric drills. Items in the U.K. section will be selected from the Design Index of the Council of Industrial Designs and overseas products will be chosen by each country's appropriate design institute. The products in the display, in which 11 countries will participate, will be judged at the exhibition by a panel of international design authorities and the award will be presented to the designer of the product considered to be the best.

France

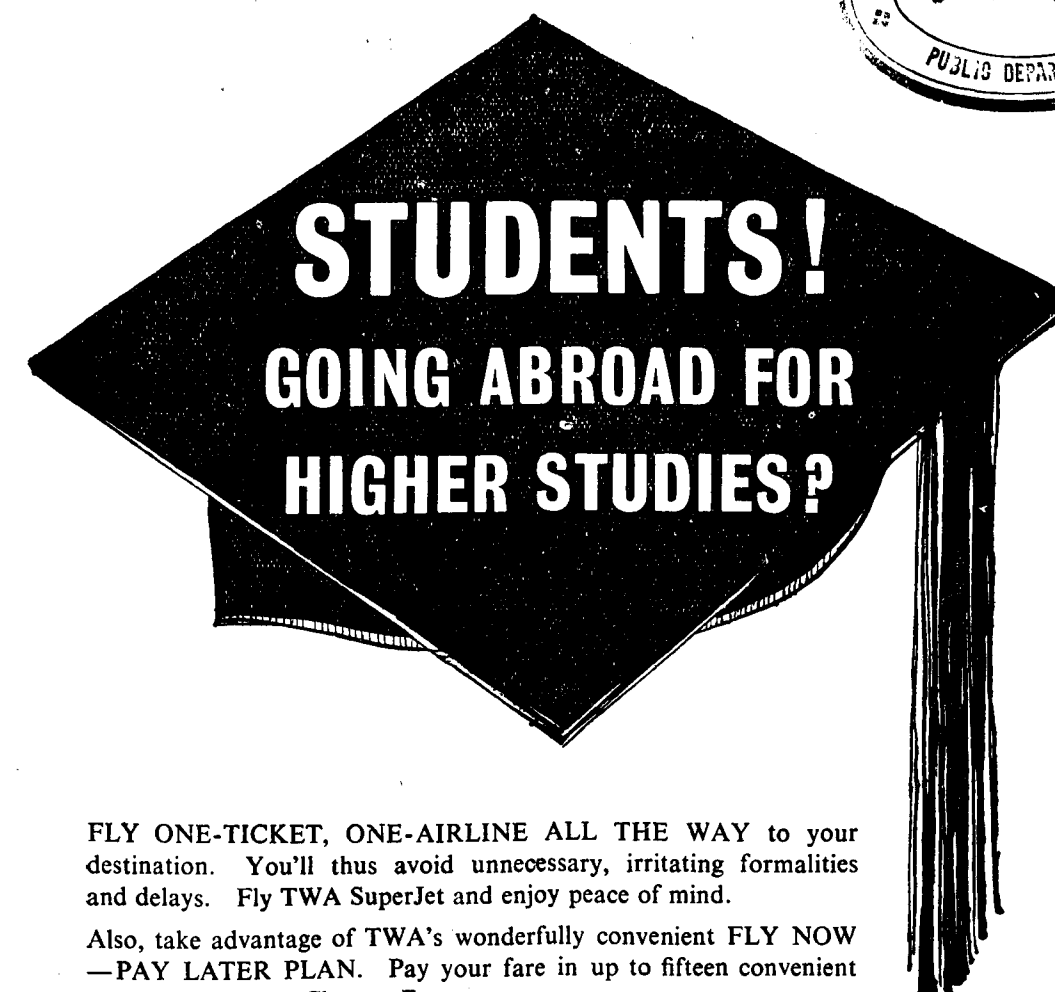
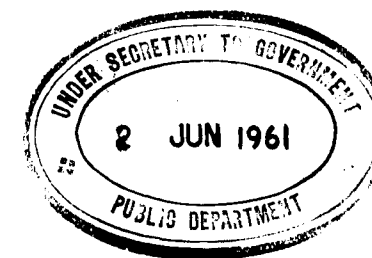
Organisation of a Rural Training Programme: To meet the increasing needs of newly independent states for rural teaching personnel, the office for the Development of Agricultural Production has opened, the third session of a programme which will train personnel in educational methods used in the training of future rural workers. 16 Africans, 2 Madagascans, and one Comorian will attend this training programme which will last up to November 1961. Those attending the programme will be initiated in Paris to active educational methods by instructors from the High Commissariat of Sports and Youth. Between 1st June and 30th September, they will participate in sessions of training programmes organised in the French provinces in co-operation with different organisations specialised in the problems of rural youth.

Honduras

Dairy Plant: The first dairy plant producing dry milk in Honduras was officially inaugurated in the city of San Pedro Sula at the end of April. The plant went in actual production in last November and has already reached 25 per cent of its production capacity. The Honduran Government has invested the equivalent of more than \$3 lakh on the project, and the UN Children's Fund has provided some \$2,20,000 worth of imported equipment for processing, refrigeration, laboratory work etc. In addition to providing powdered milk, the plant will produce pasteurized milk, butter, cheese and other dairy products, thus opening a permanent market for Honduran farmers. The plant is the fourth dairy plant to come in operation in Central America with the aid of the UNICEF.

Holland

Record Exports of Cotton Rayon and Linen Fabrics: Activities in 1960 in the Dutch cotton, rayon and linen industry reached an unprecedented level, as did exports of cotton, rayon and linen fabrics. Improvement in qualities and utilisation properties, designing and finish of the fabrics produced resulted in substantial progress in the sales of fabrics in the western countries, the setback in Asian markets thus being amply cancelled out.



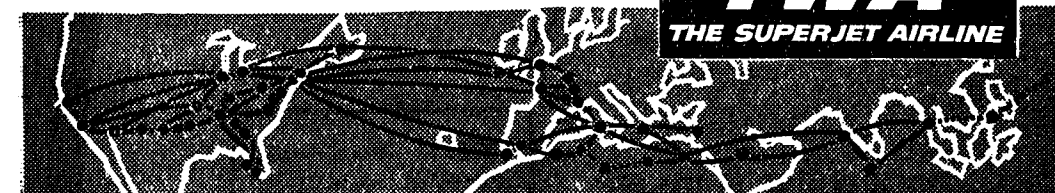
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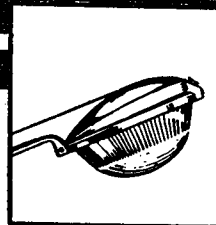
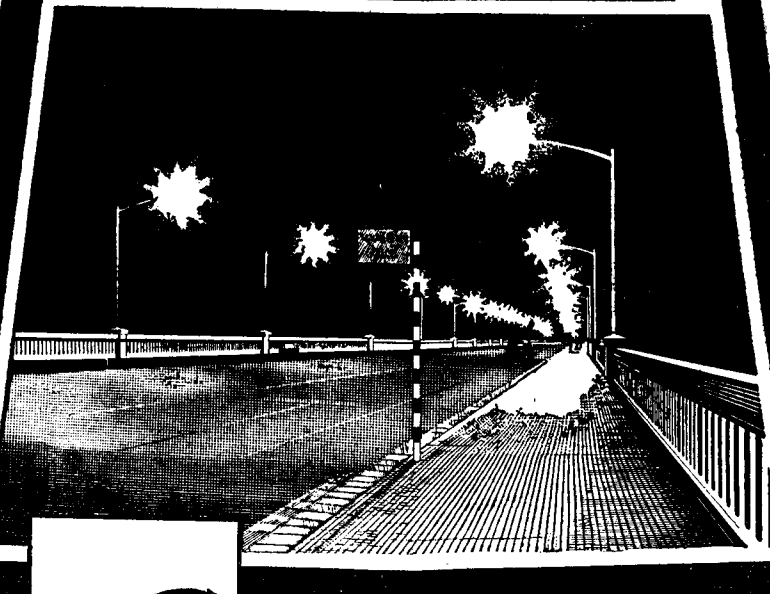


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NEWS IN BRIEF

INDIAN

The Employees Provident Funds Act, 1952, initially applied to six industries, has gradually been extended to 47 industries. With effect from the 31st May, 1961, it is being further extended to starch industry.

Apart from increase in employment and higher output, protection has helped in laying sound foundations of important industries like bicycles, various types of machinery, aluminium and other metals, chemicals, automobiles and electrical goods.

For the first time in India Cathodic protection against corrosion in the new water main under installation for Calcutta has been adopted. When completed, this cathodically protected Calcutta's pipeline will be the first of its kind in the world.

At the Central Fuel Research Institute near Dhanbad in Bihar, a new proto-type low temperature carbonization plant for the production of smokeless domestic fuel from coal was inaugurated by the Chief Minister of Bihar recently.

The Controller of Capital Issues has granted consent to six companies for issue of capital of various categories.

The Council of Scientific and Industrial Research has drawn up a programme to ensure that new processes and inventions developed by national laboratories are more effectively used for industrial advancement.

Oil has been struck in a well in a village about six miles from Surat. The oil, which is stated to be greenish in colour was struck at a depth of 1,224 metres.

It is reported, negotiations are in progress with Soviet Union on a contract to supply equipment and material for an oil refinery at Barauni in Bihar. Soviet experts have completed plans of the refinery, which will have an annual capacity of two million tons and be built with Soviet technical assistance.

The outstanding balance of the 3½ per cent National Plan Bonds (first issue) 1961 is repayable on 1st June 1961 and no interest will accrue thereon, says a Government press note issued recently.

It is reported, work on irrigation-cum-power project of Naigarh (Kashmir) costing Rs. 1 crore would soon be taken in hand.

The Government of India have removed all restrictions on inter-State movement of Khandsari, sugar candy and bura sugar. An order has been issued amending the Sugar (Movement Control) Order 1959, to this effect. At present, there is no restriction on inter-State movement of confectionery.

FOREIGN

A £16m. contract for building the first stage of the Volta River Dam Project has been awarded to the Italian group, Impresit, which was responsible for the Kariba Dam in Central Africa.

The Canadian Government has announced that it is granting subsidies to shipbuilders, and also seeking to reserve domestic Canadian trade in the Great Lakes area for Canadian ships. A subsidy of 40 per cent of construction costs is to be paid on inland, coastal and deep sea shipping until March 31, 1963, after which it will be 35 per cent.

The U.S. Federal Reserve Board's seasonally adjusted index of industrial production rose in April to 105 per cent of the 1957 average. This was three percentage points higher than the March figure.

Australia has sold 750,000 tons of wheat to the China Resources Company, Hong Kong, which acts on behalf of the Peking Government, the Chairman of the Australian Wheat Board announced recently.

Australian insurance companies during 1960 increased their assets by £A82m. to £A1,009m. and invested £A31m. in company shares, the Commonwealth Insurance Commissioner disclosed recently. Investment in public securities, however, declined by £A7m.

All the major economic problems of concern to the Commonwealth will be reviewed by Senior Commonwealth officials when they met in London from May 24 to 26.

The New Zealand Government recently took further drastic action to curb the rate of private importing by announcing that 1961 import licenses valid until December 31, 1961, may have to last until March 31, 1962, or even longer.

The Government intends to take over shortly the Tanganyika Agricultural Corporation—a Joint Tanganyika and British Government enterprise which runs cattle ranching, tenant farming and irrigation schemes over some 250,000 acres.

After five years search, Gulf Oil has made a discovery in Bolivia which appears to be a major oilfield. In the Caranda area, some 30 miles north-west of Santa Cruz, it has tested a well at a rate of 1,570 barrels a day of 51 degree gravity crude.

GATT, the General Agreement on Tariff and Trade, has decided to advise and aid new independent States on their trade policies upon request. The decision was taken by GATT's Executive Council at its eighth session.

Special Article

REFURBISHING THE I.M.F.

By PAUL BAREAU

A great deal of thought is being given at the highest official levels in central banks and ministries of finance to the problem of strengthening the International Monetary Fund and making it even more flexible than it has recently become. It is probable that a scheme designed to achieve these objectives will be ready for submission to member countries in time for discussion at the next Annual Meeting of the Fund which, with that of the World Bank, is due to be held next September in Vienna.

The need for some refurbishing of the International Monetary Fund has been underlined by the recent experience of the two great reserve currencies of the world, the dollar and the pound sterling. The dollar had to withstand considerable pressure last year. This year sterling came under heavy strain as a result of withdrawals of hot money and of speculative attacks which followed the revaluation of the German mark. In each case the pressure on the two currencies was due to capital rather than current transactions. In each case that pressure derived from the fact that dollars and sterling, because they act as reserve currencies, are particularly vulnerable to movements of short-term capital due either to divergencies in interest rates or to more brazenly speculative operations.

Of all the plans which are now being considered, one which has been elaborated and propounded by Mr. Edward M. Bernstein holds the centre of the stage. Mr. Bernstein was for a long time a high official at the U.S. Treasury and was one of the American experts who, at Bretton Woods, helped to evolve the Articles of Agreement of the International Monetary Fund. He then joined the Fund and served it as a high official for many years and has since become an economic consultant of high repute. His proposals are designed to meet the situation caused by the vulnerability of sterling and the dollar by reason of their functioning as reserve currencies. The extent to which they are so used may be gathered from the statistics for the end of 1960 which showed that governments and central banks outside the United States and Britain held about \$11 billion in dollar assets and over £2,550 million in sterling assets as part of their official reserve.

The consequent vulnerability of these two currencies, and of the dollar in particular, has been enhanced by the fact that the International Monetary Fund in its transactions has, in the main, dealt in dollars. Countries in balance of payments difficulties have tended until now to take dollars from the Fund and exchange those dollars for the currencies of which they happened to be in short supply. Thus from 1958 to 1960 the International Monetary Fund sold over \$500 million in dollars, though during that period the United States suffered a net gold outflow of \$5 billion. Thus the International Monetary Fund was by its operations accentuating the weakness of the world's principal reserve currency.

The Bernstein plan falls into two parts. The first is essentially psychological: it is an invocation to all members of the International Monetary Fund to regard their quotas with the Fund as an integral and published part of their reserves. This invocation is addressed principally to the United States. Mr. Bernstein argues that the United States should abandon their somewhat

haughty attitude towards taking assistance from international institutions. He suggests that all members of the Fund should use their access to its resources as a matter of normal and very familiar practice and that the leadership in establishing this practice should be taken by the reserve centres of the United States and the United Kingdom. Mr. Bernstein points out that if the quotas are to be regarded as part of the reserves of members, they must draw on these quotas in modest amounts whenever they are using their own reserves.

If, however, the United States and Britain are to use the Fund more regularly, they may find that the currencies they need are not available in the required quantities. The Fund quotas have been so calculated as to provide the Fund with relatively small amounts of such currencies as German marks, Italian lire and French francs, which have recently been in particularly scarce supply and keen demand.

It is, therefore, proposed that all the great trading nations of the world should be prepared to lend money to the Fund, either by buying the Fund's debentures or by giving the Fund drawing rights up to specified amounts. The Fund, or as Mr. Bernstein suggests a subsidiary institution to be named the Reserve Settlement Account, should make the currencies which it borrows, available to the rest of the world on specially favourable terms.

Suppose, for example, there were a sudden outflow of \$3 billion from the United States to the United Kingdom, Germany and the Netherlands, drawn there by relatively high interest rates, the Fund or its Reserve Settlement Account, would borrow the appropriate amount in sterling, marks and guilders from these three countries. These currencies would then be lent to the United States which would either sell them in the exchange market and thus offset the movement of hot money, or use them for converting and repaying dollar balances. These operations would be subject to a gold guarantee. They would have the effect of satisfying the demand for scarce currencies, supplementing the resources of the Fund and taking some of the load which on occasion piles up on sterling and dollars, by reason of the good and valuable work they do as world reserve currencies. Some such scheme will unquestionably be presented to member countries in the near future.

A warning note should, however, be sounded. This scheme for reinforcing the I.M.F. would supplement informal inter-central banking arrangements which have already been completed by which the major central banks of the world have undertaken to hold one another's currencies up to unspecified amounts without exercising their rights to convert these balances into gold. These arrangements are working satisfactorily. If they are supplemented by more flexible I.M.F. provisions a position may easily be created in which the chronic debtor will find it all too easy to "raise the wind" in financing his deficits. The new arrangements should be specifically focussed on the problem of meeting short term capital movements and offsetting speculative operations. They should not be abused to finance balance of payments deficits. They should not blunt the urgency with which all countries should endeavour by their own efforts to correct disequilibria in their balances of payments.

THE BUSINESS WORLD

Whither Industrial Bombay?

By CROESUS

THE recent propaganda of the Maharashtra Government that the Third Five-Year Plan of the State "will be oriented to create a base for industrialisation in rural areas" has naturally aroused some anxiety among business circles about the industrial future of Bombay City. A frank expression to this anxiety was given by Mr. Pratapsinh Mathuradas, President, Maharashtra Economic Development Council, at a meeting, last week, of the Council, which was attended by Mr. Y. B. Chavan, Chief Minister of Maharashtra, who also gave certain welcome assurances on the occasion. It is necessary to record here the viewpoints of both to be able to appreciate them, if only because what happens to Bombay at this stage is sure to happen to other cities which are bidding fair to compete for a place with Bombay on the industrial map of India.

Public opinion on this subject is generally influenced more by subjective considerations of the individuals concerned than by an objective appraisal of the position from the point of view of the State as a whole, let alone the entire country. That is why one often hears the cry that Bombay has already overgrown and that all attempts at further expansion of the City must be ruthlessly resisted in order that the citizens might not be subjected to the concomitant hardships of shortages of accommodation, transport, water supply, medical aid, sanitation, etc. There is some force no doubt in this line of reasoning, but the question also requires to be looked at from another angle or other angles, as Mr. Mathuradas observed. There is perhaps one consideration, more than any other, that ought to weigh with those who rule over the destinies of Bombay City from an industrial point of view, namely that every care should be taken to see that the policy of a balanced regional development does not itself defeat the objective of the development of the Maharashtra State.

As the M.E.D.C. President said, "the concept of regional balance and the dispersal of industries does not (and ought not to) imply an approach of antipathy towards, or neglect of the developed areas of the State." It should not be forgotten that industrial development in Bombay and in its close proximity has resulted in certain advantages in respect of location and provision of overheads which add to the potential available for further development. Nor should it be assumed that those industries which are sought to be developed in or near Bombay would go contrary to the goal of regional balance and prevent the spread of industries to the under-developed regions of the State, for Bombay City should be viewed as "the spearhead of the industrial advance in Maharashtra". If certain industries tend to get established in Bombay and its neighbourhood, it is for certain special advantages that only this area can offer. For instance, there is no great repair of even the most complicated part of a machine that cannot be undertaken in Bombay. Even long-established industrial concerns outside the State are known to rush to Bombay in the event of a major breakdown in their plant. Presumably, this is the reason why the Maharashtra Government also has chosen to map industrial areas around the Island of Bombay. Whatever the reason for it, the State authorities should make it a point not to impose any restrictions on the location

of industries in this area (except perhaps those necessitated by the absence of adequate supply of power, water, etc.) In other words, to quote Mr. Mathuradas, "the object of effecting an industrial spread in the State of Maharashtra should be achieved not by a negative approach of preventing a further spread of industrialisation in the developed areas, but by a definite and positive approach of locating areas and building over-heads (or, what is more fashionably termed these days as "infra-structure") in the new regions which require to be developed under the Plan."

Had Mr. Mathuradas said only this much and left it at that, he would undoubtedly have invited some cynical comments from Maharashtra's Chief Minister, but he took care to assure the Maharashtra Government, on behalf of his Council, that "we would continuously apply ourselves to the work of industrial promotion in the various regions on the basis of respective economic needs of the regions and the availability of facilities and services like adequate power supply, communication, transport, local 'entrepreneurial' talent, etc." This may not quite meet the needs of an all-out regional balance, at any rate of the sort that is being aimed at by the powers-that-be. But it is unquestionably a sound, practicable and helpful policy. After all, the shrewd businessman that Mr. Mathuradas is, he knows only too well that it is not possible to locate an industry where some politicians, inspired may be by the best of motives, may desire it to be located in the absence of certain services and facilities, unless at an enormous or uneconomic cost. That may satisfy the whims, for the time being, of the politicians, but will never be a successful business proposition. No one can prevent us from producing sugar in a region where the sugarcane crop cannot but be poor both in quality and quantity, but, then, we must be prepared to pay for and eat the sugar manufactured from that cane ourselves. Even under relatively the most ideal conditions of sugarcane cultivation as we have in the Deccan, we are today finding that the cost of sugar manufactured by us is so much higher than in some foreign countries that we are unable to export our sugar, notwithstanding all the tax concessions offered. In other words, in the final analysis, it is primarily the economic factors that decide the location of a given industry in a given region.

But this is not to say that no attempt should be made to take industries to regions where there have been no industries so far, despite the availability of a number of natural facilities, mainly because of want of funds. As a matter of fact, it is such regions that ought to receive the first and foremost attention, especially of Government swearing by slogans, such as "planned economy", "Welfare State", and so on, although, unfortunately, this does not always happen. The M.E.D. Council has done well, therefore, in offering to carry out economic surveys of selected districts to bring to the notice of the Government the potentialities of promising areas.

Being an essentially practical administrator, Mr. Chavan was not slow either to appreciate the anxieties of the entrepreneurs or to recognise the limitations that inhibit the economic growth of certain regions. "I

quite understand your anxiety about the industrial future of Bombay City", he said in his address to the M.E.D. Council and further reassured those present by adding: "You need have no fears that the declared policy of the State Government of ensuring a balanced development of the State as a whole means the neglect of the Bombay City." He even went on record as saying that, "while drafting the Third Five-Year Plan, care has been taken to make adequate provision for the expansion of industries in Greater Bombay to the extent possible. In fact, our objective is to expand the City itself beyond its limits (and he significantly added 'not the jurisdiction of the Bombay Municipality!') by constructing a bridge over the Thana Creek and turning marshy lands into industrial areas". And, yet, he cited two considerations why his Government felt it should enlarge the field of industrialisation locating industries other than in Bombay, namely, (i) barring Greater Bombay, the Maharashtra State cannot be said to be industrially advanced, and (ii) Maharashtra's progress industrially during the last ten years does not compare favourably with that made by other States in the country. Hence the reorientation in the Third Plan of the State, we are told, "to create a base for industrialisation in rural areas". In keeping with this objective, it must be conceded, the State has been according the utmost importance to the establishment of more and more industrial estates and to the creation of more and more "agro-industries."

Whilst dealing with agro-industries, Mr. Chavan made a particular reference to the co-operative sugar

factories and said the success in this sphere ought to encourage other agricultural processing industries based on rural resources, both in the primary and the secondary processing sectors. This statement, it would appear, is open to correction, for the sugar co-operatives are not based merely, or even mainly, on rural resources. As everyone knows, the Union Government has provided abundant credit facilities to sugar co-operatives through the Reserve Bank indirectly and the State Co-operative Banks directly. Furthermore, it is not every agricultural crop that lends itself so admirably as sugarcane to processing, let alone co-operative processing. Fortunately, the Chief Minister of Maharashtra has not yet chosen to reserve all agricultural processing industries for the co-operative sector only. "Where co-operatives of rural raw materials producers are not likely to be in a position to set up the industries, owing to complex technology or excessive capital cost involved", he has said, he is willing to invite the collaboration of the private entrepreneur. To quote him, "we are thinking now in terms of a 'joint sector' where the State and the private sectors collaborate and establish large industrial enterprises in rural areas. Besides providing for public sector enterprises, the State's Plan will make adequate provision for participation in joint sector enterprises." This is good in so far as it goes, and there is sure to be some response to his appeal to private enterprise to come forth in ample measure to take advantage of this. But one cannot help asking: how much more this response might have been, had the Maharashtra Government not precipitated its land ceiling policy 'vis-a-vis' the sugar factory farms?

Business Notes

Trade

CONSOLIDATING POSITION IN AFRICA

WITH THE gap in our foreign trade tending to widen more and more, it becomes imperative to explore every conceivable avenue to boost exports. In addition to many of our traditional markets in Africa, a number of new States, such as Senegal, Morocco, Ghana and Nigeria, have become independent in the so-called Dark Continent. Like India, these too are, by and large, agricultural countries, having a keen desire to industrialise themselves in order to meet the growing needs of their developing economies. It, therefore, behoves us to study this changing pattern and adapt our export drive to these changes. For instance, presently, although some of these countries may manufacture greys, they are in need of processed cloth, and it is in such spheres that Indian manufacturers can do something to increase cotton textile exports to the African countries.

Recently an Indian Cotton Textile Delegation, sponsored by the Cotton Textile Export Promotion Council, was in West Africa. On the return of the Delegation, the leader, Mr. Chinoobhai C. Javeri, has issued a statement in which he has made some interesting remarks in this connection. As a result of most of the African countries setting up their own textile mills for the manufacture of greys, which they were hitherto importing from India, he observes, our exports of cloth, which comprised greys mainly, have shown a marked decline during the past few years. Even so, he thinks, there still remained a good market for greys—in spite of our comparatively higher prices—in these territories, due to the local production being inadequate to meet the total requirements. As he has suggested, a prompt and proper diversification of our exports at this stage to include, say, wax-prints, fancy varieties and quality cloth, for which there would appear to be a large market, should arrest the deteriorating situation in our cotton textile exports.

Dealing with trade agreements, the leader of the Delegation said that, having become independent, the new African States naturally wanted to pursue a policy of diverting their future requirements to those countries

which bought their products in turn. As India has today a more or less one-way traffic in its trade with these countries,—i.e. buying little or next to nothing from these countries—the Government of India should seriously examine the position and endeavour to find out a suitable basis for concluding trade agreements with them, and appointing well-equipped Trade Commissioners wherever necessary. Mr. Chinoobhai has also suggested that India should undertake to collaborate, even in a small way, in industrial projects in these countries. According to him, starting new industries in collaboration would not only foster good relations for promoting trade in the future, but also provide markets for Indian machinery and equipment and earn precious foreign exchange for the country when the profits of these industries are remitted to India. This is perfectly right. In the good old days, it used to be said: "Trade follows the flag." The slogan today is: "Trade follows industrial collaboration." In this connection, the Delegation has made a commendable twin proposal, one, that a team of leading industrialists from India should visit these countries and explore the field—a beginning has, in fact, been made by the Birlas who have set up a joint industrial venture in Ethiopia—and, two, that a Government-cum-trade team from these countries should visit India at the time of the Indian Industries Fair, to be held in New Delhi towards the end of this year, to get a first-hand knowledge of the trade opportunities in our country.

Gujarat

POWER SHORTAGE AND FUTURE PROSPECTS

LAST WEEK'S informal discussions between Mr. H. M. Patel, Chairman of the Gujarat Electricity Board, and the committee members of the Indian Merchants' Chamber in Bombay provided a much-needed opportunity for the business community to get detailed information not only on the various measures announced recently by the authorities in Gujarat for economising the consumption of power but, more particularly, on the steps which are being contemplated by that State to overcome the shortage during the Third Plan period. Mr. Patel made no bones about admitting that Gujarat was short of power.

He pointed out how, although all the projects contemplated under the Second Plan for the regions now comprising the Gujarat State had been completed, at the end of the Plan, there was no surplus left to be carried over to the Third Plan.

It is debatable as to who is responsible for this state of affairs and one need not bother about going into this rather unedifying chapter. What is relevant to the present context is the assurance of Mr. Patel that, although the supply position in the State is at present a little difficult, the series of measures contemplated under the Third Five-Year Plan for augmenting the power supply should create adequate additional capacities to meet all the needs of the industries. In any case, he thought, there would necessarily be a lag of 3 to 4 years between the time a decision was taken to start a new industry and the time when it could actually go into production. By and large, it was comforting to be reassured by the GEB Chairman that no industry need be deterred by the fear that adequate power would not be made available. Not equally comforting, however, were his references to the diversity of the rates charged to consumers in the different regions of the State itself or the generally high level of power rates in Gujarat.

Referring to the various restrictions which have been recently imposed to economise the consumption of power in the State, Mr. Patel explained that consumption of power had been increasing at a rapid pace both for industrial and domestic purposes in the Ahmedabad region. The existing restrictions on the use of power by industries, he said, were only motivated by the desire to ensure that power so saved could be made available to new industries which had already been set up, so that considerable investment that had gone into the setting up of such industries would not be obliged to remain idle and unproductive for a considerable length of time. The GEB Chairman further disclosed that the scheme for the expansion of the Ahmedabad Electric Supply Company's power house had been approved and that the situation in and around Ahmedabad region would improve by March, 1962. The supply from the Dhuvaran Power Station with a capacity of 200/250 M.W. was expected to be available after the completion of the project by the end of 1962 or early 1963.

Knitting Wool

NEED TO FIX QUOTA FOR SMALL PROCESSORS

AT A Press Conference here last week, Mr. Tula Ram Mittal, President, Delhi Hand-Knitting Wool Processors Union, narrated the tale of woe of some 5,000 families in the country—3,000 in Delhi alone—who for their livelihood are dependent upon the business of processing grey wool on cottage industry basis. The lot of these families, mostly displaced persons and widows, he said, had been growing from bad to worse because of the crisis that had overtaken this industry during the past four or five years because of shortage of raw material and setting up of dyeing and processing plants by the spinners themselves. The position this year had become very acute and not a little alarming, he added. Though the season is fast approaching, the spinners have not cared to finalise with the processors contracts for the supply of grey wool, which normally should have been negotiated in December last. To cap this, they are demanding unreasonably high prices—in some cases as high a price as Rs. 14 per lb., as against a normal price of Rs. 10 per lb. The result has been that many processors who over a number of years have built up this important cottage industry, are faced with the predicament of either abandoning this business or undergoing serious privations.

One fails to understand how, contrary to its protestations, the Government has allowed this situation to arise. The matter, according to Mr. Tula Ram, was brought to the notice of the Textile Commissioner near-

ly five months ago, requesting him to make suitable arrangements for ensuring essential supplies of raw material to the hand-processing industry. In a memorandum to him, the Delhi Hand-Knitting Processors Union had protested against the setting up of new units by the spinners. In view of the expanding consumption of knitting wool in the country, it may not be advisable to put a blanket ban on spinners setting up their own dyeing and processing units. But care has obviously to be taken to avoid extinction of this already established cottage industry which has made its mark by producing satisfactory quality knitting wool. This will not only save harassment to the poor people employed in this industry, but will also save unnecessary spending of foreign exchange on import of dyeing and processing machinery.

To alleviate the immediate distress of knitting wool processors, it is imperative that raw material should be made available to them expeditiously, at reasonable prices and in adequate quantities. The question of fixation of prices of grey wool, it is understood, has already been entrusted to the Tariff Commission, but, meanwhile, the Textile Commissioner will do well to fix a quota for hand-knitting wool processors unions which are working satisfactorily at the four main centres—Delhi, Ludhiana, Amritsar and Calcutta—where this cottage industry is mostly concentrated. Supplies can be made available to these unions at a provisionally fixed price, for distribution among their members. The difference between the provisional price and the price to be fixed by the Tariff Commission can be recovered from them later. An early decision is called for in this matter.

Aid-India Club

GOOD AUGURY FOR THE NEXT MEETING!

COMING CLOSE on the heels of the indications that the United Kingdom is favourably inclined to step up its assistance for the first two years of India's Third Five-Year Plan, the disclosure by Sardar Swaran Singh,

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the Union Minister for Steel, Mines and Fuel, at a Press Conference here on Wednesday, that Japan was keen to increase its credit programme for industrial ventures, both in the private and the public sectors, in this country augurs well for the Aid-India Club meeting scheduled to be held in Washington next week. It is not known how far West Germany has revised its stand of contributing only about \$331 million, including \$131 million to finance repayment of loans contracted under the first two Plans, but it can reasonably be expected that it will follow suit. The next week's meeting of the Aid-India Club, thus, will probably be starting in more fortunate and congenial circumstances than those in which the last April one was held.

No final decision about the aid that may be made available by the Club for India's economic development in 1961-62 and 1962-63, however, can be expected to be reached at this meeting, if for no other reason than for the fact that the U.S. contribution will have to await authorisation by the Congress, which will be forthcoming sometime in July; what can be expected is only an indication of the approximate amount of assistance that might be available from this source. That, of course, should be of great help in planning execution of the Plan during the first two years of its operation.

Another heartening statement that Sardar Swaran Singh made at the Press Conference was that Japan was willing to enter into collaboration arrangements with Indian interests for providing technical know-how and equipment for development of machine-making, special steel and mining industries. This should be an indication of the broadening of interest in the developed countries in the development of under-developed economies. How far India can avail of the Japanese help in its industrialisation, however, will depend to what extent the Japanese Government is prepared to simplify its aid authorisation procedure which stood in the way of expeditious utilisation of the two loans made available by it during the Second Plan period.

Instruments Industry

MANUFACTURE OF PRECISION INSTRUMENTS

AMERICAN HELP, which has been forthcoming quite liberally for this country's various developmental pro-

jects, would now also be available for the manufacture of precision instruments. The General Industrial Society Limited, Calcutta, has entered into collaboration arrangements with Messrs. American Gage and Machine Company Inc., U.S.A., for the manufacture of various instruments in India. A new company is being floated for this purpose. The forms of collaboration by the American concern partake the nature of supplying the technical know-how, the capital equipment and participation in the equity capital of the Indian company. The development is heartening in the sense that many such types of precision instruments which had been imported so far would now be produced within the country when the plant goes into full production in 1963.

Messrs. Size Control Co., Inc., Messrs. Walsh Press and Die Co., Inc., and Messrs. Simpson Electric Co., Inc., affiliates and subsidiary companies of Messrs. American Gage and Machine Company, would be working quite actively in this collaboration scheme. These companies have varied experience of many years and are well established in the field. While the Size Control Company would assist the Indian company in the manufacture of various types of precision equipment for use in missiles, aircrafts, ordnance and other like fields, the Walsh Press and Die Company would lend hand in the manufacture of complete line of power presses. Simpson Electric Company would help in the manufacture of various types of electric and electronic testing equipments to meet the demand of the electrical, radio, refrigeration, aircraft and air-conditioning industry. Under their automotive division would be manufactured various types of testing equipment, such as ignition carburetter, engine starters, magnetic and general tune-ups, for automobiles.

The new company will have a capital of approximately Rs. one crore. During the period the instruments are not manufactured here, it would try to make available for the use of the country all these equipments against import licences. The main advantage that will accrue on the completion of the project would be that foreign exchange that is now being spent on the import of these instruments would be saved to some extent.

A Letter to the Editor

INVOLVEMENT IN AFRICA

The Editor,
The Eastern Economist,
New Delhi.

Dear Sir,

May I express my deep appreciation of your article, "Involvement in Africa", in "The Eastern Economist", dated May 19, 1961?

You have raised the crucial question: "Is the Indian community anywhere in Africa more secure because of our African policy?" Let me venture to give a reply and suggest ways and means by which the Indian community in Africa could be enabled to acquire a fair sense of security.

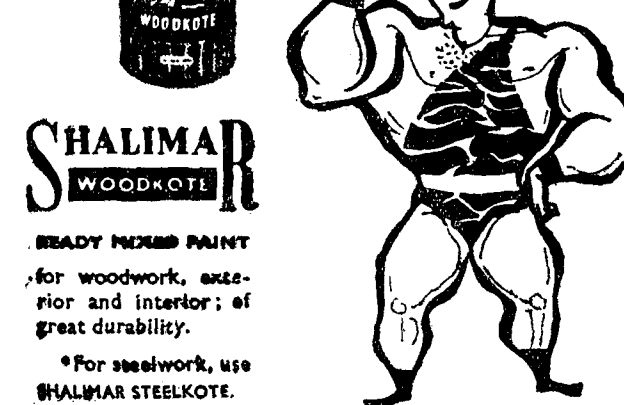
There is a very vital point in connection with the development of intimate relations between India and Africa. The Indian community abroad can act as the ambassadors of India for promoting mutually beneficial trade ties between this country and Africa and in this process help expand India's exports which could serve the African market. Today the tendency is to look upon Indians abroad with a good deal of suspicion, as if they belong to a different category and

are of a different complexion from Indians in India. There is unhappily a misinformed attitude which tends to consider them as mere parasites in Africa. It is not appreciated that most of them have made Africa their home, that they have helped in building up the country of their adoption and all this without any political power or influence over several decades past.

You stress that "an approach to Africa should be more pragmatic and less evangelical". Indians in Africa do not want any political privilege or power, but they want to be assured of the normal human rights. They legitimately expect the enjoyment of the universally recognized right to property and the right to conduct their business or avocation, subject, of course, to the laws of the land they have adopted, without any discrimination in favour or against them. In talking about building up the "African Personality", let us not forget the people of Indian origin in Africa who have faithfully contributed their mite to this noble endeavour.

Yours faithfully,
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FROM THE CAPITAL'S CORRIDORS

CHANGE OF LOCATION OF INDUSTRIAL UNITS ALREADY LICENSED

THE Committee set up by the Union Ministry of Commerce "to consider and make recommendations whether the location of an undertaking in respect of which licence had been granted should be allowed to be changed", it is understood, has suggested that normally requests for such change of location should be discouraged, and attempt should be made to persuade the licensee to adhere to his original plans of location of the undertaking. The Committee, however, thinks that there might be some genuine cases where change of location would be desirable. Such cases, the Committee recommends, should be considered carefully and change of location should be permitted only if the following two conditions are fulfilled:

(1) That the change is desired on account of important economic considerations which were overlooked at the time of applying or have arisen after the licence was issued, either due to reasons beyond the control of the applicant or due to an error of judgment on his part initially. A few examples of such consideration would be non-availability of power supply or basic facilities at the original location, higher cost of production at the original location, greater advantage to consumers, preference by the foreign collaborator for the new site on cogent grounds, etc. In each such case, the applicant should justify in detail with facts and figures the desirability of a change of location.

(2) That the original licence was granted not mainly with the object of correcting any regional disparities or that the proposed transfer helps to industrialise a backward region.

Before deciding as to whether a request for change of location should be acceded to, the Committee recommends, the point of view of the State Government should be duly considered by the authorities concerned — by the Licensing Committee where a case is referred to it before being decided or by the Ministry where a case is to be settled by it without reference to the Licensing Committee.

On the point whether the Union Ministry of Commerce or the Licensing Committee should be the ultimate deciding authority about applications of change of location after a licence to set up an undertaking has been granted, the Committee says: "In view of the opinion of the Ministry of Law that except in cases in which the Licensing Committee had agreed to the issue of a licence on the distinct understanding and necessary condition that the factory should be located at a particular place, it is not obligatory on the part of the Ministry to refer such cases of change of location to the Licensing Committee. Where this is so, it will be left to the Ministry to decide whether a case of transfer of location should be put up to the Licensing Committee or cleared in the Ministry without reference to the Licensing Committee."

If as a result of change of location being agreed to, a State Government or any other party concerned whose application had been rejected on account of grant of licence originally, wishes to revive its application, the cases of such parties should be sympathetically considered, recommends the Committee. In cases where, in the opinion of the Ministry, a request for change of location should not be accepted and still the licensee insists on change of location being agreed to, the Committee thinks the licensee should be advised to surrender his licence and apply for a fresh one for setting up his undertaking at the new location. Such cases then should be submitted to the Licensing Committee for consideration on merits. The Committee thinks Chair-

man of the Licensing Committee may be authorised to decide the requests for change of location after, if need be, giving an opportunity to the party and the representative of the State Government to represent their viewpoints.

There is minute of dissent attached to the report of the Committee. It says that the request for change of location from a licensee of an industrial undertaking should ordinarily be agreed to unless in approving the original application special account had been taken of the location or there were other valid objections to the change. The test should be: Had the party applied in the first instance for locating its undertaking at a particular place, would its application have been rejected?

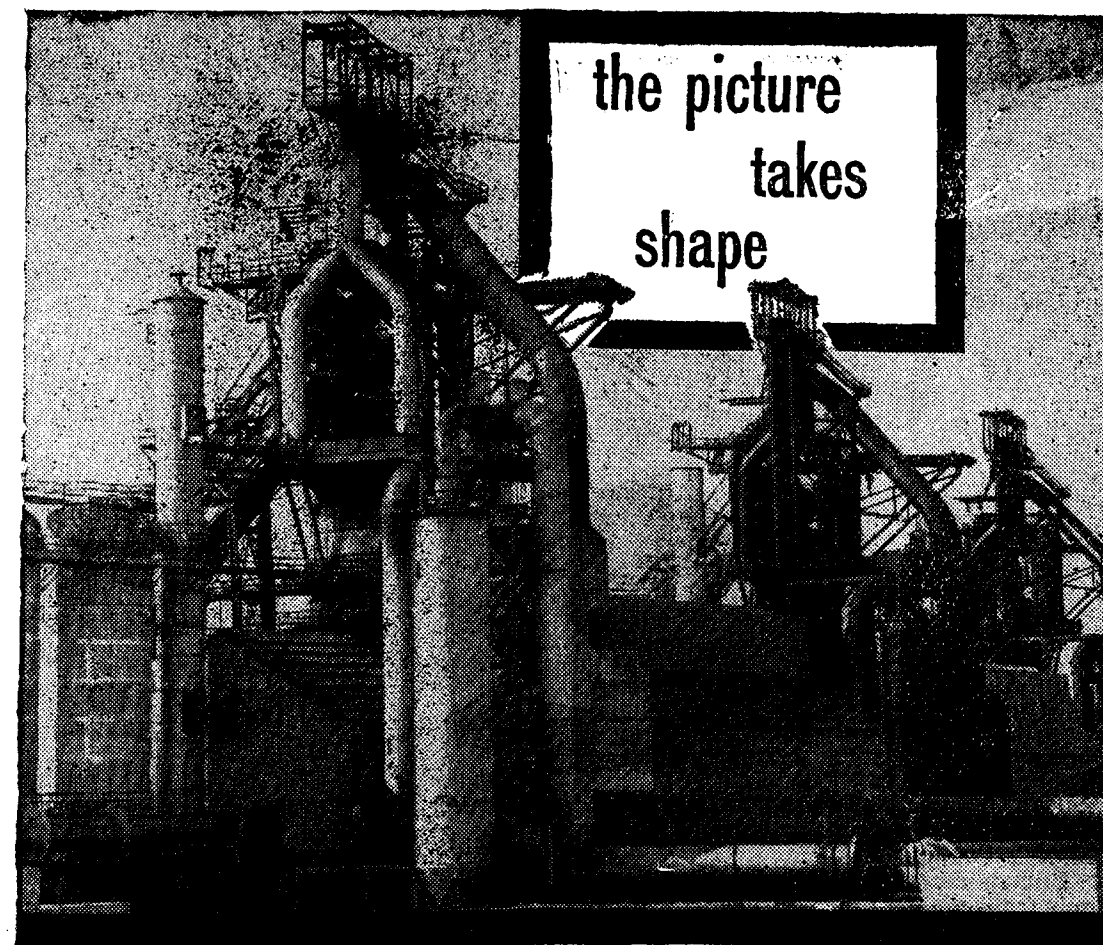
EMPLOYEES' STATE INSURANCE

A scathing criticism of the Employees' State Insurance Scheme is contained in the report of the one-man committee — consisting of Sir Lakhshman-swami Mudaliar — which was appointed by the Union Government in October, 1959, to enquire into the working of the State Insurance Corporation, with particular reference to the delay in extension of the Scheme to new areas, extension of medical care to families of the workers and the delay in the construction of hospitals. The Committee says, "the visits paid (by it) in Bombay and Calcutta to the various consulting rooms of the panel doctors have indeed been a most disappointing experience."

"In Bombay," the Committee observes, "the panel practitioners have so-called consulting rooms which are in small places in the main thoroughfares and are not dissimilar to the cubicles where small shops might have been located it cannot be said that there are facilities such as would be expected for proper consultation and examination of the employees." The position in Calcutta and Howrah is said to be no better. In some respects, the premises where the panel practitioners are supposed to practise, are even more disquieting to view. Some of these places are not merely in slum areas, but are actually slums themselves.

The Committee goes on to say: "While realising that the availability of space in Bombay and Calcutta is a problem, it cannot be said that many of these places where panel practitioners are supposed to look after the interests of the employees can be said even remotely to approximate to what a consulting room ought to be." The Allocation Committee, the Committee, opines, has failed to recognise its responsibility both in Bombay and in Calcutta in regard to dispensaries as well as to some of the hospitals that have been recognised. The case of a hospital in Bombay is cited where there were previously over a hundred insured persons, which strength was reduced later on to 40 which the hospital could manage. The amount of over-crowding, insanitation and mixing up of tuberculosis patients with others at this hospital gave to the Committee a dismal picture of the facilities for hospitalisation. There were no X-ray facilities available at that institution. It would have been unnecessary, the Committee thinks, to have utilised such places as hospitals if the Corporation had launched on the scheme of building hospitals at a much earlier stage. The Committee recommends that building of hospitals should be one of the highest priorities in the implementation of the Scheme.

The Committee has found similar faults with the working of the Scheme in Delhi. In one of the most crowded localities of Delhi, it says, the ground floor of a particular building, which was dark and dingy, was



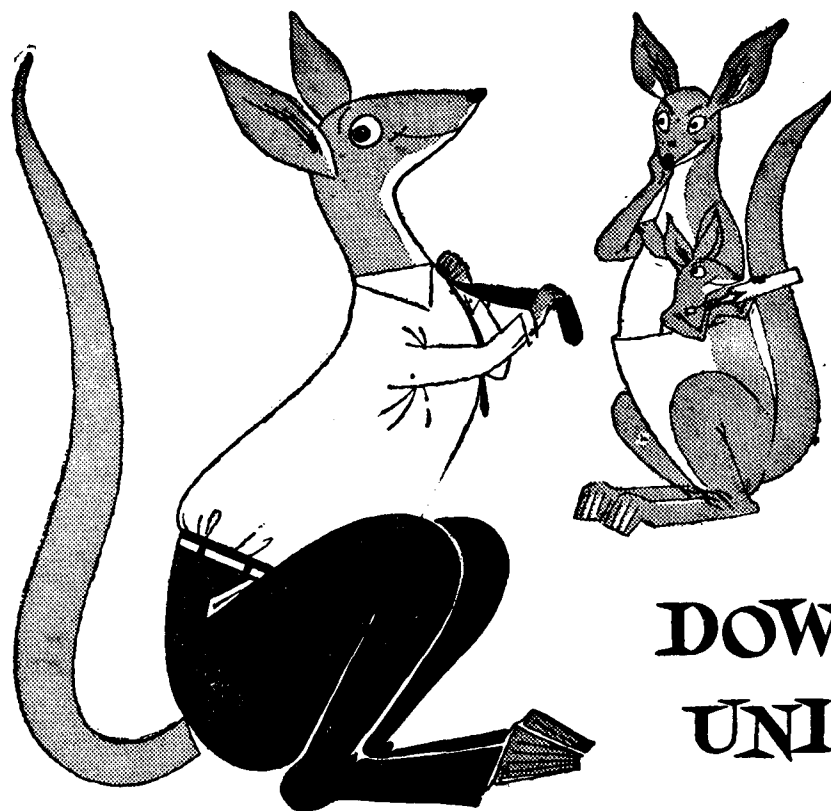
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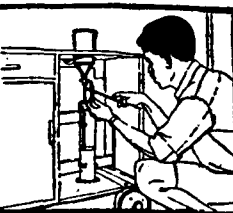
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being utilized as a dispensary two large rooms thereof being considered for housing in-patients. The whole set-up of the dispensary gave a rather dismal picture of what the employees had to go through. When one knows that this small part of a storied building was rented for Rs. 2,000 per mensem, one cannot help feeling that with the amount expended during the last three or four years, it would not have been difficult to have built an insurance hospital or more than one polyclinic for the permanent use of the Corporation.

The irregular attendance by panel doctors at their dispensaries has also come in for criticism by the Committee. The Committee cites various instances where the panel doctors were not found at the places of their duty during the stipulated hours of work.

The Committee regrets to note that at places where treatment to workers is provided under a system of reserved beds in certain State hospitals, the treatment meted out to the employees leaves very unwholesome memories with them; at several places, they are not treated very differently from those who get hospitalisation without contributing anything towards such facilities. Even in cases where it has been suggested that the treatment is different, the psychological factor which an employee has got that he and his employer have paid for what he is entitled to is hard to be satisfied.

In the circumstances, the Committee feels that if the Scheme is extended to include the families of the workers, the hospital facilities provided at present by the Corporation will prove to be deplorably inadequate. At present, the hospital facilities that are available are hardly sufficient to meet even the needs of the insured people.

U.S. VICE - PRESIDENT'S VISIT

The U.S. Vice-President, Mr. Lyndon Johnson, paid a short two-day visit to New Delhi last week. During his stay here, he had discussions with the Prime Minister, the Finance Minister and some members of the Planning Commission, on the Third Five-Year Plan. In a joint communique issued at the end of his talks with the Prime Minister, Mr. Johnson stated, "While American aid is dependent on the decisions of the Congress and also on parallel efforts by the other developed countries, it is the President's hope that the American aid to the new Plan will both be substantial in amount and effective in form."

This in a way confirms the reports from Washington that, subject to two over-riding stipulations, the U.S. Government had offered at the last meeting of the Aid-India Club one billion dollars for financing the Third Plan during the first two years of its operation. The two conditions stipulated were: (1) that the other members of the Aid-India Club will make available a matching contribution for economic development of India in 1961-62 and 1962-63 and (2) that the aid offered by the United States would be subject to approval by the U.S. Congress. The United Kingdom, it is learnt, had offered at the last meeting of the Aid-India Club to make available to India assistance to the tune of \$200 million and West Germany had proposed to contribute \$331 million, including \$131 million for repayment of loans entered into between India and West Germany during the first two Plan periods. The U.K. Government, it is understood, is favourably inclined to step up its contribution. Whether West Germany will follow suit it is difficult to say.

Meanwhile, a regular pressure campaign has been started by India with a view that maximum amount of foreign aid is made available by the members of the Aid-India Club, other than the United States, to match the latter's contribution. The Foreign Office took an unprecedented step last week when it sounded the envoys of the countries which are members of the

Aid-India Club or which have been sending their observers to the consortium meetings, urging them to request their Governments to make the maximum contribution to reach a target of \$1,100 million, which, along with the expected contribution of \$400 million by the World Bank, would enable the United States to make available aid to the tune of one billion dollars.

The Secretary for Economic Affairs, Mr. L. K. Jha, who is at present in Europe to attend some routine meetings on financial matters, has been directed to pay visits to some of the uncommitted nations—France, Italy, Netherlands, Norway, Sweden and Denmark—to persuade them to join the Aid-India Club.

TRADE WITH EAST EUROPE

With a view to step up trade with the Soviet Union, negotiations, it is understood, have been started to include cotton textiles, jute manufactures and steel black pipes in the list of commodities to be exported from India during the current year. It is proposed to import from the U.S.S.R. calcined petroleum coke worth Rs. 20 lakhs, furnace oil worth Rs. 65 lakhs, tractors and other agricultural machinery worth about Rs. 31 lakhs and synthetic fishing twine worth Rs. 31 lakhs.

Negotiations are also understood to be in progress for import of Rs. 42 lakhs worth textile machinery and typewriters from East Germany against exports of rolled steel from here. It is also proposed to import 30,000 tons of special and alloy steel and 33,000 tons of steel rods, sheets and wires against exports of manganese and chrome ore, bauxite, heavy woollen textiles, sugar, etc.

Hungary proposes to supply to this country newsprint in exchange for such goods as jute manufactures, raw and tanned hides and skins, groundnuts and tapioca. Newsprint which Hungary will be exporting to this country will probably be imported by her from Finland. This raises an important issue. India exports her goods under barter deals to Communist countries on the understanding that these goods will not be exported by them to other countries. Whether Hungary will be able to respect this understanding it is difficult to say, since she will be supplying newsprint imported by her from another country.

INDO-NEPAL TRADE TREATY

Meetings between the Indian and Nepalese Trade Delegates in terms of the Treaty of Trade and Transit between the two countries were held in New Delhi during the week. The Treaty, which came into force on November 1, 1960, provided for periodic consultations between the two Governments in order to resolve the difficulties which might arise in its implementation. It was fully appreciated on both sides that it was in the common interest of Nepal and India that the procedure for transit of goods through Indian territory should be such as to prevent, to the largest extent possible, any diversion of goods 'en route' and that all means should be tried to simplify and speed up the procedure for transit traffic, subject to reasonable safeguards. The talks were held in order to remove some of the procedural difficulties which had come to light in the working of the arrangements for the transit of goods to Nepal through the Indian territory.

One of the difficulties of the Nepalese importers was in regard to the bonds which had to be executed under the Rules for the goods in transit to Nepal. As it was represented that this led to the locking up of the capital of the Nepalese importers for a considerable time, it was agreed after discussion that the amount of the bond would be drastically scaled down. Further, as the Government of Nepal had appointed an Agent for clearing the bulk of the goods, the Indian Delegation agreed that a general bond with the smallest pos-

sible amount of surety may be executed by this Agent for this purpose. To facilitate the free movement of passengers and their baggage, the Indian Delegation further agreed to a considerable relaxation in the procedure at present being followed, and to permit 'bona fide' baggage to pass in transit without special formalities, even if such baggage did not strictly conform to the Indian Baggage Rules. The Indian Delegation also agreed to allow transit of goods to Nepal by road in special circumstances.

IMPORTS FROM WEST GERMANY AND THE NETHERLANDS

The Government has decided to grant certain special facilities to importers for clearing shipments from West Germany and the Netherlands and make remittances for the goods concerned. This has been done to avoid inconvenience to importers following the recent revaluation of West German and Dutch currencies as a result of which the c.i.f. value of shipments to India will be in excess of the c.i.f. value available under the relevant import licences. The facilities have been announced in an Import Trade Control Notice. Generally, the c.i.f. value specified in the licences will be deemed to have been increased to the extent necessary to accommodate the altered rupee equivalent.

DUTY DRAWBACK ON EXPORT GOODS

As a measure of export promotion, the Government of India has decided to allow drawback of customs and Central excise duty on jute goods manufactured out of raw jute imported from countries other than Pakistan, paper products (napkins, toilet paper and drinking straw), shrimp cartons for packing sea food, low-tension electrical switchgears, motor starters, cosmetic preparations, perfumery compound and perfumery and safety razor blades. Some changes have also been made in the items relating to umbrellas and umbrella ribs, hydraulic brake fluid, diamonds, mild steel, paper pins and clips and paper products (playing cards, carbon paper etc.) Items relating to hessian and sacking have been deleted from the Customs and Central Excise Duties Export Drawback (General) Rules, 1960.

DEVELOPMENT OF ROADS AND PORTS

Mr. Venkateswara Ayyar, Secretary to the Union Ministry of Transport, is shortly visiting Washington to negotiate two loans, one with the International Development Association for development of roads and the other with the World Bank for development of the Calcutta port. It is proposed to acquire with the loan being sought from the World Bank, crafts, dredgers, tugs, barges and other equipment for undertaking expansion of the Calcutta port during the Third Plan period. The World Bank, it may be recalled, gave a loan of \$20 million in 1958 for similar purposes.

On his way back from Washington, Mr. Ayyar will be visiting Britain, Norway and West Germany to explore the possibilities of securing technical collaboration for the second shipyard proposed to be built during the Third Plan period at Cochin. The British Government, it is learnt, may not be able to make available a separate loan for this shipyard, but in case the negotiations are successful, it may permit the use of part of the credit it has offered for the Third Plan.

THE VIZAG SHIPYARD

The Union Government has decided to fully nationalise the Vizagapatnam Shipyard by acquiring the stock-holdings of Scindias. It is believed that Scindias will be paid Rs. 80.4 lakhs for their share in the shipyard; the payment is proposed to be adjusted against the loans advanced by the Government to this company for purchase of ships from abroad.

The Government, it is understood, is not prepared to further reduce the price of ships built at this shipyard as these are already being sold at a subsidized price, based on the prices obtaining in Britain.

THE ROURKELA STEEL PLANT

The project report for the expansion of the Rourkela Steel Plant has been received. For expansion by 0.8 million tons, this plant will require one more blast furnace, two coke-oven batteries, two L.D. converters and one generator in addition to some expansion of the existing capacity of the blast furnaces. The total cost of this expansion programme is placed at Rs. 90 crores, half of which will be in foreign exchange. The West German Government has already promised to meet this foreign exchange component of the expansion programme.

RE-ROLLING INDUSTRY

In planning the development of the steel industry in the Third Five-Year Plan, the place of the re-rolling industry has been reviewed taking into account the demand for sections which can be rolled in re-rolling mills, the possibilities of producing additional billets and the need for regional development. In doing so it has been the desire of the Government that: (i) the re-rollers should be encouraged and pressed to use the major part of their capacity to roll special sections which integrated steel works cannot produce easily—the demand for this is estimated at about a million tons (including wire rods); and (ii) the re-rolling industry should as far as possible be enabled to work two shifts.

Inconvenient as it is for integrated steelworks to produce billets, it has been planned that a million tons of billets will be supplied from the integrated steelworks. Another about 200,000 tons are expected to be available from electric furnaces. Although the existing capacity of the re-rolling industry is claimed to be about 1.3 million tons on two-shift basis, actual consumption of billets in the year 1960-61, when supplies were easy, has shown that it should be possible to license between 100,000 to 150,000 tons of further capacity. In selecting new units for licensing, it is the desire of the Government that they should be located in hitherto unserved areas. Judging from the availability, in different areas, of products which can be produced by the re-rolling industry and bearing in mind the need to eliminate movement, as far as possible, of products of re-rolling mills over a distance of about 100 miles, new units can be licensed in the following States—

State	No. of Units that can be set up
1. Andhra (Telengana area)	One
2. Assam	One
3. Bihar (north of the Ganga)	One
4. Bombay (Vidharba area)	One
5. Gujarat	One
6. Kerala	One
7. Madras	One
8. Mysore (Karnataka region)	One
9. Orissa	One

In view of the limited availability of billets and the need to spread the industry on a regional basis, it is the desire of the Government that the capacity of a new re-rolling mill should not be more than 15,000 tons on two-shift basis.

NEW CAPITAL ISSUES

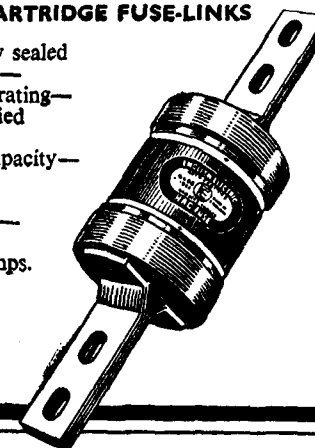
The Controller of Capital Issues has granted consent for issue of capital of various categories by six companies: the Arvind Mills Limited, Ahmedabad; the Raipur Manufacturing Company, Ahmedabad; the Birla Jute Manufacturing Company, Calcutta; the Standard Mills Company, Bombay; the Delta Jute Mills Company, Calcutta, and the Electroflo, a new company floated in West Bengal.

ENGLISH ELECTRIC

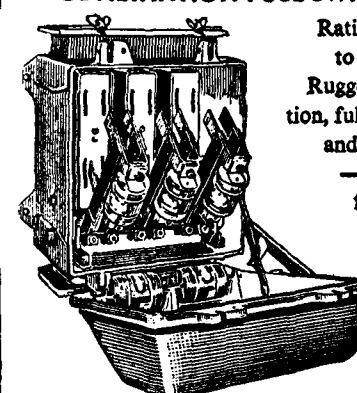
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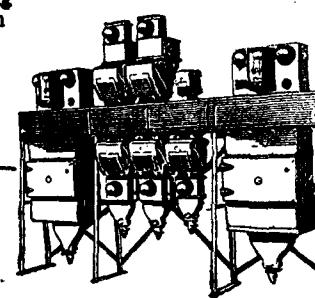
COMBINATION FUSE-SWITCHES



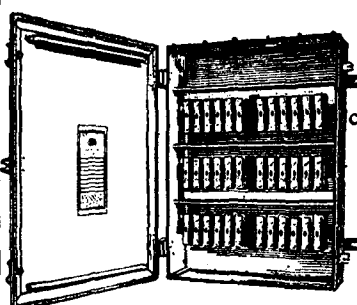
Ratings from 30 to 750 amps—Rugged construction, fully shrouded and interlocked—Type tested for 35 MVA rupturing capacity.

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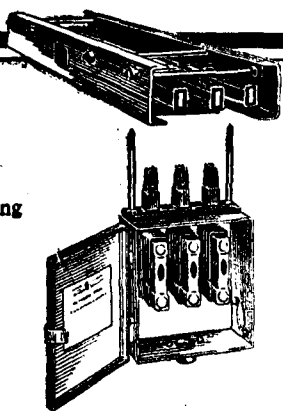


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Messrs. Arvind Mills have been allowed to capitalise their reserves to issue 40,000 ordinary shares of Rs. 100 each as bonus shares in the proportion of two for every three shares held. The present paid-up capital of this company is Rs. 86,25,000, consisting of Rs. 60 lakhs in equity shares and Rs. 26.25 lakhs in preference shares.

The Raipur Manufacturing Company has been granted permission to issue 20,000 ordinary shares of Rs. 100 each as bonus shares in the ratio of two for every three held. This company has at present a paid-up capital of Rs. 40 lakhs—Rs. 30 lakhs in equity shares and Rs. 10 lakhs in preference shares.

The Standard Mills Company has been given consent to issue 43,900 equity shares of Rs. 100 each as bonus shares in the proportion of two for every five shares held. This company at present has a capital of Rs. 121.75 lakhs.

The Birla Jute Manufacturing Company has been granted permission to capitalise its reserves to issue bonus shares worth Rs. 22,81,500 in the form of 2,28,150 shares of Rs. 10 each, fully paid. The bonus shares can be issued only after the company has completed the issue of 4,56,300 new equity shares of Rs. 10 each at a premium of Rs. 6 per share for which consent of the C.C.I. was obtained by the company early in February last. The paid-up capital of the Birla Jute Mills Company on the date of the bonus issue application was Rs. 215.90 lakhs, comprising equity shares of the value of Rs. 91.26 lakhs and preference shares of the value of Rs. 123.64 lakhs.

The Delta Jute Mills Company has been granted consent to the issue of capital of Rs. 37.10 lakhs in (i) 28,000 equity shares of Rs. 100 each at par to be issued to the holders of 28,000 equity shares in Belvedere Jute Mills Company Limited, and (ii) 9,100 preference shares of Rs. 100 each at par as fully-paid to the holders of 7,000 preference shares in the Belvedere Jute Mills Company, in exchange of the assets and liabilities of the latter. The consent is subject to the orders of the Court approving the amalgamation of the Belvedere Jute Mills Company with the Delta Jute Mills Company.

Messrs. Electroflo Limited, a new company floated in West Bengal, has been given consent to the issue of capital of Rs. 50 lakhs in:

- (i) 4,00,000 equity shares of Rs. 10 each; and
- (ii) 10,000 cumulative non-redeemable preference shares of Rs. 100 carrying dividend at 9.2 per cent.

The capital is required for the company's scheme for the manufacture of Watthour Meters, in collaboration with a Japanese firm which will also invest in preference capital to the extent of Rs. 8.17 lakhs.

The consent in all these six cases is valid for a period of 12 months.

RAYON TYRE CORD MANUFACTURE

Raising of output of tyres from 1.5 million numbers to about 4.5 million numbers by the end of the Third Five-Year Plan, it is learnt, will require 70 million lbs. of tyre cord — 33 million lbs. of cotton cord, 30 million lbs. of rayon cord and 7 million lbs. of nylon cord. The Planning Commission has tentatively proposed a target of 20 million lbs. output of rayon tyre cord yarn for the Third Plan period. This will fall short of the actual requirements of this type of yarn by about 10 million lbs. There are in the country today three units which are (or will start shortly) manufacturing high tenacity rayon yarn for conversion into tyre cord; they are, Century Rayons, Bombay (5 million lbs. capacity), National Rayons, Bombay (4 million lbs. capacity) and Delhi Cloth and General Mills, Delhi (8 million lbs. capacity). Attempts are to be made to fill the gap between the present installed capacity and the ex-

pected requirements of rayon tyre cord yarn by the end of the current Plan period.

N.C.A.E.R.'S STUDY ON SAVINGS

The National Council of Applied Economics Research in a study on savings has estimated that savings in all sectors of the Indian economy between 1949-50 and 1957-58 increased from about Rs. 600 crores to Rs. 1,200 crores. The study shows that the share of Corporations, Government and individuals in national savings is of the order of 5 per cent, 15 per cent and 80 per cent respectively. By far the most important in the national economy for saving is the Individuals' sector, which represents non-corporate business enterprises and all other households, including individuals. This sector has in it at least two major sub-sectors, namely, entrepreneurial or business sector and non-entrepreneurial or personal sector. The Council has, however, not shown separate estimates of savings by these two sub-sectors.

The total domestic investment, which was about Rs. 600 crores in 1948-49, registered an all-time record of Rs. 1,600 crores in 1957-58. Government appears to be mostly responsible for this increased investment and accounts for about half of the total investment in the economy during 1957-58, as against its investment of only Rs. 160 crores in the year 1948-49. Corporate investment increased from Rs. 150 crores to Rs. 250 crores during the same period. Individuals' investment, which stood at Rs. 300 crores in 1948-49, rose to Rs. 600 crores by 1957-58.

Except for three years, 1951-52, 1952-53 and 1953-54, all other years during this ten-year period witnessed positive net foreign investment in India, both on Government and private account. The percentage of the net foreign investment to the domestic investment during this period works out to about twelve. During 1957-58, however, it was about one-fourth of the total domestic investment. This provides a significant insight into the role of foreign investment in India's economic development.

The Government investment, on the other hand, recorded a constant rise from Rs. 160 crores in 1948-49 to nearly Rs. 800 crores in 1957-58, the tempo of investment being more prominent in the last four years of the series. A greater portion of total Government saving and investment is contributed by the public authorities, viz. Central and State Governments and the Local Authorities, and the rest by the Government Statutory Corporations and Government registered companies. Of the public authorities again, it is departmental enterprises that contributed a major share of the total investment.

The National Council's estimates of marginal and average saving-income ratios for the nation — 0.20 and 0.10 respectively — point to an income elasticity to save of two. This finding suggests that national saving would be of the order required to place the Indian economy well on the path of "self-sustained" growth from 1975-76 onwards.

BRIEFS

Talks are expected to start in the near future for entering into a fresh trade agreement with Indonesia. The last India-Indonesia trade pact expired on March 31. Negotiations are also due for the renewal of trade agreements with Italy and Spain.

Free Africa, it is understood, is thinking in terms of increasing its trade with India. An Economic Delegation from Nigeria is expected here towards the end of June to discuss problems of stepping up trade between Nigeria and this country.

Negotiations are understood to be in progress between the State Trading Corporation and the Hindustan Steel Limited for a 20-year agreement for supply of iron ore by the latter to the former.

COMMODITY NEWS AND NOTES

U.S.A.'s TEA IMPORTS

Tea imports into the United States in 1960 reached a record of 116,077,418 lbs. a seven per cent increase over the 108,408,836 lbs. imported the previous year, the Tea Council of the U.S.A. Inc. reveals in its annual report released recently. The report notes a trend in tea sales away from loose tea in favour of instant tea which rose to 4,300,000 lbs. in 1960 compared with 2,900,000 lbs. in 1959. At the same time, sales of loose tea fell 1,900,000 lbs. from 33,200,000 in 1959 to 30,000,000 in 1960. An international partnership composed of the Governments of India, Ceylon, Indonesia and the U.S. tea trade, the Tea Council's mission is to promote the sale and consumption of tea in the United States.

COFFEE GROWING IN THAILAND

Thailand is experimenting in coffee growing to meet its own requirements. Coffee cultivation has been encouraged since 1954 and acreage is steadily expanding as can be seen from the figures given below:

1954	1,144 acres
1957	4,482 "
1958	5,230 "
1959	5,980 "
1960	8,200 "

Thailand's Department of Agriculture has a 1961-63 programme aimed at increasing coffee plantings to 21,800 acres.

TEA PROCESSING PLANT IN PAKISTAN

The Pakistan Government is planning to set up a 500 acre tea plantation in Manshera Tehsil of Hazara Distt., if current experiments of tea cultivation in the area prove successful. The Pakistan Tea Board has been entrusted with the responsibility of making arrangements for the plantation of tea in a 500 acre site near village Buffa. According to preliminary estimates, the tea plantation would produce 5 lakh lbs. of tea annually after five years. The site would be planted with three tons of tea seed obtained from Japan, China and Ceylon. The experimental plantation of tea in this area was carried out with seed imported from East Pakistan and Japan. The Japanese variety of seed was found to be most suitable to the local soil and climate. Meanwhile, a proposal to set up a tea processing and blending plant near the plantation area is being considered.

IMPORT OF DRY FRUITS FROM IRAN

The Government of India have decided to grant ad-hoc licences for import of dry fruits, Asafoetida and red oxide from Iran during April-September 1961. Licences will be granted to established importers, who have imported these items from Iran during any finan-

cial year from 1951-52 to 1960-61. The imports will be allowed within a prescribed ceiling. The licensing authority will be the Chief Controller of Imports, New Delhi and the validity period of the licences will be six months. Established importers may submit separate applications in respect of each item, along with documentary evidence of past imports. All applications should reach the Chief Controller of Imports and Exports, New Delhi before June 30, 1961. The import licences will be granted subject to the condition that the goods will be imported either by sailing vessels or through the land route.

ALLOTMENT OF STEEL ANNOUNCED

The Iron and Steel Controller has announced the allotment of steel for the first half year of 1961-62 (April-September 1961). Excepting for sheets (thicker than 14G), wire and baling hoops, all the remaining categories have been relaxed. In regard to the relaxed categories the main feature of the procedure to be followed for this period is that there is no time limit for the indents which may be submitted. This will help the consumers to place their indents for relaxed categories throughout the currency of the period.

NEW MINERAL DEPOSITS

The Government of India have decided to reward persons who supply information leading to the discovery of new mineral deposits of economic importance. A reward of Rs. 500 will be given to persons giving information regarding tin, copper, lead, zinc, bismuth, nickel, mercury, antimony, cobalt, arsenic and elemental sulphur, asbestos (chrysotile variety), borax and coking coal. Persons supplying information about precious metals and precious and semi-precious stones, such as gold, silver, platinum, diamond, ruby, sapphire, emerald, etc. will get a reward of Rs. 100. A reward of Rs. 200 will be given to persons supplying information about other minerals not included in the above groups.

If the deposits need detailed exploration, an additional sum twice the amount of reward will be paid and if the exploration proves that the deposits is economically workable, another reward up to Rs. 10,000, depending upon the reserves and quality, might be paid. No reward will be given for any deposit which does not hold promise of commercial value. The grant of a reward is entirely voluntary on the part of the Government and does not involve any legal commitment. The discoverer, who claims a reward for a new mineral deposits, shall have no special or preferential claim for the mineral concession over the area for the discovered mineral deposit. Samples of new discovery and other information may be sent to the Director, Geological Survey of India, Calcutta or Director, Indian Bureau of Mines, Nagpur.

THE BRITISH INDIA CORPORATION LIMITED, KANPUR

BRANCHES DIVISION

Cawnpore Woollen Mills Branch

Cooper Allen Branch

New Egerton Woollen Mills Branch

North West Tannery Branch

LONDON OFFICE. BEGG SUTHERLAND DIVISION

SECRETARIES & TREASURERS

The Elgin Mills Co. Ltd.

Cawnpore Sugar Works Ltd.

Cawnpore Textiles Ltd.

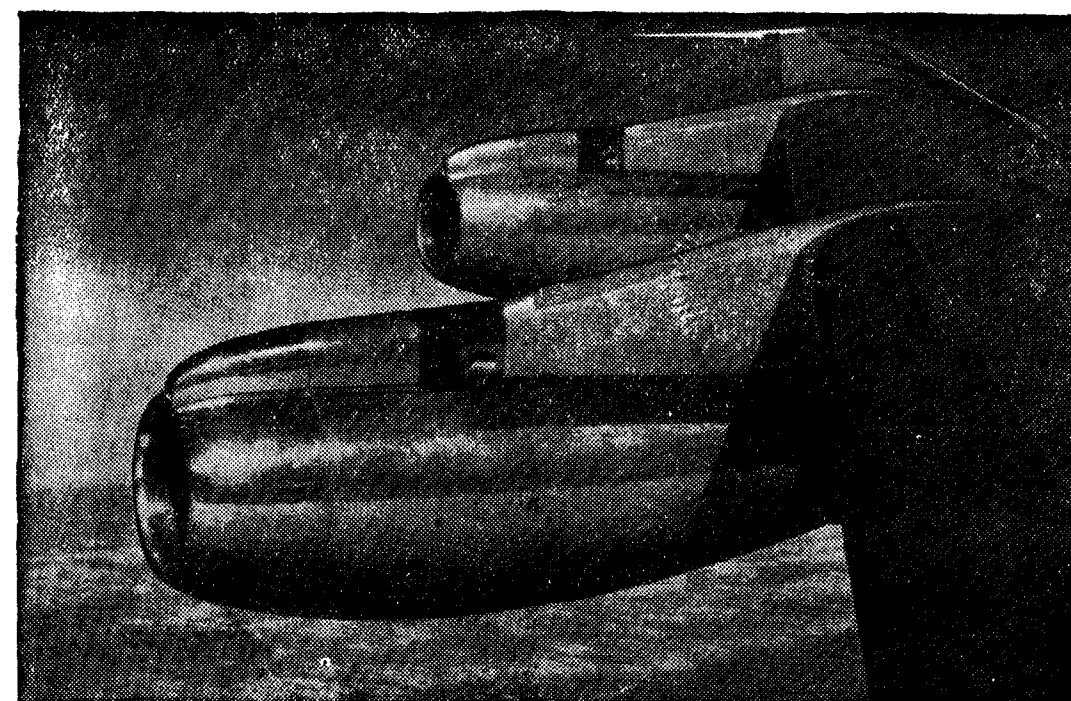
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COMPANY AFFAIRS

THE AHMEDABAD ADVANCE MILLS

Mr Naval H. Tata has departed from the traditional practice of reserving a speech for the annual general meeting and has instead issued a statement to the shareholders along with the annual report. While commenting on the working of the Ahmedabad Advance Mills Ltd. during the year to June 30, 1960, when the company made a gross profit of 29.36 crores against Rs. 11.00 lakhs during the previous year, he pointed out that the cotton textile industry is often faced with a clamour against soaring prices of cloth. Each time, he said, this matter was discussed in public, there was a good deal of irresponsible and loose talk on the subject. In view of the persistent attacks against the industry, he has attempted in objective study of cost in an endeavour to assess the extent to which the textile industry had been guilty of profiteering charges. Taking the figures of Ahmedabad Advance Mills for the year 1959-60 as the basis of this study, he has tried to analyse the cost to the consumer per yard of cloth produced by the company. By that method the following interesting analysis was drawn:

	(average) Per yard nP.
Cost of cotton	31.00
Manufacturing costs	53.00
Total cost of cloth	84.00
Provision for gratuity, bonus, depreciation, development reserve and managing agency commission	7.75
Dividends	1.50
Net surplus carried to General Reserve	2.25
Realization (ex-mill rate)	95.50
Excise Duty	17.75
Distributing charges	17.25
Approximate cost to the consumer	130.50

It appears the consumer paid 37 per cent more than the ex-mill rate; out of this half was paid to Government as excise duty and other half was paid out as distribution cost. Further, of the ex-mill price, at least 88 per cent was composed of items of cost beyond the control of industry, such as raw cotton, salaries and wages, bonus, stores, etc. From the remaining 12 per cent, the industry had to provide for tax, dividend, depreciation and reserves and rehabilitation. It may be worthwhile if similar figures for other textile mills and industries were collected to determine and compare the profitability of cotton textile industry with industries manufacturing other consumer goods.

NATIONAL RAYON CORPORATION

The working of the National Rayon Corporation Ltd. for the year to December 31, 1960 shows a profit of Rs. 78.97 lakhs after allowing for depreciation, taxation and development rebate reserve. This net profit was higher than the previous year's Rs. 74.86 lakhs, although the sales during the year were slightly lower due to the fact that the opening balance of stocks at the beginning of the year 1959 was higher than the opening balance of the year under review. A sum of Rs. 10 lakhs was separated towards debenture and redemption reserve and Rs. 3.50 lakhs towards gratuity reserve. The net dividend to be paid on preference shares of the company has been adversely affected by the Preference Shares (Regulation of Dividends) Act 1960 but the Directors have proposed the payment of Rs. 5.55 per preference share of Rs. 100 each. A dividend at the rate of Rs. 22 per share has been proposed to be distributed on ordinary shares of Rs. 100 each.

The Directors have reported that the import licences for wood pulp for the second half of 1960-61 was cut by 10 per cent of the normal requirements, but the cut was restored by the Government on the basis of making available rayon yarn to the weaving mills at concessional rates for export promotion. This seems to be a

sound policy. The company is going through a programme of expansion and has installed additional spinning frames. The Directors report that there has been a slight delay in pressing tyre cord plant into commission due to shortage of cement. The plant is expected to go into production towards the end of this year. Machinery is also being installed to set up 100 ton sulphuric acid plant. The company also received industrial licences for putting up a cellophane paper plant and for the expansion of caustic soda plant. With this expansion the company is likely to function on a fairly sound basis.

CENTRAL INDIA

The Central India Spinning, Weaving and Manufacturing Company Ltd. registered a loss of Rs. 8.93 lakhs for the year to June 30, 1960. The loss was mainly due to unsatisfactory trading conditions for a substantial part of the year under review and due to further increase in the cost of production and heavy interest charges during the period of reorganization. In fact the need for modernization of the equipment in the textile industry was so great that it had become quite impossible for a large number of units to register favourable results without a large-scale modernization. It is estimated that several hundred crores of rupees will be required for renovation and modernization for which the industry's resources are grossly inadequate.

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UNDER SECRETARY TO GOVERNMENT
2 JUN 1961
PUBLIC DEPARTMENT

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Food articles & Tobacco	Liquor and Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures			All Comme- dities
						Inter- mediate Products	Finished Products	Total	
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1
1960-61	..	120.0	110.0	119.6	145.4	130.5	122.8	123.9	124.8
February	1960	118.0	96.0	117.3	131.8	120.5	115.6	116.3	119.5
March	..	117.0	96.4	117.8	131.9	121.3	116.1	116.6	118.9
April	..	118.6	103.1	118.1	134.2	123.2	116.9	117.8	120.4
February	1961	116.3	111.2	119.8	159.4	134.2	128.4	129.2	126.7
March	..	117.6	114.2	121.3	159.1	137.2	128.1	129.4	127.5
April	..	117.5	112.0	122.3	152.9	136.0	125.3	126.8	125.7
8-4-1961	..	118.0	112.7	120.8	152.8	135.3	124.9	126.4	125.8
15-4-1961	..	118.1	112.2	120.9	152.1	136.1	125.0	126.6	125.8
22-4-1961	..	116.8	111.1	122.4	152.2	136.1	125.1	126.7	125.2
29-4-1961	..	118.0	111.1	122.3	151.9	136.2	125.2	126.7	125.8
6-5-1961	..	117.2	110.3	122.3	152.7	136.7	124.4	126.2	125.3

*Revised.

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

Period	Bombay		Delhi	Ben- gal	U.P.	Central Provinces		Madras June 1956=100	E.P.	Bihar	All India†
	Bombay	Bombay June 1934=100				Calcutta	Kanpur				
1939 (Aug.-Dec.)	103	—	—	—	105	104	—	106	—	—	—
1954	342	359	244	138	327	408	373	341	148	140	138
1955	322	338	217	130	321	371	364	321	134	135	132
1956	336	352	244	142	347	424	397	358	152	146	145
1957	352	368	259	150	364	448	422	374	157	157	152
1958	376	394	274	150	384	468	447	401	157	169	161
1959	393	412	308	158	384	469	498	429	166	173*	168
1960	401*	420*	296	158*	397*	476*	512*	462*	167	166	171*
1960 June	403	422	297	154	399	460	510	462	167	164*	171
July	404	423	302	160	406	484*	515	467	169	164*	174
August	402	421	304	160	410	484*	515	470	169	168*	174
September	399	418	302	161	403	489	520	472	167	168*	173
October	402	421	304	162	396	488	517	477	171	164*	173
November	404	423	300	159	392	489	509	484*	171	168*	171
December	400	419	297	160	385	478*	507	488*	169	167*	171*
1961 January	400	419	296	161	385	480	—	470*	171	166*	170*
February	—	—	—	163	—	487	—	474*	172	164*	170*
March	—	—	—	164	—	483	—	479*	—	—	—
April	—	—	—	165	—	—	—	482*	—	—	—

†Base 1944=100. *Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)
WEEK ENDED

	19-5-1961			12-5-1961			5-5-1961			28-4-1961		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	119.55	118.25	118.90	122.00	119.20	119.94	122.05	120.65	121.30	123.01	119.75	121.19
Silver (per kilogram)	200.00	197.00	198.61	199.15	197.85	198.76	202.30	196.95	199.93	203.45	200.75	202.09

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES				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. Secur- ities in India	
	Demand	Time	Total (2+3)	Cash (Note + Coins)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
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	60.68	339,74
1955-56	..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	63.02	370,71
1956-57	..	653,34	453,92	1,107,26	36,94	50,23	7.96	626,08	155,56†	71.39	359,35
1957-58	..	723,89	619,19	1,343,08	39,34	77,55	8.72	723,79	167,32†	66.77	385,54
1958-59	..	735,93	860,33	1,596,26	40,30	83,99	7.74	766,56	133,27†	56.37	565,14
1959-60	..	745,83	1086,79	1,832,62	44,84	75,81	6.58	842,75	144,49†	53.87	725,20
1960-61*	..	794,49	1155,87	1,950,36	47,04	93,09	7.17	995,75	162,94	59.48	688,52
Average of Fridays											
November 1960		790,80	1141,27	1,932,07	46,65	97,56	7.46	954,21	153,78†	57.32	688,21
December 1960		794,20	1128,10	1,922,30	45,61	91,21	7.12	991,46	155,21†	59.65	662,44
January 1961		793,54	1103,32	1,896,85	44,79	78,39	6.49	1042,22	169,59	63.89	621,24
February 1961		803,25	1092,13	1,895,38	45,46	71,07	6.15	1071,18	183,27	66.19	593,27
March 1961		820,31	1074,28	1,894,59	45,14	70,03	6.07	1107,98	197,93	68.92	566,54
April 1961		854,21	1093,17	1,947,38	47,78	74,18	6.27	1111,89	205,35	67.64	553,13
Week Ending											
14-4-1961	..	848,93	1095,94	1,944,87	47,82	74,88	6.31	1113,82	206,13	67.87	560,41
21-4-1961	..	852,49	1091,79	1,944,28	48,20	80,28	6.61	1108,39	202,90	67.44	538,36
28-4-1961	..	861,50	1096,84	1,958,34	47,69	73,89	6.21	1107,80	201,11	66.84	562,46
5-5-1961	..	859,20	1097,67	1,956,87	48,74	75,85	6.37	1110,18	200,10	66.96	547,14
12-5-1961	..	844,23	1109,68	1,953,91	49,73	72,15	6.24	1108,73	198,16	66.88	552,65

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Lakhs of rupees)

Last Friday	Deposit money with the public			Total	Demand liabi- lities of banks	Other depo- sits with Reserve Bank†	Total variations in money supply
	Money supply with the public	Total currency with the public					
(1)	(2) — (3) + (4)	(3)	(4)	(5)	(6)	(7)	
1953-54	..	1,793,97	1,229,43	564,54	549,83	14,71	+ 29,26
1954-55	..	1,920,63	1,311,77	608,86	599,16	9,71	+ 126,65
1955-56	..	2,184,32	1,505,09	679,23	667,22	12,01	+ 263,69
1956-57	..	2,312,89	1,556,50	756,39	744,74	11,65	+ 128,57
1957-58	..	2,388,83	1,606,60	782,22	762,36	19,87	+ 75,94
1958-59	..	2,498,75	1,724,53	774,23	754,98	19,25	+ 109,92
1959-60	..	2,703,13	1,862,72	840,41	818,62	21,79	+ 204,38
September 1960	..	2,630,61	1,819,61	811,01	791,73	19,28	— 28,35
October	..	2,660,69	1,823,80	836,89	812,18	24,71	+ 30,08
November	..	2,576,08	1,843,44	732,64	711,55	21,09	+ 8,66*
December	..	2,641,74*	1,898,72*	743,02	717,51	25,50	+ 65,66*
January 1961	..	2,696,30*	1,944,58*	751,73*	725,78*	25,94	+ 54,56*
February	..	2,719,01*	1,965,67*	753,35	732,80*	20,54	+ 22,71*

* Provisional.

* Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

INDIAN UNION

PRODUCTION TRENDS : 1951-60

Industry		Monthly Averages						
		1951	1955	1956	1957	1958	1959	1960
1. Chemicals and Chemical Products								
Sulphuric Acid ('000 Quintals)	..	90.5	140.7	139.9	166.0	191.8	247.4	300.3
Caustic Soda (Metric tons)	..	1,247	2,900	3,338	3,661	4,842	5,823	8,179
Soda Ash (Metric tons)	..	4,025	6,542	7,133	7,783	7,573	7,944	12,160
Chlorine Liquid (Metric tons)	..	446	980	1,276	1,329	1,699	2,065	2,638
Bleaching Powder (Metric tons)	..	295	229	394	452	551	432	494
Bichromates (Metric tons)	..	277	248	276	311	292	367	463
Superphosphates (Metric tons)	..	5,167	6,279	6,873	11,996	14,127	20,971	26,860
Ammonium Sulphate (neutral) (Metric tons)	..	4,462	33,284	32,936	32,146	32,335	32,048	32,302
Paints and Varnishes ('000 Quintals)	..	28.3	33.1	35.2	35.8	40.6	45.9	42.4
Rectified Spirit ('000 litres)	..	1,902.6	1,953.4	1,594.8	1,930.2	2,330.7	3,028.5	2,808.8
Denatured Spirit ('000 litres)	..	745.1	1,132.4	1,281.5	1,314.7	1,489.7	1,787.9	2,098.8
Soap ('000 Metric tons)	..	7.07	8.38	9.34	9.45	10.45	11.01	11.64
Matches (Million gross boxes)	..	2.4	2.6	2.6	2.4	2.6	2.7	2.7
2. Non-ferrous Metals and Metal Products								
Aluminium (Metric tons)	..	325.8	611.8	550.4	659.1	692.7	1,460.5	1,535.7
Copper (Metric tons)	..	599.8	616.5	645.9	664.5	663.9	647.0	749.2
Lead (Metric tons)	..	72.7	189.2	221.4	286.7	282.4	329.8	314.6
Refractories ('000 Metric tons)	..	20.1	23.3	26.9	31.1	36.8	42.8	43.3
Cement ('000 Metric tons)	..	270.6	379.9	417.3	474.3	513.8	578.0	652.7
Sheet Glass ('000 Sq. metres)	..	85.9	301.0	368.7	419.8	571.8	623.7	628.6
3. Cotton Textiles								
(a) Cotton Piece-goods								
Coarse (Million metres)	..	27.7	43.6	54.8	88.7	73.9	67.9	53.6
Medium (Million metres)	..	158.6	286.4	289.3	266.9	258.9	266.7	290.5
Fine (Million metres)	..	102.7	35.2	33.8	29.2	23.1	18.5	17.5
Super-fine (Million metres)	..	21.0	23.0	26.4	20.4	19.5	22.1	23.0
TOTAL (Million metres)	..	310.5	388.2	404.4	405.2	375.2	375.2	384.6
(b) Cotton yarn (Million kilograms)								
	..	49.3	61.6	61.1	67.3	63.7	65.1	65.8
4. Jute Textiles								
Hessian ('000 Metric tons)	..	27.2	34.0	35.2	35.1	34.4	38.8	35.8
Sacking ('000 Metric tons)	..	44.1	48.7	51.3	46.4	49.3	42.6	45.8
Others ('000 Metric tons)	..	2.8	4.3	6.1	5.7	6.1	7.6	8.8
TOTAL ('000 Metric tons)	..	74.1	87.0	92.6	87.2	89.8	89.0	90.4
5. Basic Metals								
(a) Pig Iron								
Basic ('000 Metric tons)	..	120.3	108.2	115.7	126.6	133.8	191.8	248.0
Foundry ('000 Metric tons)	..	24.3	40.5	37.3	25.0	36.5	63.9	97.7
TOTAL ('000 Metric tons)	..	144.6	148.7	153.0	151.6	170.3	255.7	345.7
(b) Ferro alloys ('000 Metric tons)								
	..	2.0	1.0	2.4	0.8	2.2	1.8	3.0
(c) Crude Steel								
Ingots ('000 Metric tons)	..	125.2	141.4	143.6	141.1	149.6	201.7	270.3
Metal for Castings ('000 Metric tons)	..	1.8	2.8	3.6	4.1	4.0	4.0	3.6

INDIA'S BALANCE OF PAYMENTS

(Rs. crores)

	1955-56	1956-57	1957-58	1958-59	1959-60**	1960-61**			Total (Apr.- Dec.)
						1st qr.	2nd qr.	3rd qr.	
1. Imports c.i.f.	761.4	1,099.5	1,233.6	1,029.6	923.7	288.2	250.5	266.8	805.5
(a) Private	621.3	811.9	696.2	504.8	507.3	149.2	138.3	151.5	439.0
(b) Government	140.1	287.6	537.4	524.8	416.4	139.0	112.2	115.3	366.5
2. Exports f.o.b.	640.2	635.2	668.5	575.9	623.3	152.6	146.7	171.6	470.9
3. Trade Balance (2-1)	-121.2	-464.3	-565.1	-453.7	-300.4	-135.6	-103.8	-95.2	-334.6
4. Non-monetary gold movement	..	..	..	..	5.9	..	..	..	..
5. Official Donations	45.0	39.5	34.1	34.4	35.6	16.7	10.0	+7.9	+34.6
6. Other Invisibles (net)	88.5	112.5	104.0	91.7	78.1	24.8	10.1	+17.1	+52.0
7. Current Account (net)	12.3	-312.3	-427.0	-327.6	-180.8	-94.1	-83.7	-70.2	-248.0
8. Official Loans	9.7	30.7	115.1	218.6	185.5	59.4	58.9	+60.0	+178.3
9. Other Capital Transactions (net)	10.0	-2.0	101.7	88.4	0.4	2.1	16.8	17.8	36.7
10. Drawings on I.M.F.	..	60.7	34.5	..	..	..	..	..	..
11. Errors and Omissions	-17.0	1.6	-9.8	-21.7	-21.2	-3.3	-11.1	+3.6	-10.8
12. Movement in Foreign Exchange Reserves (Increase +) (Decrease -)	+15.0	-221.3	-259.9	-42.3	-16.1	-35.9	-19.1	+11.2	-43.8

REGIONAL PATTERN OF INDIA'S BALANCE OF PAYMENTS: 1951-52 — 1960-61

(Current Account)

(Rs. crores)

Period	Sterling Area	Dollar Area	OEEC Countries	Rest of non-sterling Area	Total
1951-52	+98.9	-151.0	-34.8	-75.7	-162.6
1952-53	+98.9	-26.9	-20.3	+8.5	+60.2
1953-54	+64.2	+27.2	-57.5	+13.5	+47.4
1954-55	+52.9	+14.9	-75.7	+13.9	+6.0
1955-56	+44.2	+39.2	-84.5	+13.4	+12.3
1956-57	-37.9	-44.5	-199.9	-30.0	-312.3
1957-58	-71.8	-47.7	-255.8	-51.7	-427.0
1958-59	-19.0	-81.3	-167.3	-60.0	-327.6
1959-60**	-57.4	-42.5†	-106.0	+25.1	-180.8
1st quarter	-20.7	-19.2	-27.2	-9.3	-76.4
2nd quarter	-23.3	-10.7	-24.3	+6.3	-52.0
3rd quarter	+11.9	+14.7†	-22.4	+17.5	+21.7
4th quarter	-25.3	-27.3	-32.1	+10.6	-74.1
1960-61**	..	..	..	..	..
1st quarter	-23.4	-42.1	-37.1	+8.5	-94.1
2nd quarter	-7.9	-42.8	-33.4	+0.4	-83.7
3rd quarter	+14.0	-50.1	-35.8	+1.7	-70.2

† Includes non-monetary gold movement valued at Rs. 5.9 crores.

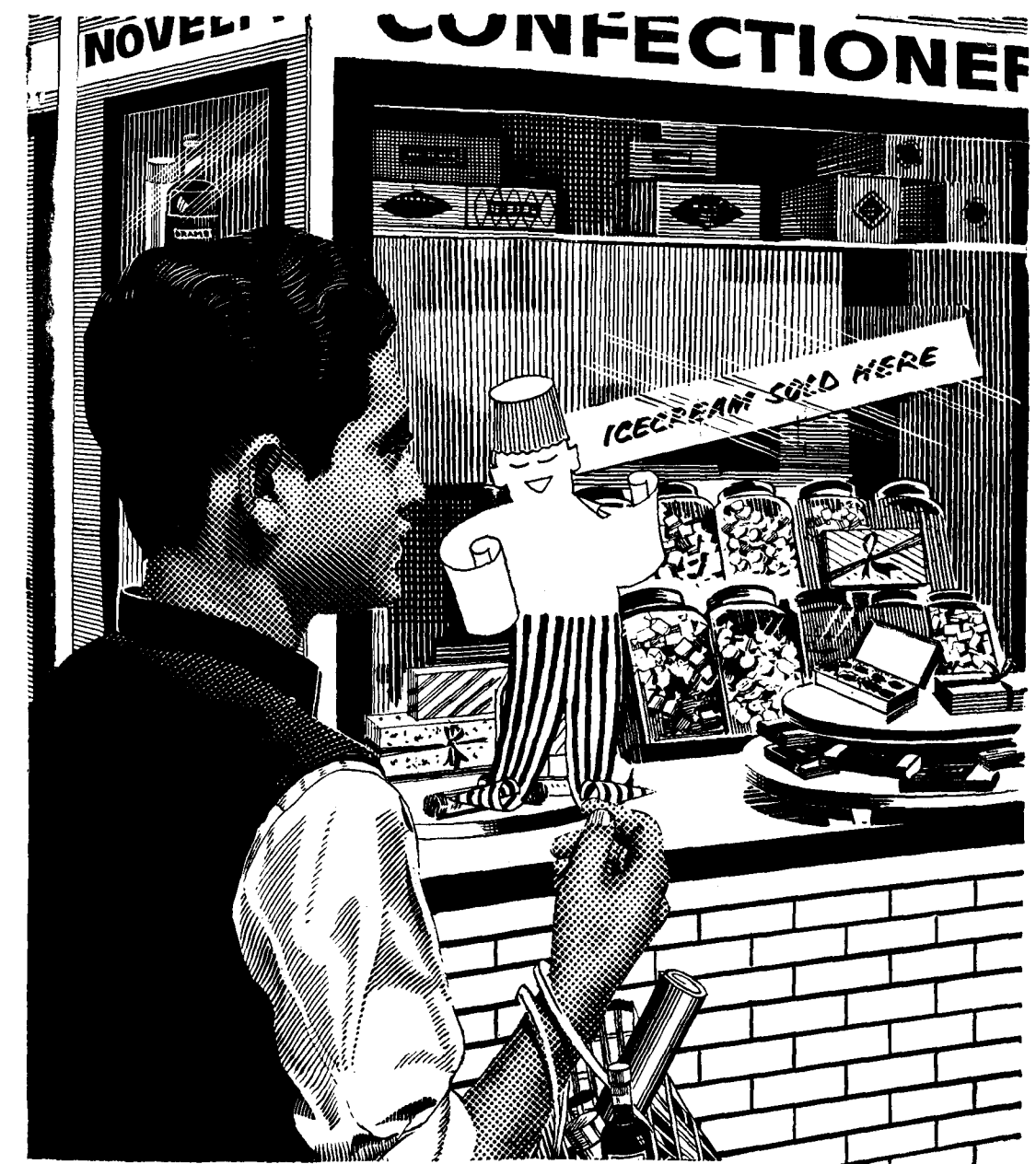
**Preliminary.

INDIAN UNION

PRODUCTION TRENDS : 1951 — 60 (Contd.)

Industry	1951	Monthly Averages					
		1955	1956	1957	1958	1959	1960
(d) Semi-finished Steel							
Blooms, billets and slabs ('000 Metric tons)	70.6	85.3	88.2	85.6	91.1	130.8	235.4
Sheet Bars ('000 Metric tons)	25.5	28.7	29.4	30.5	29.6	30.3	29.6
TOTAL (including others) ('000 Metric tons)	105.8	123.3	127.2	127.2	135.4	183.4	288.5
(e) Finished Steel							
Bars ('000 Metric tons)	24.0	26.8	30.9	30.2	30.3	37.7	67.0
Plates ('000 Metric tons)	6.0	5.3	5.0	5.8	5.8	6.7	8.3
Galvanized Sheets ('000 Metric tons)	5.8	11.1	11.6	13.5	12.1	11.5	10.5
Black Sheets ('000 Metric tons)	13.4	10.1	10.0	9.7	9.8	10.2	11.2
Tin Plates ('000 Metric tons)	5.9	5.7	5.9	6.1	5.5	4.9	6.7
Heavy rails and fish plates ('000 Metric tons)	5.4	9.3	8.8	8.2	5.9	7.5	12.9
Light structural ('000 Metric tons)	8.9	10.7	8.8	8.2	8.1	14.5	19.7
Heavy structurals ('000 Metric tons)	7.0	7.5	8.4	8.6	8.7	12.2	9.9
Rods ('000 Metric tons)	4.1	5.3	5.5	5.5	4.6	5.7	11.2
TOTAL (including others) ('000 Metric tons)	89.0	102.2	107.0	108.6	104.3	122.6	169.9
Machinery and Appliances							
Diesel Engines* (Nos.)	604	852	1,001	1,387	2,147	2,528	3,474
Sewing Machines (Nos.)	3,705	8,456	10,866	13,957	17,101	21,051	24,649
Machine Tools (Rs. lakhs)	3.94	6.20	10.02	20.90	31.33	36.57	50.02
Dry Cells (Lakhs)	119.5	134.2	151.2	138.8	140.2	156.1	172.9
Storage Batteries (Thousands)	17.7	19.6	26.2	27.0	29.6	36.9	42.4
Electric motors ('000 H.P.)	11.9	21.0	29.9	39.1	52.0	48.0	56.7
Power Transformers ('000 K.V.A.)	16.3	47.1	76.6	101.6	93.9	84.7	104.3
Electric lamps (Thousands)	1,293	2,020	2,561	2,762	2,540	2,903	3,450
Electric fans (Thousands)	17.7	23.5	28.2	43.7	53.0	60.5	82.5
Automobiles (Nos.)	1,856	1,924	2,678	2,661	2,233	3,039	4,697
Bicycles ('000 Nos.)	9.5	40.9	55.3	65.9	76.1	82.6	87.6
Others							
(a) Paper and Paperboards							
Printing and Writing ('000 Quintals)	67.1	101.1	104.1	107.1	130.4	150.2	180.5
Wrapping ('000 Quintals)	21.6	24.0	26.2	35.2	33.8	47.1	54.4
Special Variety ('000 Quintals)	2.6	4.7	4.9	6.1	5.3	4.5	7.2
Boards ('000 Quintals)	20.4	26.7	28.5	32.5	44.3	47.2	47.5
TOTAL ('000 Quintals)	111.7	156.5	163.7	177.9	213.8	249.0	289.6
(b) Sugar ('000 Metric tons)	97.5	136.8	165.4	170.0	165.7	176.4	215.9
(c) Salt ('000 metric tons)	231.3	252.1	276.3	307.0	350.0	264.8	286.3
(d) Wheat Flour ('000 Metric tons)	41.1	41.4	45.5	61.5	69.2	81.3	77.3
(e) Iron Ore ('000 Metric tons)	309.7	396.0	414.7	430.6	510.8	661.2	887.3
(f) Coal ('000 Metric tons)	2,915	3,236	3,340	3,683	3,838	3,982	4,390

* Excluding vehicular type.



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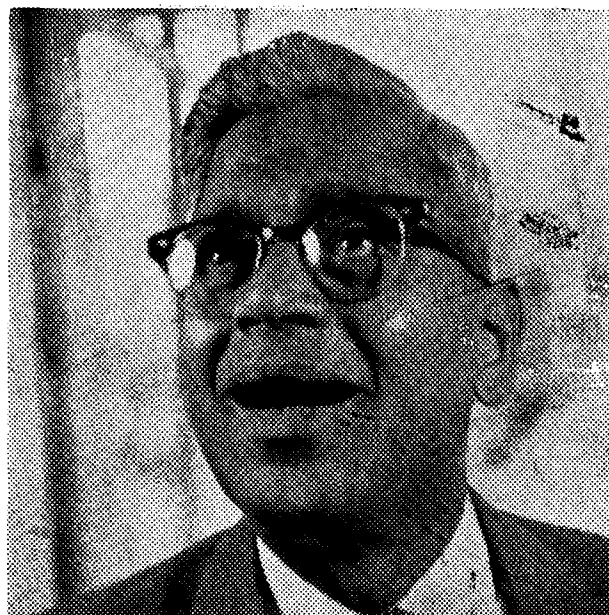
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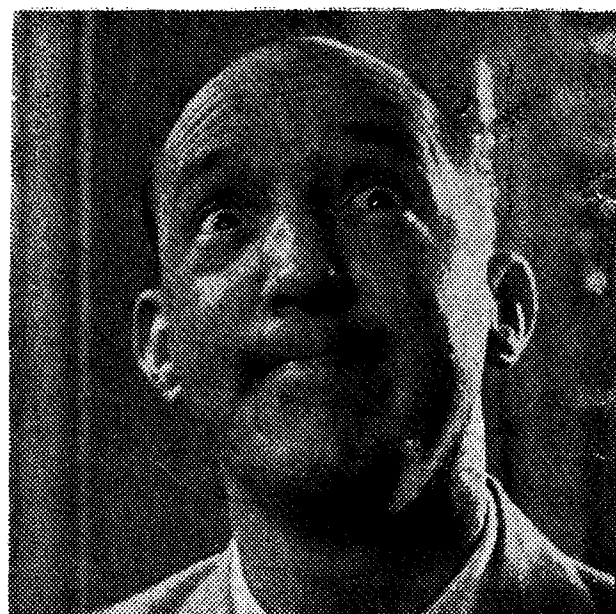
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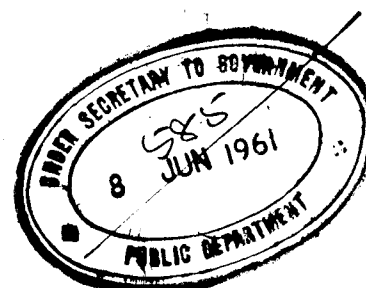
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ONE RUPEE



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The Eastern Economist

JUNE 2, 1961.

Tormented Assam

THE language controversy in Assam eclipsed all other issues at the A-ICC's recent session at Durgapur. Violent agitation, spectacular demonstrations, attack on a junior minister and, to cap them all, the reprehensible attempt on the life of the Congress President cannot, by any stretch of reasoning, be treated as momentary outbursts of anger and resentment on the part of the local population. Many have questioned the wisdom of convening the A-ICC's meeting at Durgapur in the close vicinity of Calcutta at a time, when feelings, once exacerbated over the language issue, still continue to agitate the minds of the people deeply. Whether or not Durgapur had been chosen as the venue of the session, the fact that the explosion would have taken place on some other occasion — not remote — can hardly be disputed.

Mr. Nehru has pleaded for the maintenance of the *status quo* in Assam for one year with the specific object of enabling the parties to consider the issue in a calm atmosphere and with the fullest appreciation of its long-term repercussions. The *status quo* would positively imply that the Assam Official Language Act should not be enforced. Its application can be given a delayed start, made piecemeal and spread over a maximum period of five years. But this appeal has come too late in the day. Passions have been inflamed by the passage of the Bill and one year will be regarded as too long a period to amend it.

The proper time for maintaining the *status quo* was in October last year, when the Bill was on the legislative anvil. At that time the necessary psychology of confidence could have been created and reconciliation could have been brought about before the linguistic majority and minority drifted woefully apart. It is wishful to hope that the majority, having scored the triumph on which it had set its heart, will be in a mood to show patience and the minority, under the shadow of a psychology of fear, will hardly be disposed to act otherwise.

The Pant formula of conferring on Bengali the status of the official language at the district level in Cachar was never accepted wholeheartedly by the State Government. It is pointed out that under the provisions of the Assam Official Language Act, it is open to the local boards and the mahakuma parishads to declare Bengali as the

official language in Cachar District. But strong doubts can be raised about the legality of this provision and it could be argued that under Article 347 of the Constitution it is not competent for any authority except the President to declare any additional language as the official language in a State or a part of a State. The wording of Article 347, however, would lend itself to an ambiguity in its application to the situation in Assam. That Article stipulates that, if the President is satisfied that a substantial proportion of the population of a State desires any language spoken by it to be declared as the official language in the State or a part of the State, he may make a declaration to that effect. Legal quibbling may centre round the phrase "a substantial proportion of the population of a State" and it may conceivably be contended that the demand may not be entertained unless it emanates from a majority of the people in the State. It would be unwise to treat this issue at a technical level. A forthright amendment of the Assam Official Language Act is the real course open.

The Assamese speaking population of the State accounts for 55 per cent of the total and its majority status offers a safeguard for its linguistic interests. Furthermore, the two languages are so akin to each other. The Assamese stand to lose nothing whatsoever by showing generosity and a genuine national spirit by accommodating the demand of the Bengali speaking population to treat Bengali as the official language in Cachar District. On the other hand, they stand to gain everything by reintegration with their Bengali speaking brethren.

Mr. Nehru has dilated so much upon the Centre's sincere desire to respect the autonomy of the State. Its bona fides were not held in doubt; but they are hardly relevant to the issue. In a question of fundamental significance it would be short-sightedness to make a fetish of autonomy where its exercise does not square with the larger national interest. The Home Minister is proceeding on a mission of reconciliation by personal contacts and persuasion. If he succeeds in it, it will be a great achievement; but on this score there is not much ground for reasonable optimism. The Centre has to make up its mind to shake off its attitude of indecision and vacillation. Firm and timely action is the least that the explosive situation in Assam requires.

A Re-estimate of Savings

THE finding of the National Council of Applied Economic Research that the Planning Commission has been rather too conservative in the estimation of India's rate of savings in recent years is contentious and difficult to be accepted at face value. It bears further scrutiny and more ample corroboration. Nevertheless, it has raised a point of great and immediate practical signifi-

cance. If it turns to be correct, it will step up the estimate of the domestic resources and may shorten the gap between these resources and the investment target of the Third Plan. The main conclusion of the Council in its survey puts the figure for the current rate of savings at 10 per cent of the national income as compared with the Planning Commission's estimate of over 8

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per cent. Though the Council does not expressly state so in the study, the inference may be drawn that a bigger Third Plan with a higher investment target could be sustained. Whether such an inference can be drawn without the risk of repudiation, one cannot be confident. But the Council makes a suggestion to this effect by implication. It has been careful to explain that its finding is tentative and open to correction on the basis of later surveys. The National Savings Committee has already raised the savings target — on what basis remains unexplained, but certainly not on the strength of the Council's finding.

The Council's next major conclusion is that the marginal rate of savings is as high as 20 per cent, or within about 5 per cent of the rate existing in some of the world's most advanced economies. In the absence of a high degree of the habit of institutional savings, which has grown so impressively in the advanced countries, it is wrong to presume that the higher savings in India can be related to the outlay on the Plan. Still another conclusion of the Council is that savings have almost doubled between 1950 and 1957. This is harder to accept in view of the fact that the growth of savings of this order, unaccompanied by a comparable rise in national income during the same period, would be possible only on the hypothesis of a complete revolution in the savings habit of the people. The Council's finding that 80 per cent of the total of all savings are effected by individuals and the fact that a major portion of the rise in national income during the first two plan periods went to people whose propensity to consume was very high detract from the force of its finding and make it sound over-optimistic.

It is highly improbable that a majority of the people in this country would accomplish the feat of doubling their savings, while at the same time they consumed more of their current earnings for bettering their standards of living and also bore a higher burden of taxation. This theory is to be tested with reference to the fact that real incomes rose no more than 10 per cent during this period.

The S.T.C. X-Rayed

THE findings on the export performance of the State Trading Corporation, recorded by The Economist Intelligence Unit, London, in an investigation referred to it by the Council of Economic Education, Bombay, have rightly received the publicity they merit. The share of the STC in the export trade of this country is about 5 per cent, which cannot be considered as negligible for an individual enterprise. In view of the urgency which export promotion has acquired, the findings of the Intelligence Unit should be taken for what they are really worth. Easily, the outstanding achievement of the STC is that it has given a reassuring character of regularity to the export trade in iron ore with Japan and it is problematic whether private exporters would have been able to show a like performance given a similar opportunity. It is the view of the Intelligence Unit that they would not have been. This difference explains the secret of the negotiating strength provided by the power vested in the STC for bulk trade and the resources placed at its disposal.

The Intelligence Unit has come to the conclusion that no blame could be attached to the STC for the decline in India's share in the world manganese ore exports since it was the outcome of a situation beyond its control. Coming to a longer-term assessment of the declining trend, it has argued that competition of Brazilian ore as a source

The Council's statistical findings run counter to common experience and are not sustained by sound reasoning. Here is an obvious case of statistical data derived indirectly from various sources which demand cautious interpretation in the light of the conditions prevailing in this country.

Consistent with the over-optimistic note which runs throughout the study, the Council concludes that the rate of savings in India "augurs well for the future growth and health of the Indian economy". Even if the rate arrived at by the Council were correct, it is necessary to bear in mind that it is only one principal factor in development. Of no less importance are the processes of development including literacy, education, a reliable apparatus of government and the level of the efficiency of public administration. An integrated view of the future growth and health of the economy ought to be based on a balanced consideration of both.

The findings of the Council's study are probably confined to academic interests at the present stage and they need to be verified by checks based on factual rural and urban surveys. The principal statistical limitations consist in the tentative nature and the large margin of error in the estimates, firstly, of gross investment in capital goods by the 'individual sector' (representing the farm and non-farm unorganised sector) and next, in the inadequate allowance for depreciation on such assets. Apart from data deficiencies, the major limitations arise from the short time-span in respect of which data are available, so that the estimates of the marginal propensities to save are subject to a substantial margin of uncertainty. Depreciation allowances could not be estimated in all the cases due to the non-availability of data and, wherever attempted, they could hardly be estimated on a satisfactory basis.

The findings of the Council's study, which are admittedly too tentative in character, do not warrant that degree of cogency which is essential to treat them as effective aids in formulating objective plans.

of supply to the United States, of Indonesian and Australian ore supplies to Japan and of Russian and African ore supplies to Western Europe has thrown up a real challenge to India's semi-monopoly in this trade. But in regard to the increase in the exports of iron ore, it has been equally frank in highlighting the fact that the sustained spurt in the demand from Japan was the basic cause of the expansion of the STC's exports.

Thus it is that wherever increases have occurred or setbacks have been received in the important items of export, it is the profound trends of change in the direction of the world export trade which have benefited or damaged the country's interests entrusted to the STC. Credit or blame is to be attributed largely to adventitious circumstances. There are certain small segments in which the STC has broken new ground. Exports of textiles and tobacco to the Communist countries illustrate this point. It is, however, pertinent to stress the fact that the export trade in footwear was the result of diversion from the established channels and not the STC's independent contribution. But if the STC's trade with the Communist countries has now expanded to 20 per cent of the total, it is because the volume of that trade has recorded an impressive and speedy increase.

The barter deals which the STC has concluded with private firms in Western Europe enter the debit side of the balance sheet. They have adversely affected the terms of trade of this country since the prices of our exports had to be reduced or alternatively the prices of imports from these countries had to be raised. To this finding may be added an analogous liability. There is reason to believe that the need to strike bilateral balance in the trade with the Communist countries has probably brought a relative loss to this country, in terms of quality or prices.

An important term of reference prescribed for the Intelligence Unit was the reaction of foreign business communities to the methods of operation of the STC. The verdict on this very crucial question is anything but flattering to it. It is significant that Japan, with whom such an impressive trade in iron ores has been built, has an unpleasant experience of the STC's techniques of business. Dilatoriness in pursuing negotiations or making deliveries of shipments is the cardinal

flaw in the STC's business deals and this is largely explained by the bureaucratic procedures which have been transplanted in the sphere of trade. This is an inevitable outcome of making a heavy draft on the civil administrative personnel to man the posts in the STC.

The special position which it enjoys in negotiating deals abroad has obviously removed any incentive for taking initiative and in fact lack of initiative is characterised as an important failure of the organisation. Ignorance, inexperience and a noteworthy absence of technical expertise have hampered the progress and execution of its business transactions as a matter of normal course. To this may be added the want of responsiveness to the changing market demands and consumer preferences. It should be plain that at the root of all these handicaps lies a dearth of business acumen. No bias can be attributed to this appraisal and it should be valued particularly for indicating the directions in which rationalisation of the STC's operating techniques would make it a more effective export agency.

Co-operative Training

WITH co-operation in its various facets having been assigned a place of crucial importance in the development of agriculture and an impressive programme laid down for its future expansion, it was quite natural that thought should have been bestowed on the problem of imparting adequate training to those who are to guide and make a success of this movement. The appointment of the Study Team on Co-operative Training in November last, therefore, came at an appropriate time. The Study Team in its report has expounded a detailed programme for co-operative training during the Third Plan. Coming as they do from persons who have been associated with the movement actively for a fairly long time and who understand its needs in the changing circumstances, one can find little fault with most of the recommendations of the Team.

The Study Team's recommendation that co-operative education and training should be completely decentralised and entrusted to State Governments within the next five years and that the Reserve Bank should totally withdraw from the field during this period is, however, not comprehensible. The Team has suggested reconstitution of the Central Committee for Co-operative Training into a National Board, having a broad-based membership and a non-official as Chairman. This Board is envisaged to be essentially a policy-making body, which should not be saddled with any administrative or executive functions. The benefits purporting to accrue from this change are that co-operative training would become more efficient and flexible, that it would be imparted in regional environments of the particular States and, finally, that it would create adequate enthusiasm amongst the State Governments about the movement. It is difficult to subscribe to the view that the benefits will really accrue.

In a cogently argued minute of dissent attached to the report, the Reserve Bank's representative on the Study Team, Mr. J. C. Ryan, has expressed scepticism about the presumptions made in putting forth this suggestion. The reconstitution of the Central Training Committee and complete withdrawal of the Reserve Bank from this field within the next five years is apparently not a feasible proposition. The time obviously is not ripe for the State Co-operative Unions to undertake this mighty task. They have already

a wide field open to them for imparting training to the junior staff and they will do well to devote their energies to this work. The proposed change, apart from resulting in deterioration in the standards of training, will put a great financial burden on the State Governments or the State Co-operative Unions which they are not in a position to meet at the moment without Central Government's assistance. The Reserve Bank obviously under its present statute cannot allow its funds to be administered by an outside agency and abdicate its responsibility for their efficient use. Even if the Act is amended to provide for this, it is highly questionable if the Reserve Bank can completely withdraw from the co-operative movement while it is made to retain a great financial stake in it in the form of its heavy investments in loans to the State Governments and co-operative societies.

Apart from this, there are certain inherent difficulties which probably have not been fully appreciated by the Study Team. To attract top-class persons to the co-operative training institutions, the emoluments of the training staff may have to be fixed at a level which may cause a chain reaction on the other educational institutions under the charge of the State Governments. Again, there will be the problem of making available adequate numbers of instructors for these centres. Further, there are certain advantages in having some Central institutes for co-operative training. These advantages will have to be foregone if complete decentralisation of co-operative education is effected. Decentralisation will also lead to unnecessary multiplication of co-operative training institutions, which obviously is a step in the wrong direction in view of the fact that even the present colleges run by the Central Committee do not have on their rolls the optimum number of trainees.

In the circumstances, it is appropriate that decentralisation of co-operative education should be proceeded with only gradually. Senior and intermediate staff colleges should be handed over to State Co-operative Unions only when they are in a position to undertake this task, both in respect of financial resources and in matters of teaching personnel. A change with indecent haste will only lead to deterioration and considerable setback to the co-operative movement.

THE WEEK'S NOTES

Backward Classes

A RETROGRADE REPORT

THE REPORT submitted by the Mysore Backward Classes Committee under the Chairmanship of Dr. Nagan Gowda is a glaring instance of a retrograde document, which seeks to enunciate a new principle that may result in prolonging, instead of shortening, the period of special treatment to the backward classes. It will be recalled that the Constitution confers the discretion on the State Governments to extend special treatment in the matter of educational facilities and employment under their auspices to socially and educationally backward classes. These backward classes are quite distinct from the Scheduled Castes and the Scheduled Tribes for whom safeguards for special treatment have been specifically made. In the case of the Scheduled Castes and Scheduled Tribes there is full historical justification for special reservations in the matter of access to education and employment under the State. The case of the backward classes rests on a less secure ground.

The Committee has made a frank confession that it could not obtain community-wise data on population and literary percentages, presumably because of the territorial changes involved in the re-organisation of the State. In the result, it has relied, curiously enough, on the census figures of 1941 (and not 1951). It has made certain assumptions in adjusting them for what it considers to be the probable present condition. The most retrograde principle it has enunciated in the matter of reservations for backward classes is to carve out a new category within the larger category of backward classes. This new category is defined as one whose standard of education is 50 per cent of the average standard prevailing for the State as a whole. The new category will have a guarantee of a minimum reservation of seats out of the total reserved for these classes in technical institutions and government posts. This reservation within reservation is sought to be based on the plea that the less backward classes (or the relatively more advanced among the backward classes) would capture the reserved seats and posts to the detriment of the new category. Where does this principle lead to? How about those who are 49 per cent, 40 per cent or even 30 per cent below the State's average in respect of educational standards? Will they not be deprived of their due share by the less backward classes? Fifty per cent of the available seats in technical institutions and 45 per cent of State Government jobs are to be reserved for the backward classes. In addition to this, there is, of course, the reservation for scheduled castes and scheduled tribes. By the process of elimination, the area that will be left for admission to educational institutions and recruitment to government services on merit will be reduced to pitifully small dimensions with obvious consequences on qualitative standards. It would be desirable if nationwide norms were fixed on the basis of economic status to define the backward classes. In their absence, reservation for the backward classes will lead to further compartmentalisation and hamper the process of integration.

Algerian Settlement

CONFERENCE AT EVIAN

ON MAY 24, the French Government and the spokesmen of the FLN reached an agreement to hold sessions

on alternate days at the current conference at Evian. The utmost secrecy is being maintained about the progress of the negotiations. This is not the only special feature of this conference. Security measures have been taken on an unusual scale and armoured vehicles as well as anti-aircraft guns have been kept in readiness. After the revolt of the colons in Algeria, this was inevitable. The FLN has not found it possible to agree to a cease-fire for a month as proposed by President de Gaulle presumably during the pendency of these talks. It suspects propaganda in it. It has insisted that there can be no cease-fire unless a settlement is reached first. But the FLN has no intention of continuing the fight during the period of the conference at Evian. This attitude relegates the question of cease-fire to an altogether unimportant place. Mr. Krim is evidently under continuous high pressure from the extreme elements amongst the nationalists. At this stage anything that would smack of a compromise may be interpreted as a surrender and the leaders of the revolution cannot take risks on this count.

The French authorities take it for granted that a referendum in Algeria would result in an overwhelming vote for independence. What France is really concerned with is not independence for which Algeria would opt, but whether she would consent to keep constitutional association with France. The associated status is what France would desire to be agreed upon and it would appear that it is also in the interest of Algeria. Once Algeria becomes sovereign, she does not lose by agreeing to the associated status. But this status raises important issues which will take still more hard bargaining. The gain to Algeria would be that she would receive economic and technical assistance for development from France in terms of the Constantine Plan. It presumes a customs union between the two countries. Such a union will confer upon Algeria the full benefits accruing from the Common Market which she enjoys at present. But from the French side the further implication of the associated status is that France would desire agreement with Algeria on the lease of the naval base at Mer-el Kabir and the air base at Maison Blanche. Furthermore, a clear definition of the type of citizenship status for Europeans and safeguards for that status in the constitution would be pressed by France to make the minority population accept the change with a sense of security. The FLN has raised the issue of Algeria's rights in Sahara which cannot be territorially dissociated from her. But the French view is that any talks on Sahara to be taken up afterwards must include the participation of Tunisia and Morocco. For the present the hurdle over Sahara does not appear to be in the forefront.

Orissa

MISLEADING ELECTION CAMPAIGN

ORISSA, LIKE Kerala, threatens to be a problem State in the Indian Union in the sense that the balance between the different political parties may prevent the formation of a stable secure government, deriving a really solid mandate from the electorate. The pre-poll forecasts are practically unanimous that no party will gain a decisive victory in the mid-term election. In the result, the stability of the government may fluctuate with fluctuations in the alignments which would go to make up the coalition. The electorate not only seems to lack enthusiasm but it appears to be apathetic. In the light of the

recent political history of the State, this is hardly surprising.

It is most unfortunate that at least the Congress Party is not setting the example it should in conducting the election campaign on the issues involved and confining the attacks on the other parties within the bounds of propriety. The fact is that real issues as such are difficult to find in this election. Mr. Nehru could have avoided succumbing to the temptation of indulging in vehement outbursts. His condemnation of the disgruntled Congressmen standing as independent candidates—and there are as many as 47 of them—as traitors is certainly strange. Instead of branding them with this epithet, the Congress leadership needs to make deep heart-searching why such a large number of dissidents has sprung up in its ranks and furthermore, why it is driven to the course of contesting the elections as independents. Something is radically wrong with the allocation of party tickets at the elections. Mr. Nehru's denunciation of the Ganatantra Parishad as a feudal party of reactionary princes will fall on deaf ears for two reasons. The Congress was a partner in the coalition with the Ganatantra Parishad and it has set up princes as its own candidates. Mr. Morarji Desai tried to appeal to the voters with a curious logic. His first thesis was that neither the Praja Socialist Party nor the Communist Party has set up a sufficient number of candidates to form the government and hence votes would be wasted on them. He has also impressed upon the electorate the error in voting into office a party different from the party in office at the Centre. This is to put a novel interpretation on the need for opposition parties or groups in a parliamentary democracy and on the nature of our federal constitution envisaging the possibility of different party affiliations of the governments at the Centre and in the units.

Aid Consortium

BETWEEN THE TWO MEETINGS

THE SCANTY report of the proceedings at the last meeting of the consortium of the creditor nations on assistance to India for her Third Five-Year Plan created an atmosphere of suspense. But on the eve of this week's meeting convened again at Washington, much of this suspense is being removed. It now transpires that, between the two meetings, a new policy of economic aid to developing countries is gaining support. India will be treated as a typical case of the application of this policy. All this change is being brought about by President Kennedy's steadfast adherence to his declared objective of putting aid for development of backward economies on a long-term basis.

At the last meeting of the consortium, America offered to provide aid of the order of \$1.1 billion for the Third Plan for the first two years. But a reasonable condition was tagged to this offer that aid of this size should be matched by equal aid from all the other members of the consortium put together. The American viewpoint was as logical as it was objective. If she in the midst of the continuing strain on her balance of payments was prepared to stand by her moral obligation, a like display of faith was expected at least from West Germany which had a comfortable payments surplus. But at \$331 million, the German offer did not come up to the expectation and, besides, part of this amount represented an element analogous to conversion, since it took the form of renewal of outstanding credits over an additional term of a short duration. Britain offered \$204 million. The total offers of the consortium members excluding America added up to \$350 million below the

target of \$1.1 billion proposed for them. The time gained between the two meetings was utilised for consultations. Whether the shortfall of \$350 million will be made good it is dogmatic to be confident; but much of it will be wiped out. At \$2.2 billion in two years, India will have obtained nearly 40 per cent of the external assistance envisaged in the Draft Third Plan. That is a good augury. But actual outlay of foreign exchange of this order will materialise only if India raises internally the matching rupee component. On this count, continuous vigilance is the only safeguard against underfulfilment.

Pakistan

TENSION WITH AFGHANISTAN

ONCE AGAIN relations between Pakistan and Afghanistan have been strained—this time owing to a tension that has been created over some stirrings in the Bajaur Hills lying to the north of the Khyber Pass. Information about the actual developments that took place there is obscure, but it would appear that the tribesmen inhabiting the Bajaur Hills are fomenting trouble, possibly with the inspiration from the other side of the border. The dissident tribesmen in the hills are being organized and led by one Badshah Gul. In March this year a village in Bajaur was strafed by the Pakistan Air Force and this evidently gave an opportunity to Badshah Gul to foment more trouble. President Ayub Khan has recently made positive charges of supply of Russian arms to the dissidents as well as the arrival of Afghan personnel to help the tribesmen. The Pakistan Air Force has been used to put down trouble in this frontier area, as apparently that seems the only effective way by which Pakistan considers herself able to take military action.

But there is something more in it. A suggestion has been thrown out that Afghanistan's internal troubles over food in particular have made the Government of that country use the opportunity of stirring trouble among the Pathans on the Pakistan side as a device to divert attention. This is a stock and far-fetched theory, looking at the very restricted scale of the actual trouble. It may be recalled that in August last two Pakistan Air Force planes violated the Afghan air space for which they were made to forceland at Kandahar. The pilots who were taken prisoner were released only the next month. This incident has only served to sow bitterness and heighten the tension. Pakistan is technically justified in contending that as a successor government to the former British Government, she is entitled to claim the Durand Line as the agreed frontier between Pakistan and Afghanistan. But in any hilly borders inhabited by tribesmen, who live their free way of life, peaceful settlement is usually difficult. Mr. Khrushchev has thrown his weight on the side of Afghanistan and openly maintained that a border dispute between Pakistan and Afghanistan does exist. This is only a part of the cold war projection in this part of the globe and it is a counterpart to Pakistan's participation in SEATO and CENTO. There is no evidence at all that Afghanistan wants the Pathan inhabited areas on the Pakistan side of the Durand Line to be merged with her, but she has lent her support to the demand for Pakhtoonistan as a buffer. Pakhtoonistan is hardly a live issue and if attempts are made to revive it, it only implies lack of goodwill between the two neighbouring Muslim countries. Mutual interest requires that the two Governments should try to come to a direct agreement for friendly relations.

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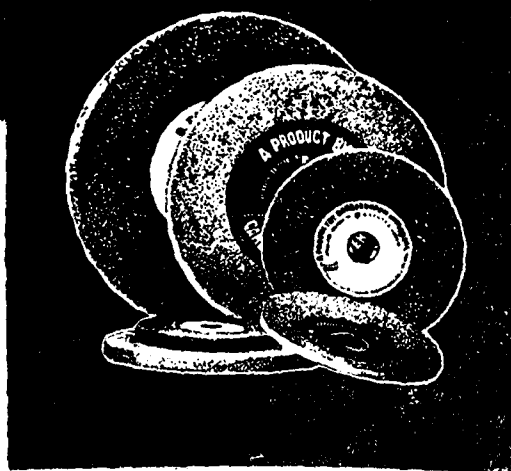
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The World Abroad

WHICH IS THE LESSER EVIL?

By
ODYSSEUS

AS I WAS SAYING here last week when I was interrupted, Professor William A. Robson has in "Nationalised Industry and Public Ownership" (Allen & Unwin. London. 1960. 50sh.) published the ablest, and best informed, factual defence of public ownership in industry that I have come across. It should, I suggest, be read by everyone concerned with state enterprise, whether as politician, government servant, manager, or worker, and should give a tremendous lift to their morale.

Why then, you may ask, do I take up space to criticise Professor Robson? Because as long as he is expounding how best to make a state enterprise work, which is a politically accomplished fact, I have no quarrel with him. But when he criticises private enterprise and shows up its demonstrable weaknesses, he forces us to ask the question: Which system is the lesser evil, which conducive to easier economic growth? I submit that his attack on private enterprise recoils on his own head and provides, from an unexpected source, convincing arguments against the further extension of public ownership where it already exists.

What you need for economic advance is dynamic industrial leadership, responsive to new ideas, change, and growth. Which is more responsive? The huge monolithic state enterprise, backed by politicians, governments, ministries, civil servants, and the thousands of workers engaged in it, all of whom have no interest in seeing a state enterprise disappear when threatened by new techniques, new raw materials, or new products, but, on the contrary, have a vested interest in avoiding trouble and maintaining the status quo? Or the directors of a private enterprise responsible to their shareholders for profits? Directors can be changed, if shareholders are persistently dissatisfied. Political parties, parliament, departmental committees, workers, and other vested interests are not involved.

Mention of shareholders exasperates Socialists. Professor Robson is no exception. "Shareholders' meetings," he says "are notoriously impotent; and the larger and more complex the company, the more futile the tiny gatherings of shareholders who make it their business to attend the annual meeting..." However, the Professor continues: "The accountability of the directors—so far as it goes—is nonetheless of fundamental importance. It is imposed by law and safeguarded by the practices and traditions of business executives, professional accountants and solicitors. It is essentially the means by which the directors seek to gain and hold the confidence not only of the shareholders but also of stockbrokers, bankers, issuing houses, and the large institutional investors who can give expert scrutiny to the reports and accounts of companies."

On the Professor's own showing, therefore, directors are subject to strong influences which pinpoint their responsibility. Moreover, as one who, in his time, has been a director of companies, I can testify that even if directors are confident that they could steam roller some measure through, they are extremely sensitive to the possibility of—even minority—shareholder criticism, with all the embarrassing press publicity that it may involve. If minority shareholders rarely, in fact, cause much trouble, in nine cases out of ten it is because directors have taken steps to avoid it. Moreover, that the confidence of the accountants, solicitors, stock-

brokers, bankers, issuing houses, and large institutional investors listed by Professor Robson, is necessary to directors shows that shareholders are not such defenceless sheep as Socialists would have us believe.

WHO PAYS FOR THE FAILURES?

What is more (as I said here on February 24), under any ownership, state or private, someone must pay for the enterprises that fail. The difference between failure in state and private enterprise is that the latter faces disaster quickly, urgently, realistically. It is not supported by a Ministry which, anxious to avoid a parliamentary uproar, finds ways and means to ward off the evil hour for years, or decades, by subsidies from the pockets of the taxpayers. State enterprise procrastinates, piling up bigger and bigger losses. Private enterprise minimises losses, and salvages as much as possible, either by timely liquidation or by selling out to a more efficient management.

Professor Robson says that public ownership eliminates the shareholder whose interests are inimical to the consumer. To which I reply that the shareholder wants as big dividends as possible and that, in competitive conditions (and, as I mentioned last week, the star of competition, under a cloud in the inter-war years, is, driven by the example of the success of the German "miracle", in the ascendant throughout the free West) the bigger his dividends, the clearer the indication that his company has been satisfactorily meeting the consumer's choice. It is true that in the UK most nationalised industries have hitherto by ministerial order been forced to sell their products more cheaply than economic practice would warrant. But such help as this has given the consumer has been illusory. It has led to inflationary financing and to distortion of the economy by stimulating demand for under priced products.

While I readily concede that it is impractical to denationalise the UK's state enterprises, that they should be criticised constructively, and helped to develop better morale, the more that I reflect over Professor Robson's able defence, the more do I feel that his own evidence leads ineluctably to the conclusion that if the UK wishes its economy to be flexible and capable of rapid growth, no more industries should be nationalised.

As we do not know what the future holds in store, the point may be seized by reflecting upon the past. In the UK in 1820, the stage coach reigned supreme in passenger transport, and the provincial inns, which provided relays of horses and refreshment for traveller, were flourishing. But for the next twenty-four years the stage coaches were under ever increasing competition from the newly spreading railways. Thousands of stage coach employers, booking clerks, drivers, stablemen, ostlers, farriers, horse breeders, inn-keepers, and their staffs, lost their jobs. If there had been Socialists to insist that the stage coach and inn-keeping industries should be nationalised because they were incompetently managed, and could not survive unless they put up their prices, and that the public interest demanded cheap travel, the UK would have been saddled for decades with the burdens of taxation necessary to keep a complex group of vested interests in being. To be realistic one must imagine the nationalisation of several other leading industries as today, all competing for subsidies and development grants from the Exche-

quer, so that the UK's 19th century economy would have inched its way along by an annual increment of 2.7 per cent as today, instead of bounding ahead as it did, and capital would have been in short supply. In such a statically inclined, consumption-orientated economy, the railways would have had difficulty in developing. We should probably still be travelling from London to Edinburgh at 8 miles an hour in coaches at a cost of the equivalent in today's prices of about 4/- a mile. The transport of heavy goods would still be limited to horse-pulled canal barges.

THE MISTS OF THE FUTURE

Looking back, we see how the face of the UK was transformed by coal, iron, and steel in the 19th century, and by other materials in this century. Without them, a business letter to India would want a year for reply. Homes, lit by oil lamps, would be without running water. Towns, without drainage systems, would be wasted by cholera. We do not know what inventions lie concealed behind the mists of the future. But it is certain that if any of them seriously threatens to displace the UK's nationalised railways, coal, gas, electricity, aeroplanes, etc., these vested interests, with their 2,250,000 employees and huge capital investment (between 1948-58, the nationalised industries absorbed no less than £6,827 million, i.e., Rs. 89 crores, or 26 per cent of total UK capital invested) will stage tremendous delaying campaigns.

If it be argued that nationalisation has not impeded the development of air travel and atomic energy,

one can only recall that the development of both has been authoritatively criticised. We are, for example, only today beginning to experiment with aircraft that rise vertically. Professor John Jewkes of Oxford has pointed out that one reason for this was because the huge sums invested by governments in vast air fields gave no incentive to economise space, whereas faced with the need to satisfy shareholders, stock brokers, issuing houses, and institutional investors, the air industry would have been compelled to search for ways to use space and capital more economically. As to atomic power, by pushing ahead under government pressure and financed, willy-nilly, by sheep-like taxpayers notoriously impotent to control the use of their money, it looks as though the UK may have saddled itself with an expensive and already obsolete form of generating it. But, of course, as a famous UK Court of Enquiry into the plight of the railways said in 1955: "The Nation has provided by statute that there shall be a nationalised system of railway transport, which must therefore be regarded as a public utility of the first importance. Having willed the end, the Nation must will the means." In other words "fiat justitia, ruat coelum", which may be roughly translated "Come what may, a nationalised industry must stay."

(In a final article next week, we will examine (a) Professor Robson's analysis of the state of opinion on nationalisation in the British Labour Party, and (b) his six criteria whereby to decide whether an industry should or should not be nationalised).

The European Scene

BRITAIN AND THE COMMON MARKET

From Our Special West European Correspondent

PARIS, May 28.

IT is expected in some quarters (to judge from what has been said lately in British newspapers) that the talks between Presidents Kennedy and de Gaulle this coming week will have a decisive influence over Britain's future relations with the Common Market. It is thought, that is, that there is something President Kennedy might say to his host in Paris that could facilitate Britain's entry into the six-nation enterprise. It is hard to imagine what it could be. In the matter of defence strategy, it is possible (though not probable) that the U.S. President could make certain concessions to the General's ideas which, in turn, would incline France to closer co-operation with Britain, instead of seeking to build up the Common Market bloc into an independent defence unit. But that would have nothing to do with the problems of Britain's economic connection with the six-nation unit. In reality, the notion that Britain's entry into, or association with, the Common Market can be secured by suitable political intervention or by a change of heart among national leaders, shows considerable misunderstanding of the economic questions involved.

At the risk of seeming prosaic, we shall leave the great ones of the earth to exchange generalities, and come down to the bare economic facts. To some of them, rather: a glance at the agricultural problems alone will suffice to show how intricate the question is. A cornerstone of the Common Market treaty is the joint agricultural policy. The reasons are evident. The region has a chance of forming a unit just because there is complementarity between its industrial areas (largely in the north) and its agricultural areas (largely in the south). Just as important as the unified market for manufactures is the marriage between industry and agriculture. It is not strictly true that Germany exports manufactures and France exports food, and that is why they can be members of a larger unit; but this exaggeration recalls that agriculture is not just a difficulty, or poor cousin, in the Common Market, but one of its reasons for existing. So agricultural commerce cannot be set aside as a "special case" (as London suggested in the days when it proposed a common market limited to manufactures) without removing one of the principal motives for creating the Common Market. Countries like Britain and West Germany may regard their subsidised farms as luxurious little sidelines that must be kept out of the serious business of international trade, but a moment's thought shows that substantially peasant societies like Italy and much of France could not envisage economic unification without a common agricultural policy for the integrated region.

The Six are still struggling with this problem, and indeed it is the hardest they have set themselves. It has been relatively easy to cut tariffs on manufactures (they will probably be just half what they were in 1957 by the end of this year), but it is considerably more complex to free trade in primary produce. It was socially impossible to treat farm produce like manufactures and simply lower tariffs, abolish quotas, with-

draw price controls and subsidies, and let producers fight it out in a free market of West European dimensions. The only method was to substitute for the present national farm policies joint, supra-national agricultural policy, which would fix prices for the whole region. That policy is still being sought. For a time it seemed that the West Germans (just because their agriculture is socially marginal, like Britain's) were not eager to press on with it, being more interested in free trade in manufactures. But Messrs. de Gaulle and Adenauer are understood to have agreed last week in Bonn that the Rome Treaty on this point would be applied fully, in letter and spirit. However intricate, the problem is at least soluble because all the Continental countries have followed roughly the same sort of policy for the support of their agriculture: they have made their own consumers foot the bill, by keeping out competitive farm produce and making consumers pay the fixed prices required to keep their farms going.

Britain, whose entry to the Common Market is being contemplated today, has followed a totally different policy—neither more nor less rational, economically, and more in keeping with her social traditions. British consumers have not been required to pay for the support of British farms. On the contrary, they have been able to buy food imported from some of the world's cheapest producers, New Zealand, Australia, etc. The output of British farms has been sold on the same market, at the same prices. Since those prices were grossly inadequate to support British farmers, the Government has made up their revenues to a fixed "fair" level by paying them subsidies. In the current year, the British Government will pay out £266 million in farm subsidies—a sum which, it has been reckoned, is equal to the net revenue of British farming. It may seem at first sight that this just means that British farms are financed by the taxpayers whereas West German and French farms are financed by consumers; since taxpayers and consumers largely coincide, the difference is one of technique, surely. Not at all, because it also means that British food prices are extremely low whereas Continental food prices are quite high—a circumstance that is at once reflected in the cost of living and thus in the prices of manufactures.

To see how different the two systems are, imagine first what happens if the Continent admits Commonwealth foodstuffs duty-free; Continental farms would be gravely jeopardised for they cannot match Australian and New Zealand agricultural prices. On the other hand, what happens if British consumers had to pay the prices required to keep British farms going: the farmers would be as well off as ever for they would receive the same income, but British manufacturing industry would see its labour costs and raw material prices soar to heights where its competitiveness in foreign markets would be seriously impaired. I have seen mentioned the case of a British biscuits maker who today buys his flour at world prices (the British farmers who supply him with any part of it are paid the difference by the Government); if he had to buy his flour in France he would pay 30 to 40 per cent more for it. This is not because the French wheat

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farmers are any less efficient or more prosperous; the prices actually received by British and French farmers are in fact equal.

Obviously, British agriculture cannot trade its products freely with Continental agriculture in a common market, and the quest for a joint agricultural policy would mean nothing short of a revolution because the approach has been diametrically apposite on either side of the Channel. In view of difficulties like this, just what is President Kennedy supposed to say in Paris next week that will suddenly facilitate Britain's entry into the Common Market? It should be clear that the questions involved are rather more complicated than seems to be thought by people who envisage Britain's entry into the Continental system being decided suddenly at a weekend meeting of statesmen. Nor is there the least possibility of Continental industries agreeing to British membership before the agricultural question is settled: one cannot have a common market for manufactures where some firms are paying much less for their raw materials and their workers' food than the rest. Or, supposing that Continental manufacturers received some suitable indemnity for this, there is no chance of Italian and French farmers agreeing to have Britain in without getting access to British food markets. In other words, the agricultural question is not an incidental complication that can be ironed out with a dose of goodwill; it is basic.

What would be the consequences if Britain abandoned her present system of food subsidies and adopted a policy that could be harmonised with Continental

practice? The first result, if the matter were bungled, would no doubt be the defeat of the Conservative Party, but we shall stick to economic consequences. It has been calculated that by coming on to the Continental system Britain would see her food prices rise at least 8 or 9 per cent. Food being half the workers' budget, the official cost of living index would rise by 4 per cent, and wages by as much. These calculations seem very conservative to anyone who has done the household shopping in both Britain and France lately; much sharper rises seem likely. However, even a 4 per cent jump in British labour costs would be sufficient to threaten British exports and shake the pound sterling. Moreover, Britain's full membership of the Common Market would also entail applying the common external tariff on Commonwealth food exports, with resultant loss of preferential access for British manufactures to Commonwealth markets; once again, a fall in British exports.

This prospect is so uninviting that London has several times stated that she hopes to join the Common Market without going to such lengths. Yet if the Common Market's agricultural policy is amended so as to make Britain's entry painless, it will not be the Common Market she is joining but some variety of customs union for manufactures—and there is no desire on the Continent to enter that path. Politicians on both sides of the Channel have lately made enthusiastic references to Britain's coming entry into the Common Market, but until some real progress is made on the apparently insuperable agricultural problem it would be safer to assume that the negotiations are deadlocked.

Portugal

BRITAIN'S PORTUGUESE CONNECTION

By WILLIAM REES-MOGG

SPAIN and Portugal were until recently the forgotten countries of Europe. Their regimes are both pre-war dictatorship; Dr. Salazar, the senior of the two dictators has seemed the more tolerable because even before the war he avoided entanglement with the Fascist and Nazi regimes of Italy and Germany. General Franco has acquired a certain international acquiescence in his regime merely by surviving and by the post-war fear of Communism. He was certainly one of the founder members of the anti-communist club. Relatively few statesmen feel that it would have been better if the Communists had won in Spain, and even a Castro-type revolution would not be at all welcome.

This acquiescence was, however, based on Spain and Portugal keeping very much in the background of international affairs. This they were quite content to do. The regimes of Salazar and Franco have been by no means adventurous; they want to preserve the ancient social structure of their countries; they want to continue the sleep which descended on the Iberian peninsula in the seventeenth century. Far from wishing to enter the twentieth century they do not even wish to enter the nineteenth, and they regarded the eighteenth with considerable suspicion.

Two developments have now focussed attention on these stage-shy dictators. One is the development of Europe; the other and much the more important is the movement to expel from Africa and Asia those colonial powers which will not grant independence. The Spanish colonial possessions have so far been out of the limelight; the colonial possessions of Portugal have very much been brought into it. The continuing issue of Goa, over which Portugal has been unwisely obstinate, has now been surpassed in importance by Angola, where terrible massacres of Africans and Europeans are taking place.

The European question is, however, also very important. Spain and Portugal have so far been left out of the post-war European revival, though Italy, with which they have traditional connections, has been one of the pioneers of its development. At some point it seems likely that this long separation will have to come to an end.

The question on which people are divided is whether this re-association can take place before the end

of the present regimes. Both Franco and Salazar are old men; in the course of nature they are unlikely to be able to continue their autocratic power indefinitely. There are those who would like to wait and welcome the successor regimes rather than try to associate the present ones.

It is to be hoped that this view will prevail—the next regimes whatever their political character are unlikely to be sympathetic to the present dictatorships and it would be a pity to tie European policy to such obsolete governments. In any case Portuguese colonial policy is so intolerable and obscurantist that it must be wrong to express sympathy for it.

Unfortunately the British Government has allowed itself to be drawn into an equivocal position. Mr. Butler embarrassed himself by making some lunch-time civilities to his Spanish hosts—"Spain's traditional contribution to European civilization" and that sort of thing, and allowing, to be quoted in a rather exuberant Spanish translation.

This is probably of no great importance. More significant is the visit to Spain and Portugal of Lord Home—Mr. Macmillan's surprise choice as Foreign Secretary. Lord Home seems to have a greater sympathy for the Portuguese entente than other members of the British Government. The decision to send a frigate on a good-will mission to Angola has emphasised the doubts that are felt about the value of the present visit.

More sensible people in Britain feel that the contrary policy is needed. Colonialism is so unpopular in the present stage of history that even successful colonial administration, aimed at early independence, is bound to be suspect. Any gesture which appears to identify British colonial policy with that of Portugal tends to discredit Britain and makes the task of preparing for independence, particularly in East Africa, more difficult.

The odd thing is that Lord Home stands for very little except himself. His policy is doubted by some of his colleagues in the Cabinet. The Prime Minister had to use his full prestige in order to obtain his appointment, and it is probable that he now regrets his decision. This is a melancholy, but fortunately a minor episode in British diplomatic history.

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Economic Report from the U.S.**BALANCE OF PAYMENTS PICTURE**

By GUY SIMS FITCH

WASHINGTON, May 25.

GROWING international confidence in the U.S. dollar and in the U.S. economy seems to be the order of the day. This confidence is reflected to a large degree in the recent report that the U.S. international balance of payments now is in the best shape since 1957. U.S. Commerce Department preliminary estimates of the balance of payments for the first quarter of this year show that the deficit dropped sharply during this period to an annual rate of about \$1,000 million. This is only about one-fourth the rate in the last quarter of 1960, and the best quarterly showing in four years. Included in the first-quarter deficit, moreover, was an outflow of only \$370 million in gold purchased by foreigners. By way of comparison, last year's deficit totalled \$3,800 million, of which \$1,700 million was taken in gold.

What is particularly significant is that most of the first-quarter 1961 foreign gold purchases came in January. Since mid-February, the U.S. gold supply has held steady at about \$17,400 million. In fact, there has been a tendency in the past few weeks for the U.S. gold supply to rise slightly. This would seem to indicate, as the Commerce Department observes, that foreigners are using extra dollars not to buy U.S. gold but to invest in the United States—a development considered a significant expression of confidence in the U.S. position. Coupled with a decline in the outflow of short-term U.S. capital, this trend is credited for most of the improvement in the U.S. balance of payments picture. This does not mean, however, that merchandise trade trends are to be overlooked. Exports of goods and services, which are a major plus factor in the payment balance, continued to rise during the first quarter, while imports, a minus factor, declined slightly. The net result was a trade surplus that reached an annual rate of better than \$6,000 million. This surplus was offset, as usual, by the continued heavy outflow of U.S. Government grants and loans, private investment capital and other remittances—hence the deficit in the balance of payments despite the huge trade surplus. While the balance of payments situation has improved to the point of instilling renewed confidence in the U.S. position and of reinforcing the Kennedy Administration's faith in the U.S. ability to meet this problem, government officials still are reluctant to take a continuing improvement for granted. They point out that the balance of payments remains vulnerable, even though there is a good possibility that the U.S. accounts actually could show a slight surplus during the second quarter of this year. The most important factor in this lack of official complacency at the moment is the realization that as the U.S. economic upturn quickens, imports can be expected to expand. Thus, even assuming a continued high level of U.S. exports in response to the generally high level of economic activity in Europe and other parts of the world, it is entirely possible that the U.S. trade surplus could shrink later in the year.

Moreover, officials here point out that while short-term capital outflows have declined, they still are large (relatively large) by some earlier standards. This helps explain the emphasis that the U.S. Government continues to place on several basic programmes—pro-

grammes that would relieve some of the pressures of the balance of payments while encouraging a general widening of opportunities for trade and economic growth around the world. Among them are programmes to stimulate U.S. exports, to encourage other countries to continue reducing their barriers against U.S. goods and dollars, and to encourage other industrial nations to assume a large share of the aid total for developing lands. U.S. exporters themselves are very much aware of the challenges they face, and have shown a heartening progress in adjusting to the growing competition in world markets. They are cutting costs, studying foreign requirements, providing prompt deliveries and stepping up their sales and servicing activities. Under the combined influence of these government and private activities, there is reason to believe that the balance of payments problem can be solved. As the recent results show, much progress in that direction is being made. U.S. Treasury Secretary C. Douglas Dillon has indicated that it is the Kennedy Administration's goal not merely to keep the balance of payments deficit within manageable proportions, but eventually to erase it entirely—perhaps by 1963.

ANNOUNCEMENT

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WORLDGRAM

India

Kothari Cables and Electricals Ltd.: M/s. Kothari & Sons have been granted a licence for the manufacture of 3,000 tons of ACSR and 18 million core yards of PVC and other wires. The Company will be called 'Kothari Cables and Electricals Ltd.' and will be situated near Madras. The total share capital of the Company will be Rs. 65 lakhs as proposed now, out of which Rs. 40 lakhs will be fixed capital and Rs. 25 lakhs will be working capital. Kothari's have been negotiating with foreign firms for technical and financial participation in this project. It is learnt that a reputed foreign company has entered into an agreement to supply know-how and plant and equipment. They will also be investing substantial part of the foreign exchange required for this project. In the proposed capital of Rs. 55 lakhs, Rs. 40 lakhs will be available in the form of equity capital, and Rs. 25 lakhs in the form of loans. The foreign collaborators will provide Rs. 12 lakhs and 28 lakhs will be raised by M/s. Kothari & Sons. In the Rs. 25 lakh loan, Rs. 8 lakhs will be in the shape of sterling loan and Rs. 17 lakhs in the shape of rupee loan. The company will have a Board of Directors consisting of eminent public men and experienced industrialists.

Deposit Insurance Legislation: The Government of India have after careful consideration decided to take action for the implementation of deposit insurance scheme. It is proposed that for this purpose, a separate autonomous corporation should be set up with the Governor of the Reserve Bank as its chairman, who will be assisted by a small board consisting of one of the Deputy Governors of the Reserve Bank of India, a representative of the Central Government and at least one non-official. The Corporation will have an authorised capital of Rs. 5 crores which will be allotted to the Reserve Bank entirely. The deposits in all the commercial banks functioning on the dates of introduction of the scheme other than the State Bank of India and its subsidiaries, will be insured under the scheme. The State associated banks will, nevertheless, be required to contribute to the funds of the Corporation. The limit of amount of individual deposits insured and the rate of premium will be fixed by the Corporation with the approval of the Central Government and may be varied from time to time in the light of the experience gained. It is expected that, to begin with, individual deposits to the extent of not less than Rs. 1,000 will be guaranteed under the scheme. The actual figure will be determined by the Corporation after it has been formed.

Khetri Copper Project: An agreement for consultancy services for Khetri Copper Project was recently signed between the National Mineral Development Corporation Ltd. and M/s. Western Knapp Engineering Company. Under the agreement, the project report is to be submitted by the consultants not later than the end of this year. M/s. Western Knapp Engineering Company is a division of the Western Machinery Company San Francisco, California, U.S.A. Khetri copper project is included in the Third Five-Year Plan and envisages the production of 10,000 tons of electrolytic copper annually.

Coal Mines Provident Fund: The Government of India have decided to grant to the subscribers of the Coal Mines Provident Fund on their accumulations interest at the rate of 4 per cent during the year 1961-62. This has been done in consultation with the Board of Trus-

tees. The same rate of interest was fixed for the previous year. Over 4 lakh colliery workers subscribed to the Fund during 1960-61 in Assam, West Bengal, Bihar, Madhya Pradesh, Orissa, Maharashtra, Andhra Pradesh and Rajasthan.

United Kingdom

Selective Breeding of Trees: As a first step to selective breeding in timber cultivation, specimens of wood taken from trees grown in various parts of Britain are being examined by radio isotopes methods at the Forest Products Research Laboratory of the U.K.'s Department of Scientific and Industrial Research. The Laboratory, a few miles west of London, has an apparatus which has been developed for this purpose. It is completely automatic and micro-scale measurements of density which would formerly have been very laborious process can easily be made without human intervention, by measuring the transmission of beta particles (electrons) through a thin specimen of wood.

Terms of Trade: The United Kingdom's terms of trade (import prices as a ratio of export prices) moved up by one point in April, according to statistics issued by the Board of Trade in London on May 26. The export price index was again unchanged in April at 112, while the index of import prices moved up one point to 98, so that the terms of trade also rose by one point to 88 (1954 taken as 100). An upward movement in the terms of trade means that import prices are increasing in relation to export prices. The United Kingdom's terms of trade, however, still remain distinctly favourable.

U.K. Firm Sells £4,000,000 Nylon Plant to Russia: The British firm Vickers Ltd. announced in Moscow that it had sold to the Soviet Union a £4,000,000 plant to produce nylon. The plant, which will turn out industrial yarn and tyre cord, will have a capacity of more than 6,000 tons a year. It is the first large contract to be announced at the British Trade Fair in Moscow which opened on May 19, but negotiations for it have been under way for more than five months.

Deliveries to the Soviet Union will begin in more than a year's time, and the plant will be completed early in 1964. Announcing the contract, Lord Knollys, the Vickers chairman, said in Moscow that the Russians were paying cash in sterling in London and had not asked for credit. Most of the machinery would be produced at Barrow and Newcastle. The nylon plant will be assembled by the Russians, but Britain will send out technicians to supervise the work.

Food Preservation Without Refrigeration: Housewives will be able to buy a week's supply of food and keep it fresh without the aid of a refrigerator as a result of a new freeze-drying technique known as "sublimation" developed in Britain. The new preservation technique is based on research conducted by British Ministry of Agriculture scientists at Aberdeen, Scotland, and is now being applied for the first time as a commercial process in a factory equipped by the British firm of Vickers-Armstrongs Ltd. The factory, built for an Irish sugar company, was recently opened at Mallow, Eire. It cost £250,000.

Experiments in accelerated freeze-drying of food—which supersedes accepted methods of dehydration by drying food in high vacuum—were first carried out in

70,00,000 FIRESTONE TYRES!

The Firestone factory in Bombay has now passed another landmark in its 21-year existence. The production of Firestone tyres in India has topped the figure of 70 lakhs. From a small beginning, through successive expansions, production has now reached around 2,000 tyres daily, covering a vast array of different sizes, ranging from 3.50-10 for Motor Scooters to 21.00-25 28 Ply Rating for Heavy Earthmoving Vehicles.

But the overall demand for tyres of all types is still so far in excess of output in India that, in spite of equitable distribution arrangements, there is a severe shortage which is felt throughout the country. Expansion schemes are afoot, but it will be some time before supply catches up with demand.

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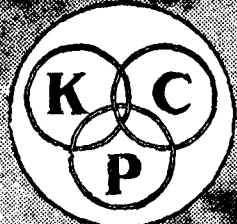
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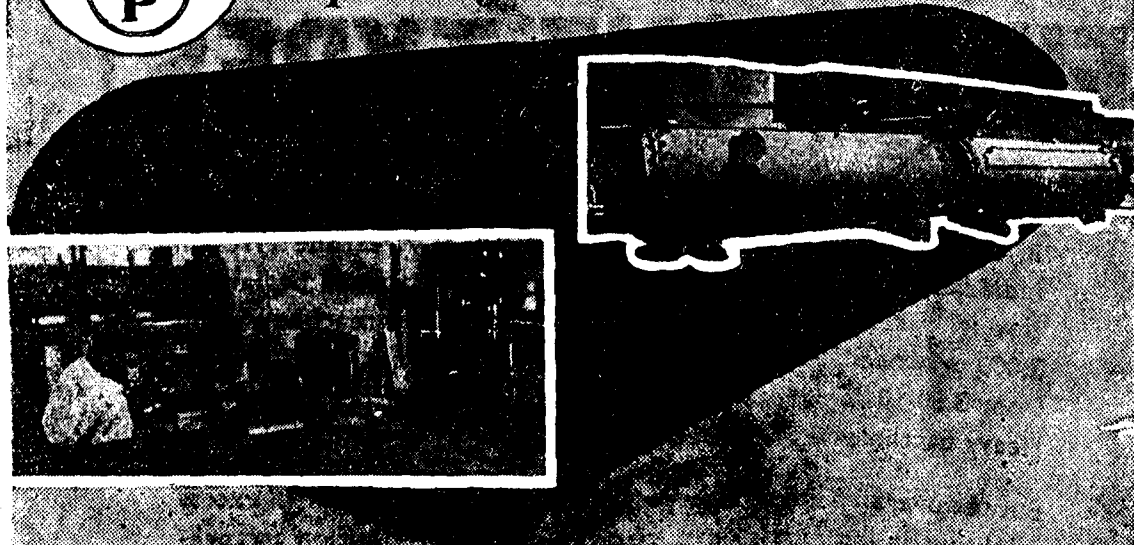
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the laboratories of the British Ministry of Agriculture at Aberdeen. Vickers-Armstrongs engineers have designed and produced the freeze-drying machinery which makes it possible to market economically food preserved by this method.

U.S.S.R.

Spring Crops: 104 Million hectares of spring crops had been sown in the U.S.S.R. by May 20. This is 80 per cent of the total spring crops in the country. The sun flower sowing programme has been over fulfilled. Over 400 million hectares have been planted under this crop or 250,000 more than last year. The sowing of grain maize is drawing to a close. Fourteen million hectares have already been planted. Favourable conditions for the sprouting and growing of all farm crops exist in most areas of the country.

Yugoslavia

Imports - Volume and Structure: Various kinds of commodities valued at 59.2 billion dinars were imported during the first three months of this year. The total sum realized was 6 billion dinars, that is 9 per cent below that in the corresponding last year. This trend in imports and the simultaneous increase in exports were reflected in the decline of the passive trade balance by almost 9 billion dinars. The reduction in imports of industrial goods and particularly of materials for reproduction (raw materials and finished goods) was the main trend in imports. Imports of agricultural produce was somewhat above those last year, mainly due to an increase in imports of fruit, coffee, cocoa, spices and milk products.

Australia

New Plant at Newcastle Steel Works: The Broken Hill Proprietary Co. Ltd., recently brought into operation the sinter-producing section of its new £10,000,000 sinter and ore-handling plant at its steel-works at Newcastle, New South Wales. The new machine is one of the largest in the world, with a grate area of 2236 square feet. Sintering is the process in which the fine iron ore is mixed with coke and ignited to produce semi-fused lumps of ore. This ore can be more effectively smelted in the blast furnaces than the fine ores which would cause operational difficulties. The new plant at Newcastle comprises ship unloading facilities, an ore-screening plant, and a coke and limestone crushing section.

U.S. Petroleum Group Extends to Australian Marketing: The big American petroleum group, Phillips Petroleum Co. is planning to form a marketing organisation in Australia, and to offer a 50 per cent share interest in its venture to the Australian public. Marketing will be confined to Queensland and to northern New South Wales. The U.S. parent will subscribe 1,790,000 5/- shares at par in a new company, Phillips Oil Products, Ltd., and the public will be offered 1,790,000 5/- shares at par and £400,000 in 9 per cent registered first mortgage debentures. Phillips Petroleum is stated to be the 16th largest industrial concern in the United States. In Australia it has been active in the search for oil in Queensland.

France

Bertin Silencer: An interesting contribution to the campaign against noise and its disturbing effects has been made by Air-France with the installation of two silencers for the ground testing "Caravelle" engines. The silencers, manufactured by Bertin & Co., under M.

Duthion's supervision, are giving remarkable results. The sound reduction achieved close to 30 db (leaving only 1/1,000th part of the initial noise-power) makes it possible to perform all engine control operations without disturbing the neighbouring population, and at the same time gives efficient protection to the personnel carrying out the tests. All engine inspection and timing are now taking place on a special area, located 325 meters south of the maintenance and overhauling shop, and exclusively reserved for jet planes. Measurements made by the technicians of the "Aéroport de Paris" showed that "Caravelle" engines at full power, equipped with a Bertin silencer and 300 metres away, give only 85 db which corresponds to the noise recorded in a Paris street during average traffic.

Italy

ENI Associate to Build Refinery in Tunisia: The refinery with SAIPEM, an associate of ENI group is going to build in Tunisia will have a capacity of 1 million tons of crude oil per year, with possible further increase to one and a half million tons. The construction of the refinery is part of an agreement signed on June 10, 1960 by the Government of Tunisia and ENI, concerning the formation of the joint Italian and Tunisian Company.

Total Vehicle Output: The Italian motor vehicle industry manufactured 6,44,617 motor vehicles in 1960, of which 5,95,907 were motor cars with an increase of 28.73 per cent over 1959. Exports totalled 203,935 motor vehicles, a 7.80 per cent decrease over 1959. The percentage of exports over total production is approximately 32 per cent. The slight decrease recorded in exports last year was mainly due to certain difficulties which made themselves felt particularly in the U.S. market, motor car industry sources have revealed.

Export of Italian Typewriters: The Italian typewriter industry has enjoyed a continued boom during the past few years. The results achieved in 1960 are expected to be even more spectacular than those recorded in 1959. Even though it is too early at this time to make a final estimate, the data now available for the first ten months of 1960, show that the efforts made by the Italian business machine industry as a whole—one of the most dynamic factors of the Italian industrial work—were very successful last year. A marked increase was observed not only in production but also in sales abroad. 8,019 metric tons of typewriters and calculating machines were manufactured during the period January to October 1960 with a 36.1 per cent increase over the period in 1959. Even greater was the increase in export during the aforementioned period (73.5 per cent). This figure was slightly above the percentage increase in the total value of export (68.9 per cent) due to a slight drop in average prices (2.7 per cent).

Germany

Technical Advice for Indian Company: The Vereinigte Ultramarin Fabriken AG (Ultra-marine Works) in Cologne Bensheim, recently concluded a consultation contract with the newly founded Ultramarine and Pigment Ltd. in India. The Indian plant is to be erected near Madras and to produce 1,200 tons of ultramarine blue annually. The German partner will confine himself to furnishing technical know-how and will not enter into a financial participation in this project. The technical personnel will be trained in Germany. The new plant will be able to start its production in some two years.

NEWS IN BRIEF

INDIAN

Soil surveys of over 24 million acres in various States had so far been carried out by the Central Water and Power Commission, Ministry of Irrigation and Power. The surveys were conducted by them directly or by the States with technical guidance from CPWC.

India will participate in the 7th Plenary Session of the International Commission on large dams to be held at Rome and the 5th Conference of the International Society on Soil Mechanics and Foundation Engineering to be held at Paris. The Rome Session will be held from June 26 to July 1, 1961 and the Paris meeting from July 17 to July 22, 1961.

India is likely to export in the immediate future 75,000 tons of sugar, two-thirds of the quantity going to Iran and the rest to Pakistan.

The Government of India has decided that the export of raw equamarine stones and emeralds cut will be allowed, without an export permit in post parcels of 100 tolas. The concession, says a Press note issued by the Ministry of Commerce and Industry, has been allowed as exports of raw equamarine stones and emeralds earn valuable foreign exchange.

The Government of India has decided to continue free licensing of mustard rapeseed oil by all shippers, on shipping bills supported by evidence of firm sale contract upto the end of September, 1961, the Joint Chief Controller of Exports announced recently.

The Iron and Steel Controller, Calcutta, has announced in a public notice that permission for import of finished steel against export of permissible varieties of ferrous scrap during the year 1961-62 will be given by his office.

The Governing Council of the United Nations Special Fund meeting in New York has announced financial assistance of about \$1.4 million to India for the establishment of the Central Instructor Training Institute at Madras and for the Petroleum Exploration Institute at Dehra Dun.

It is reported that 12,500 service co-operatives would be set up during the Third Plan in Madhya Pradesh. For this purpose, Rs. 7 crores have been earmarked. The co-operatives would seek to raise food output by supplying seeds, fertilizers and manures to cultivators.

Latest official estimates place the current season's coffee crop at a record figure of 63,300 tons comprising 29,500 tons of top grade plantation, 9,500 tons Arabica cherry and 24,300 tons Robusta.

A provision of Rs. 45,00,000 has been made by the Punjab Government for the execution of soil conservation schemes in the State under the Third Five-Year Plan.

It is reported an Indo-Japanese agreement may be signed next month for export of 2.25 million tons of iron ore a year to Japan, for five years. The export which will be made by the State Trading Corporation, will commence from 1963.

FOREIGN

Syria is to have an irrigation dam comparable in scale to the Aswan High Dam in Egypt and it will be built with West German assistance. This is the Euphrates Dam for which Soviet experts completed a technical and economic study last year.

It is reported emergency duties for two major sections of the Australian textile industry are being considered by the Tariff Board following references by Mr. John McEwen, Trade Minister.

The Soviet Union may soon have a bigger and better merchant marine than the U.S. Russia now operates 800 merchant ships compared with 990 by the U.S. By 1965 the Soviet Union plans to double that figure.

Switzerland is to grant Yugoslavia a 22 million Swiss francs 5½ per cent loan redeemable in 10 years, subject to ratification by the Swiss Parliament. Loans to assist Yugoslavia in her economic reform have already come from the International Monetary Fund, the U.S. and European countries.

The Ministry of Industry of the U.A.R. is giving renewed consideration to an offer by Shell concerning oil prospecting in Egypt's Western desert.

An assembly plant for Chrysler cars will be established in Syria under an agreement between Chrysler and the Arab Products Distributing Company, a State-owned concern. The plant will cost £500,000 and will have a capacity of 300,000 vehicles a year.

German industrial production in April came close to equalling the record output of November, 1960. The index (1950=100) for April came to 266. This has been exceeded only once, by the index figure of 281 recorded last November.

It is reported that the U.S. Government plans to extend for five years legislation under which agricultural surpluses are sold or given to countries unable to pay for them in hard currency.

French imports of foreign cars were nearly quadrupled in the first three months of 1961 by comparison with the same period in 1960. Imports of British cars, however, went up by only just over 60 per cent.

The Pakistan Government has acquired all mineral rights within the country, through an order issued by President Ayub Khan, without disturbing existing leases for mineral exploration.

Antara News Agency has reported that Indonesia will give no new concessions to foreign oil companies nor extend old ones, the Minister of Development revealed recently during an inspection tour of local oil industries.

Special Article

FOREIGN INVESTMENTS IN INDIA AND MODIFIED TAXATION

CONTRIBUTED

THE burden of taxation which actually falls on the capital invested in the corporate sector of the capital-importing countries is an important criterion which is applied when a foreign investor makes his choice where to export his capital. In the post-war era, the achievement of sovereign independent status by country after country has made it obligatory upon them to launch programmes of rapid expansion. But the rate of national savings being too inadequate for this purpose, there is the indispensable need of importing capital from foreign countries. There is the additional advantage that technical skills accompany foreign capital. The system of taxation which India has chosen to develop has, therefore, a direct bearing on the decision which the foreign investor makes in exporting capital to this country.

One fact that needs to be underlined in relation to foreign capital in India is that the fullest equality of treatment and non-discrimination are the very guiding principles of the Government's policy in relation to foreign capital vis-a-vis Indian capital. Recently, positive new trends have emerged in the policy of the Government of India towards foreign capital to offer it attraction to flow into this country and this change has earned appreciation abroad. But it had only a limited bearing on taxation. The Finance Act, 1961, however, marks an important step forward in the modification of corporate taxation in India which is bound to have a salutary effect on the climate for the import of capital from abroad. The broad implications of the changes in taxation introduced in this year's budget are discussed in this article in relation to their application to foreign corporate investments.

The Finance Act, 1961, has made certain alterations in the structure of Indian corporate taxation. Firstly, the development rebate which was hitherto available at 25 per cent of the value of the new plant and machinery, is proposed to be reduced to 20 per cent. But this new rate would apply to only those investments which take place after 31st March, 1961. Secondly, the levy of a 20 per cent uniform super-tax rate on dividend income of all companies removed, in the first instance, the differentiation that existed between dividends derived from a subsidiary and a non-subsidiary company. And, in the second instance, the new uniformity in super-tax rates will remove the anomalous discrimination existing against a foreign company holding non-subsidiary interests in an Indian company. Under the new provisions, a foreign company, which holds a non-subsidiary interest in an Indian company incorporated after 31st March, 1961, will bear a total tax of 40 per cent (20 per cent Income-tax and 20 per cent super-tax) on its dividend income from the Indian company.

Since 1959, the Government of India has been endeavouring to reduce the incidence of corporate taxation on foreign companies which hold only non-subsidiary interest in an Indian company. For instance, dividends received from an Indian company, not being a subsidiary and which was formed and registered prior

to 1st April, 1959, are taxable at 63 per cent. This was brought down in 1959-60 to 53 per cent, but the new rate was applicable to only those Indian companies which were incorporated after 31st March, 1959. Now it has been steeply reduced to 40 per cent. This substantial reduction in tax incidence on foreign companies holding majority interest in an Indian undertaking has also achieved "parity", so far as the tax burden is concerned, between subsidiary and non-subsidiary investments. Since this parity has been achieved, partly by raising the tax rate on subsidiary investment, the foreign investor may be induced to hold a minority share in an undertaking which he intends to promote in India; indeed, Indian policy, except on taxation, has been in favour of minority participation.

A striking change has been introduced in the corporate tax structure in respect of income-tax and super-tax payable on royalties. It will be recalled here that the aggregate tax on royalties is a matter of great importance to the foreign collaborator as well as the Indian investor using the patent etc. Up to the last financial year the income-tax and super-tax together worked at the rate of 63 per cent on the royalties received by foreign enterprises from the Indian companies. At 63 per cent the tax was the highest for royalties in any country in the world. This was not a happy state of affairs and at any rate it was obvious that the incidence of the tax on royalties was borne in the last analysis by the Indian enterprises entering into the agreement. This was for the reason that the foreign concern naturally pitched the rate of royalty at a point which would give it a return net of taxation comparable to what it would obtain elsewhere. This perfectly legitimate technique involved fixing of royalty on the patent, etc., at a very high level and made negotiations needlessly complicated. Now the aggregate tax on royalty has been reduced by 13 per cent to 50 per cent, so that it would be possible to import technical skills on a larger scale and the lower taxation would facilitate negotiations between the foreign and Indian parties. To illustrate, if a foreign enterprise aimed at obtaining a net return of 50 rupees out of the royalty, under the old dispensation of the total tax of 63 per cent, the amount of royalty would be fixed at Rs. 135 whereas now with taxation brought down to 50 per cent, the amount of royalty would be fixed at Rs. 100. This illustration graphically brings out the significant change made by the modified taxation.

The objectives of the present study are to focus attention on the full implications of the operation of the modified Indian tax rates on all forms of foreign capital, such as portfolio investment (non-subsidiary interest), direct investment (subsidiary interest in an Indian company, or branch office of the foreign parent) and loan capital. Apart from taking into consideration the tax relief available in the form of the development rebate and tax holiday, it is important to bear in mind the nature of the activity in which the foreign capital is engaged. For example, if foreign capital is employed in basic industries* such as cement, steel, chemicals,

* Those industries which have been specified in Section 56A of the Indian Income-tax Act, which reads as follows:-

No super-tax will be payable by a company on such part of its income as consists of dividends received from an Indian company, where the Central Government is satisfied that the company is wholly or mainly engaged in an industry as specified in the First Schedule to the Industries (Development and Regulation) Act, 1951.

mineral oils and industrial machinery manufacture, dividends received are exempt from super-tax levy, i.e., dividends will bear a tax incidence of 20 per cent only compared to the standard rate of 40 per cent.

The impact of taxation is worked out for the first fifteen years of operation for a new undertaking in the Indian Union. The results are set out for three cases in the table below:

INCIDENCE OF TAXATION AND RETURN ON FOREIGN CAPITAL INVESTMENTS IN INDIA

(In percentages)

Nature of Foreign Investment in India	Incidence of Taxation			Return on Investment		
	Case I	Case II	Case III	Case I	Case II	Case III
1. A foreign company operating in India through its branch office	51.5	47.5	45.7	12.5	8.5	5.7
2. A foreign company holding shares in an Indian company covered by Section 56A	45.7	42.0	40.9	14.0	9.4	6.2
3. A foreign company holding shares in an Indian company not covered by Section 56A	54.6	50.6	49.5	11.7	8.0	5.3

† Proportion of "profits after total tax liability" to equity capital.

Note: Gross Profits as a proportion of capital employed are assumed to be 20, 15 and 12 per cent for the three cases I, II and III respectively.

The study clearly brings out that for a given level of gross profits, the incidence of Indian taxation on

foreign capital that flows into India on or after 1st April, 1961, would be the least when it is covered by Section 56A of the Indian Income-tax Act. Consequently, the best return on capital after providing for all taxation would be obtained from investment in such an undertaking. Thus in case II, in which the gross profits are assumed to be 15 per cent of the capital employed for a company under section 56A, investment would bring an average return of 9.4 per cent in 15 years of operation to the foreign company, compared to 8.5 per cent and 8.0 per cent for a branch of a foreign parent and a foreign company which holds subsidiary or non-subsidiary interest in an Indian company respectively, that does not enjoy the benefits of super-tax exemption on dividends as provided in Section 56A.

It undoubtedly goes without saying that the exporter of capital will necessarily expect a higher return than is available to him at home for, the simple reason that he would like to be adequately rewarded for the risks which he undertakes in exporting capital to a foreign country. The fact that foreign capital chooses to flow to India indicates that this fundamental test is satisfied by the Indian system of taxation. (Another consideration that would weigh with the exporter of capital is the relative burden of taxation in different countries which are desirous of importing it). The burden of taxation in two countries cannot bear precise comparison because there are factors other than the rate of return which influence the flow of international capital. For instance, political stability, the policy of the Government on remittance of dividend or repatriation of capital, nationalisation, and so on. Hence a bare comparison between the burden of taxation in one capital-importing country with the burden in another is of little purpose because the tax burden is only one factor which is taken into consideration in making a decision on exporting capital. Nevertheless, the point ought to be stressed that the modification which has now been brought about in this country argues for a greater flow of capital from abroad.

THE BUSINESS WORLD

Plea for Product-intensive Ventures

By CROESUS

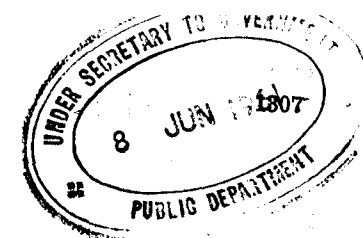
FOREIGN collaboration with Indian industries need not necessarily be spectacular to be useful, although, from an ideological or propaganda point of view, the more spectacular an industrial project, the greater the popular appeal of the venture and, therefore, of the collaborating country concerned. But, in the prevailing circumstances, it is joint ventures in the medium-sized category that will prove beneficial to the Indian consumer in terms of greater productivity and be also of real value to the collaborators. From this point of view, the talk that Mr. Frank S. Wilson, Chairman, Gabriel India Ltd., gave to the Press Guild of India, last Monday, on "The Challenge of Smaller Industry in India" deserves wider notice. Of course, when he said "smaller industry", he did not mean industries smaller than our small-scale industries, but only those smaller than our major or large-scale industries. Accordingly, he did not minimise the importance of the village or cottage or small-scale industries, but only sought to direct public attention to the problems of what he termed the "smaller industry", which is known to the people of our country as industries falling under the medium-scale sector. This "smaller industry" would require an investment of, say, some Rs. 10-15 lakhs covering an employment ranging from 50 or less to 500 or more, depending upon the peculiar circumstances of the industry concerned.

Three very interesting reasons were given by Mr. Wilson for considering his "smaller industry" scheme as very important. First, such "smaller industries" offer in many lines of endeavour an opportunity to organise a type of enterprise of the minimum size necessary to take full advantage of modern high production technology. Secondly, they afford scope for the exercise of the managerial talents of a new and rising generation of Indian industrialists — not only does this process vastly broaden the scope of industrial opportunity for young managers, staff and workers, but it offers a major channel, financially sound, for releasing the energies of the people and improving the standard of living of all. Thirdly, with the best of modern technology usually concentrated in the know-how of individual manufacturers around the world, it is the joint venture of Indian and foreign groups which can most rapidly establish modern technology in all its diversity. Elaborating this point, Mr. Wilson observed: It is the medium-sized industry that is the smallest to which successful foreign collaboration can be brought, a limitation which is due both to the fact that foreign collaboration with a smaller scale enterprise requires just as much executive time for working it out as in the case of medium-scale enterprise and to certain complexities of the approval process in India. As per his calculations, in terms of travel, maintenance and similar out-of-pocket expenses, some Rs. 30,000 to 75,000 or more would be needed before a new enterprise is ready for launching. This amount is in addition to what the Indian collaborators would have to expend on their own. It is needless to point out that, while a big industry could take this much of expenditure in its stride, it would be a burden for the medium-scale enterprise. This is perhaps why no joint Indian and foreign collaboration seems to be possible with an outlay of less than, say Rs. 10 lakhs.

Incidentally, it is only upto this limit that the Government of India also regards an industry as a small-scale industry.

In answering a question whether his "smaller industry" would be capital-intensive or labour-intensive, Mr. Wilson provided a new and interesting concept. "Concerning the problems and opportunities of medium-scale industry", he said. "I should like to suggest a new measure of the contribution which such industry can make to India. Must we need to choose between these two limiting alternatives?" he asked and proceeded to suggest, instead, an altogether new measure of industry value: "is it product-intensive?" Given the tremendous speed with which the organisation of new industries must proceed under the Third Five-Year Plan, together with the limitations of resources which beset us, as Mr. Wilson opined, "it would be prudent to seek out deliberately industries fitting the needs of the country, which promise maximum product yield for minimum capital investment — industries, in a word, which are product-intensive. Elaborating this point, he went on to say that "such industries are, 'per se' neither necessarily labour-intensive, nor prodigal of labour. They employ workers in numbers appropriate to the operation. In the aggregate, they can vastly increase employment. But, above all, they conserve and use capital resources 'frugally' in the national interest."

These are, indeed, constructive points, which, of course, one would expect from a person of the equipment and experience of Mr. Wilson, who, by the way, is no stranger to this country. As a matter of fact, India may well claim him to be an Indian; he was born at Kodaikanal. But it was not until 1953, when he arrived here from America as the Principal Adviser to the Government of India on Industry, Transportation and Private Investment, attached to the U.S. Technical Co-operation Mission, that one began to discern and take note of his genuine interest in India, the interest of a son of the soil, as it were. Among others, he has contributed, in large measure, to the establishment of the Industrial Credit and Investment Corporation of India, the U.S. in-Plant Industrial Consultation Service and the Management Association Movement in India. He was also Chief Adviser to the Indian Railways and, in that capacity, was responsible for organising the work of the U.S. Railway Advisory Team and in administering the U.S. assistance of over \$80 million to the Indian Railways. He was, again, Principal Adviser, Machine Tool Industry Advisory Group, which surveyed the Indian machine tool industry in the fifties. Thereafter, he went to Jordan on a more or less similar mission to return to the States in 1959. He is back again in India in 1961 as the Head of Messrs. Gabriel India Ltd., which, in collaboration with Messrs. Anand Automobiles of Bombay, will shortly be manufacturing shock absorbers. The only independent manufacturers of telescopic shock absorbers in India, Gabriel India expect to supply over 75 per cent of the shock absorber requirements of the automobile industry in the country. The automotive parts industry, of which the manufacture of shock absorbers is one of the many lines, is a product-intensive industry with considerable potentialities. Mr. Wilson



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GRAM
RESEARCH

described India vividly as an "Awakening Giant," and he said he looked at India as a market of 40 million relatively prosperous citizens with more becoming prosperous each year. To quote his own words, "to view it as a market of some 40 million consumers able to buy the kind of products which an automotive industry exemplifies but with only a limited number of cars and (other durable goods) yet being made on which to spend their earnings, is to see India as one of the largest unsaturated markets on earth. A market long static with an annual production of less than 30 thousand cars, trucks and buses for over 20 years has now more than doubled its output and should produce over 100,000 units annually before 1966."

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Business Notes

Rural Credit

CO-OPERATIVES AND RURAL PROSPERITY

SOME IDEA of the extent of progress (or, is it failure?) made by the co-operative movement in our country was provided by the Governor of the Reserve Bank, Mr. H. V. R. Iengar, the other day, when he addressed the 16th session of the Tamilnad Co-operative Conference in Kumbakonam. If one does not want to say the movement has failed, and wants to be a little more charitable, one could say it has not made as much progress as was expected. But to quote Mr. Iengar's own words, "the main causes of the relative failure of co-operatives in India are largely socio-economic in character and are relatable to certain fundamental weaknesses which have developed in the rural structure. Some of the factors making for these weaknesses, such as caste, have always been there; some of the weaknesses are inherent in most agricultural economies, especially those which consist of small units of operation together covering a vast area; but the features most significant in this context are those which have emerged from the combined impact of commercial colonialism, industrialisation and urbanisation on these pre-existing conditions."

Mr. Iengar went on to remark: "It is manifest that the progress of co-operatives is mutually interdependent on agricultural prosperity" and that "if the agrarian economy is a subsistence economy and if savings are impracticable, co-operative effort cannot succeed". Now, although savings may not be impracticable, it cannot be gainsaid that our agricultural economy is, by and large, still a subsistence economy. Therein perhaps lies a part of the explanation for the tardy progress that the co-operative movement has made in India.

That the progress of co-operatives is interdependent on agricultural prosperity as stated by Mr. Iengar is clearly borne out by the example of Japan which the Governor outlined with facts and figures. In this context the position of agriculture in India makes a striking contrast. Judging dispassionately, the average yield per acre in India since 1931 appears actually to have declined over a greater part of the period! True, the yield per acre has increased in the last few years, but, even so, it is today very little more than what it was in 1931-32. Thus, as Mr. Iengar observed, the average yield of rice per acre in our country is only 906 pounds, as compared to 4,243 pounds in Japan.

Proceeding, Mr. Iyengar pointed out that although the rate of interest charged by the co-operatives in Japan is very much higher than in India, unlike here, the higher rates are not regarded as being inhibitory to progress in that country. While recent developments in the commercial banking field in India had led to some increase in interest rates on advances, the advance rates of co-operative institutions had been kept steady. In the present circumstances, Mr. Iengar said,

industrial field, Mr. Wilson has not only an abiding interest in the industrial development of India, but is evidently determined to bring more of such joint ventures in the smaller and medium-sized sector which, he believes, should prove beneficial to the Indian consumer in terms of greater product value, be of mutual value to the collaborators, and make a contribution to the sound economic development of this country. It is fortunate that while our planners also have realised that small industrial undertakings are vital to India's expanding economy, the investment climate for foreign investment too should be as propitious as it has turned out to be now. In fact, it is more favourable than at any time before which is a good omen for the success of such joint ventures as those sponsored by Mr. Wilson.

the anomaly in the advance rates between co-operative institutions and commercial banks would naturally make it necessary for the former to consider the question of raising their rates too. As a corollary to the increasing interest on deposits, the question of increasing the rate of interest on advances would necessarily arise. After having conceded this, however, Mr. Iengar went on to say: "It is important to see that the farmer gets 'at reasonable rates' all the credit that he needs from the co-operative and that he gets it at the correct time and in the correct form." Does this mean that there should be two sets of advance rates in the co-operative sector, one a "reasonable rate" for the farmer, and another an "economic rate" for the non-agricultural borrower from co-operatives?

Paper

RIISING COST OF PRODUCTION

THE COST of production in the paper industry has been increasing during the last few years. The manufacturers have been finding it more and more difficult to sell their products at the prices stipulated by the Tariff Commission. These prices are based on the Tariff Commission's enquiry into the cost structure of the industry in 1958. Because the costs have tended to increase, the paper mills approached the Government for revision of prices. To substantiate their case, the two associations of paper manufacturers — the Indian Paper Makers' Association and the Indian Paper Mills Association — have jointly conducted an enquiry into the production costs of their mills. They have based their findings on the costs of seven selected mills out of the eight which were selected by the Tariff Commission in 1958. The cost structure of the eighth unit is unfortunately not available.

The results of this investigation reveal that cost of production per metric ton of paper has gone up by Rs. 137.37 since 1958. The most important factor contributing to increased costs is said to be the cost of raw materials which accounts for nearly Rs. 47 per ly to the fact that some mills have to pay higher royalties for their bamboos and partly to increased freight charges consequent upon raising of the surcharge on railway freight by 5 per cent. The price of waste paper, too, is said to have gone up. The second important factor leading to increase in production costs has been nearly Rs. 46 per metric ton increase in cost of chemicals due mainly to stepping up of excise duty on certain chemicals like caustic soda. Power and fuel charges have also gone up substantially owing to increase in pithead prices of coal and 5 per cent surcharge on railway freight. The industry is said to have suffered also because many of its units were obliged to accept coal by road since the railways could not spare sufficient wagons for it. The industry also points out that its coal supply is often downgraded by the Fuel Efficiency Committee. The

results naturally are lower efficiency and higher costs. Costlier power and fuel is said to have increased the industry's production costs by about Rs. 19 per metric ton. Other factors which have led to higher costs are labour and depreciation which have sent up the expense bill by nearly Rs. 11 per ton. Other overheads are said to be cashing about Rs. 7 per metric ton more.

This rising cost structure, therefore, presents a strong case for an increase in paper prices. It may also be added that the steady rise in costs which has already occurred is by no means at an end and further increases can be expected in the near future. It is, therefore, necessary that paper industry's prices are increased to include increases in costs. A fresh enquiry by the Tariff Commission, is, perhaps, due so that justice may be done to this important industry.

Chemicals

EXPORT PROMOTION COUNCIL'S DELEGATION

A COMPOSITE study-cum-scale delegation of the Chemical and Allied Products Export Promotion Council visited recently West Pakistan, Iran, Iraq, Kuwait, Lebanon, British East Africa, Eden, Egypt and the Sudan in line with the policy of the Government of India to stimulate active investigation of foreign markets. During its stay abroad, the delegation made a study of these markets in respect of off-take of particular chemical products and also tried to understand the problems faced by the Indian exporters of these products. In the report now made available, it is pointed out that the delegation was received with considerable amount of enthusiasm in most of the countries.

The report indicates that insecticides, ammonium chloride, fertilizers, paints, sanitary ware, oils, toilet goods, perfumes and dye-stuffs are the items which can be exported to these countries profitably; there is in these markets considerable scope for selling these products. The report also contains a detailed list of various chemicals which can find favourable market in all these countries. The Indian producers of chemicals can take hints from the report to increase their exports to these markets.

The report contains various other suggestions and recommendations which if implemented can go a long way in fostering exports in general. It is believed that the delegations which visit foreign countries must be better equipped with the background material so that they can prove more useful to the prospective purchasers. The report also suggests holding of seminars on export promotion techniques in which various executives and officers concerned with the production and trade of chemicals and the Government departments concerned with their export should participate. The report points out that staff position in various Indian embassies and consulates should be reviewed and strengthened so that greater assistance can be received by businessmen who visit the foreign markets in search of export possibilities.

One very important suggestion in the report is the setting up of the trade centres abroad. Japan, the United States and various other countries found these centres of valuable assistance in export promotion. In these centres, located in important cities of the world, a series of exhibits can be displayed periodically. The arrangement can be in the hands of experts who can determine the selection of products in consultation with Trade Commissioners and other such organisations. In some countries, Indian trade centres are already doing useful work, but such centres should be opened in other important cities of the world too.

Among the major hinderances in the export of chemicals is the payment problem faced in Pakistan, Egypt and Sudan. The Government of India can look into this issue at the time when trade agreements are signed with these countries. Another important factor

that goes against the Indian products is that their prices are in many case out of parity with the prices obtaining for similar products in these countries. There are some other complaints too. The important among these are that Indian products have poor packing, are sometimes short in weight, that the supply is not strictly in conformity with the approved samples, and that there are delays in shipment. These complaints have obviously to be squarely met if a stable market for Indian products has to be established in these countries.

Plantations

LEVIES BY PANCHAYATS

WHILE, ON the one hand, the claim is being made that the country is fast moving towards the so-called "take-off" stage, there are also complaints, on the other, that higher productivity is only rewarded with uneconomic returns. Evidently, it is not the sugar industry alone that is suffering from a "surplus crisis"; coffee also seems to rank as a close runner-up to sugar in this race. As in the case of sugar, the increase in coffee production has been due to the enormous efforts put in, and the heavy amounts expended by, the plantation interests on improved methods of cultivation. Instead of being rewarded for this, the coffee industry is being plagued not only by enhanced excise duties (in the last Central Budget, the excise duty on coffee was raised by 33-1/3 per cent) — and this at a time when there is a world slump in coffee prices — but also by the Coffee Board's unimaginative marketing policies and the Panchayats' excessive exactions. As Mr. R. W. Thorpe, Chairman, Nilgiri-Wynad Planters' Association, told the members at their annual meeting last week, the Coffee Board's present marketing policies are now found "to be woefully inadequate to cope with increased production and violent fluctuations in the world market." In this connection, he fully endorsed the suggestions of the UPASI to the Coffee Board for solving the problems which include, among others, earmarking a minimum export quota; radical changes in the coffee export procedures, including open auctions; auctioning of small lots of individual coffee under their estate names; introduction of cup testing; abolition of the multi-channel system in the internal market, and replacement of Sales Tax by the Central Excise Duty, etc.

Industries these days, it seems, have to reckon not only with Union Government taxes and State Government levies, but also levies of local bodies, including the latest entrant into the field, namely, the panchayats. While one may not question the role assigned to panchayats and the importance attached to it by the authorities, one cannot help cautioning these panchayats to go slow, especially as regards the plantations which have their special problems that admittedly mark them out for a different treatment altogether. It is unthinkable that plantations should be assessed by the panchayats in so arbitrary a fashion, as has been alleged. In the Nilgiri-Wynad area, for example, it is stated that 57 per cent of the revenue of the five important panchayats is contributed by plantations. In the case of three groups of estates, their contributions are estimated to constitute as much as 79 per cent of the revenue of the Panchayat Boards concerned. And, notwithstanding the heavy penalty imposed on them, thus, we are told, the plantations do not have any representation or say in either the determination of the rates or the disposal of the revenue. At the same time, it is not the panchayats but the plantations themselves that continue to provide all the facilities and amenities to the resident workers. Unless the State Governments look into this anomalous state of affairs in good time, it is just possible that panchayats may go too far and endanger the future of the plantation industry irretrievably. It is to be hoped that this will not be allowed to pass.

FROM THE CAPITAL'S CORRIDORS

THE THIRD PLAN

THE National Development Council is meeting here this week. It will consider the final draft of the Third Five-Year Plan. The draft has already been approved at the Cabinet level.

Latest indications reveal that though the physical target for public sector outlay under the Third Plan is being retained at Rs. 8,000 crores, the financial target for the present is being kept at Rs. 7,500 crores. Within this target, some adjustments, however, have been made for various developmental activities. Railways, for instance, have been sanctioned another Rs. 70 crores for their developmental programme under the Plan. A minor cut is said to have been effected in the allocation for major irrigation works.

The outlay on the development of the minerals industry is expected to be of the order of Rs. 498 crores. Of this, Rs. 438 crores will be the outlay in the public sector and Rs. 60 crores in the private sector. The foreign exchange component of this developmental programme in the two sectors is put at Rs. 200 crores and Rs. 28 crores respectively.

The target for coal output is being retained at 97 million tons. Compared to the Second Plan target of 60 million tons, this means that 37 million tons more coal will have to be raised per annum from the year 1965-66. Nearly 20.13 million tons of this have been earmarked for production in the public sector. The private sector is being asked to raise its output by 16.83 million tons. Of the public sector target of additional coal raisings, 17.13 million tons have been allocated to the National Coal Development Corporation. The remaining 3 million tons are envisaged to be had from the Singareni coalfields. The National Coal Development Corporation will be required to step up its production of non-coking coal by 10.83 million tons, of coking coal by 4.82 million tons and of blended coal by 1.48 million tons.

A sum of Rs. 115 crores is being earmarked for oil exploration during the Third Five-Year Plan period. Additional allocations will be made under this head from time to time as production stage is reached and oil is ready for transportation. The final draft of the Third Plan, it is understood, contains a specific reference that in the field of oil exploration, the Government will seek foreign collaboration on mutually acceptable terms.

A DECADE OF PLANNING

A full chapter has been devoted in the Third Plan's final draft for an assessment of the progress made by India under the first two Plans. The following extracts from this chapter would be read with considerable interest:

"The First Five-Year Plan took over several projects which had been worked out earlier and integrated them into a well-knit scheme of economic and social development embracing every part of the country. Through its emphasis on agriculture, irrigation, power and transport, the Plan succeeded in creating the base for more rapid economic and industrial advance in the future. In stressing the place of social change and institutional reforms in the economic development of the country, the Plan initiated some of the basic policies which were further developed during the Second Plan.

"While the First Plan placed great emphasis on the stepping up of agricultural production, rehabilitation of transport and communications and a fuller utilisation of the existing capacity in industry, one of its main aims was to establish the basic social and

economic policies for economic development in accordance with the Directive Principles of State Policy laid down in the Constitution. The reform of an antiquated land system which was inhibiting agricultural production, setting up a nation-wide agricultural extension service as part of a comprehensive Community Development Programme, revitalisation of the co-operative movement, expansion of irrigation and power facilities on a large scale, strengthening and improving the administrative structure of the country, and establishing a number of specialised institutions for providing credit to agriculture and industry, for developing small-scale industries and for giving special assistance to backward sections of the population were some of the notable features of the First Plan. The Plan focussed the nation's attention on the vital need for planned effort for achieving rapid economic growth as well as social justice. It offered to the people not only the objectives for which to work, but also the means with which to realise them through mutual self-help and co-operation and the mobilisation of local resources.

SECOND PLAN EMPHASIS

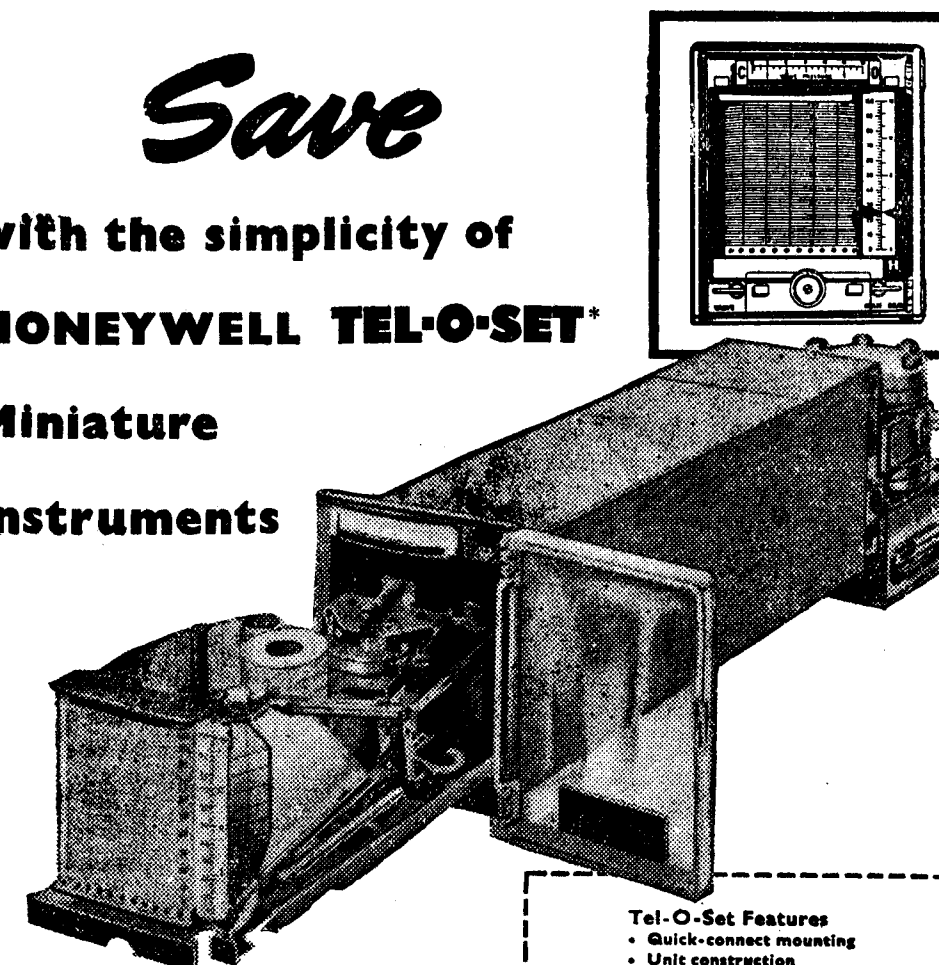
"While the Second Plan carried the basic policies initiated under the First Plan a step further and aimed at a larger increase in investment, production and employment, its main contribution was to direct the economy towards the next important stage which followed logically from the policy of planned development which the country had already accepted. It placed special emphasis on the development of basic and heavy industries for, with the advantages in natural resources which India already possessed, this was an essential element in the strategy for speeding up the development of the national economy over the next 15 or 20 years. The Plan also defined more clearly the key role that the public sector was to play in the economic development of the country. Along with the emphasis that it put on accelerating the rate of growth of the national economy and creating conditions for more rapid development in future, the Second Plan placed before the nation the goal of the socialist pattern of society. It also set the objectives of increasing employment opportunities and reducing disparities in income and wealth and bringing about the more even distribution of economic power.

"As a result of economic planning, there was a substantial increase in the rate of investment, especially in directions calculated to accelerate the economic development of the country. The total investment, public and private, in the economy increased from over Rs. 500 crores per annum at the beginning of the First Plan to Rs. 850 crores at its end and reached an annual level of about Rs. 1,600 crores at the end of the Second Plan. Corresponding figures for investment by public authorities are Rs. 200 crores, Rs. 450 crores and over Rs. 800 crores. The total investment during the two Plans was Rs. 10,100 crores; about Rs. 5,210 crores in the public sector and Rs. 4,900 crores in the private sector. The following are the details:

TABLE I
I & II PLANS: OUTLAY AND INVESTMENT
(Rs. crores)

	First Plan 1951-56	Second Plan 1956-61	Total 1951-61
Public sector outlay	1,960	4,600	6,560
Public sector investment	1,560	3,650	5,210
Private sector investment	1,800	3,100	4,900
Total investment	3,360	6,750	10,110

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The distribution of outlay in the public sector as between different heads of development is shown in table II.

TABLE II
DISTRIBUTION OF OUTLAY (PUBLIC SECTOR)

(Rs. crores)

Heads	First Plan				Second Plan			
	Provision	Percent- age	Expenditure	Percent- age	Provision	Percent- age	Expendi- ture	Percentage
Agriculture and community development	346	17	291	15	568	12	529	11
Irrigation	434	21	310	16	498	10	450	10
Power	127	6	260	13	415	9	416	9
Village and small industries	50	2	43	2	200	4	176	4
Industries and minerals	146	7	74	4	690	14	900	20
Transport and communications	498	24	523	27	1385	29	1367	28
Social services and miscellaneous	468	23	459	23	1044	22	829	18
Total	2069	100	1960	100	4800	100	4600	100

"This distribution reflected the changes in emphasis in the two Plans. In the First Plan, relatively greater stress was placed on programmes designed to build up the agricultural potential of the country. Consequently, programmes for agriculture and irrigation comprised 38 per cent of the Plan provision. In the Second Plan, greater emphasis had necessarily to be given to industrial development and the relative share of industries and mining increased from 7 per cent to 14 per cent. Transport and communications were given high priority in both the Plans. Social Services comprised 23 per cent of the First Plan and 22 per cent of the Second Plan provision. The variations between provisions and expenditures during the two Plan periods reflected partly lags in implementation and partly adjustments in the light of actual requirements. The reappraisal of the Second Plan in 1958 was due to the sharp decline in foreign exchange reserves during the first two years of the Plan, the fact that external assistance was not yet available on the scale needed, the unfavourable agricultural seasons during 1957-58, and the fall in the prices of primary products abroad.

RESOURCES

"The financing of the public sector outlay in the two Plans originally proposed and as it actually emerged was as follows:

TABLE III.
FINANCIAL RESOURCES (PUBLIC SECTOR)

(Rs. crores)

	Originally Proposed	Actual
First Plan		
Outlay on the Plan	2,069	1,960
Budgetary Resources	1,258	1,352
External Assistance	521	188
Deficit Financing	290	420
Second Plan		
Outlay on the Plan	4,800	4,600
Budgetary Resources	2,800	2,562
External Assistance	800	1,090
Deficit Financing	1,200	948

"During the Second Plan in particular, there was a substantial set-up in the tax effort. A number of new direct and indirect taxes were introduced. The gap in resources was made up partly through deficit financing and partly through external assistance. During the earlier years of the Second Plan, budgetary deficits were rather high. An attempt was, however, made in the later years to reduce them. Actual deficit financing during the Second Plan was roughly of the

order of Rs. 950 crores, as against the original provision of Rs. 1200 crores.

"The balance of payments did not present a problem during the First Plan period. The actual deficit amounted to Rs. 318 crores over the Plan period. It was met to the extent of Rs. 196 crores by external assistance and Rs. 122 crores by withdrawal from the country's foreign exchange reserves. The Second Plan which put greater stress on industrialisation naturally required heavier expenditure of foreign exchange. The Second Plan Report estimated the aggregate deficit in the balance of payments over the five-year period at about Rs. 1100 crores and assumed that about Rs. 800 crores out of this would be met by external assistance. It ran, however, into unexpected balance of payments difficulties from the very second year. Foreign exchange reserve had to be drawn down by Rs. 610 crores in the Second Plan period. In addition, external assistance of the order of Rs. 872 crores was utilised in the public as well as private sectors, besides commodity imports of Rs. 540 crores under the P.L. 480 assistance. Stringent restrictions were imposed on less essential imports. Efforts were made to increase exports, but the total export earnings for the five-year period turned out to be somewhat lower than the Plan anticipations.

RECORD OF GROWTH

"The record of growth over the last ten years has not been uniform. There have been significant ups and downs—occasionally due to natural causes or international developments and sometimes due to deficiencies in implementation. During the First Plan, owing largely to the progress recorded by agricultural production, the national income increased by 18 per cent as against a target of 12 per cent. During the Second Plan, on the other hand, the increase in national income was 20 per cent as against a target of 25 per cent, partly due to foreign exchange difficulties experienced in the earlier years of the Plan and partly to adverse weather conditions.

"The past decade has witnessed striking developments in industry—in terms of the rate as well as the pattern. Some idea of the trend may be obtained from the following indices of industrial production:

TABLE IV.
INDEX OF INDUSTRIAL PRODUCTION

	1950-51	1955-56	1960-61
General index	100	139	194
Cotton textiles	100	128	133
Iron and steel	100	122	238
Machinery	100	192	503
Chemicals	100	179	288

"The index of industrial production thus recorded a cumulative rate of expansion of about 7 per cent per annum. The actual increase was, in fact, more pronounced than indicated by the above figures because a number of new industries which have generally shown more marked progress, are at present not included in the index.

"Even more significant than the quantum of industrial development has been the direction in which the expansion has taken place, especially under the Second Plan. During the First Plan what has been proposed initially for large industry was chiefly to encourage the already existing factories to use their capacity to the full. Industrial production, even with this mild stimulation, rose by 39 per cent during the quinquennium.

"With the successful completion of the First Plan, it was possible to take up in a large way the development of new industries, especially the capital and producer goods industries, which constitute the very basis for any programme for accelerated industrial growth. Judging by the progress so far achieved by the metallurgical, mechanical and electrical engineering and chemical industries in augmenting industrial potential and taking cognizance of the heavy machine building projects recently initiated, it can be now stated that some of the basic conditions required for an accelerated growth towards the goal of a self-reliant economy were successfully established during the last decade.

"A key role was assigned to the public sector in the development of basic industries in particular. Total public sector outlay on industries and minerals amounted to Rs. 974 crores over the decade, out of which investment in Second Plan period alone amounted to as much as Rs. 900 crores or 60 per cent of the total investment in organised industry, public and private, during the quinquennium. But even more important was the nature of the public sector industries most of which were of a heavy type. This development has not only helped to strengthen the public sector, so essential from the standpoint of a basic objectives discussed earlier, but also helped to create conditions conducive for a rapid growth of medium and light industries in the private sector.

"A major step forward was taken with the establishment of three new steel plants in the public sector and the expansion of the two units in the private sector. The production stage of the new projects has now been reached and the capacity for finished steel has increased from 1 million tons in 1950-51 to 4.5 million tons in 1960-61 and of pig iron from 350,000 tons to 900,000 tons. The availability of other essential industrial materials like aluminium, cement, heavy chemicals, such as sulphuric acid, soda ash and caustic soda and dyestuffs, of fuels, such as coal and petroleum and of power has also increased substantially since 1950-51. New skills and experience have been acquired by a rapidly increasing number at all levels from industrial manager right down to the factory worker.

MACHINE-BUILDING INDUSTRIES

"Another significant development has been the rapid growth of machine building industries. India is now producing progressively increasing quantities of machine tools and machinery for use in agriculture, for needs of the transport industry and for such industries as chemical and pharmaceutical, textiles, jute, cement, tea, sugar, flour and oil mills, paper, mining, etc. Most of the machinery and equipment needed by the railways, except diesel and electric locomotives, are now available from indigenous sources. A large

variety of electrical equipment and scientific instruments are also now being produced in the country. The production of graded machine tools has increased from Rs. 34 lakhs in 1950-51 to Rs. 550 lakhs in 1960-61. Steps have been recently taken for the establishment of a heavy machine building plant and the foundry-forge plant at Ranchi and the coal mining machinery plant at Durgapur. The aggregate value of all kinds of industrial machinery and capital goods increased by about eleven-fold during the last decade. A beginning has also been made with the production of heavy electrical equipment. The Heavy Electrical Project at Bhopal has entered the stage of initial production. When all stages are completed, Rs. 25 crores worth of equipment will be produced.

"The progress made by chemical industries, particularly pharmaceuticals, heavy chemicals and fertilisers, has also been significant and capacity for a wide range of primary organic chemicals has been stepped up.

"The programme for the modernisation and re-equipment of important national industries, such as jute, cotton textiles and sugar has been progressing. In the case of the jute industry, it is at an advanced stage on the spinning side. The bulk of the machinery required for the modernisation of the jute industry in the preparatory and spinning departments has been manufactured within the country.

"Another achievement during the period under review was the progress made in increasing the indigenous content of industrial products manufactured in the country. Yet another indicator of the country's industrial development is the production of a growing number of new industrial items, e.g., industrial boilers, milling machines and other types of machine tools, tractors, industrial explosives, sulphur and anti-biotic drugs, D.D.T., newsprint, motor cycles and scooters, calcium carbide, dyestuffs, staple fibres, etc.

OIL AND POWER

"While the output of mineral oil within the country is as yet small, valuable oil resources have been found in Nahorkatiya area in Assam and indicators obtained of a sizeable oilfield in Cambay-Ankleshwar areas in Gujarat. Prospecting operations are in progress in other areas as well. In view of the importance of establishing indigenous sources of oil, and Oil and Natural Gas Commission was set up for undertaking on an intensified scale, geological surveys, geophysical investigations and exploratory drilling for oil. Government have also decided to invite foreign oil explorers to join the quest for oil subject to mutually acceptable terms. Construction of two refineries at Nunmati and Barauni was taken up in the public sector and the Indian Oil Company, a Government agency for the distribution of oil products, was formed in 1959.

"Provision of adequate power is one of the basic requirements for the development of both large and small-scale industries. A number of hydro-electric and thermal power projects were put up during this period and the total public sector investment in power amounted to Rs. 647 crores. The four multi-purpose projects, Damodar Valley, Bhakra-Nangal, Tungabhadra and Hirakud, which were begun before the First Plan, were incorporated into the integrated programme of river development. Among the hydro-electric projects started during the last decade, mention may be made of Chambal, Rihand, Koyna and Nagarjunasagar. A large programme for thermal power generation was also undertaken. The installed capacity for hydro-electric power increased from 0.56 million KW to 1.93 million KW and of thermal from 1.74 million KW to



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3.77 million KW during the last decade. The total installed capacity thus went up from 2.3 million KW in 1950-51 to 5.7 million KW in 1960-61. The generation increased from 6,575 million KW hrs. to 19,850 million KW hrs. out of which as much as 62 per cent was required for industrial purposes. Impressive as this increase was, it represented nevertheless a substantial shortfall from the target of 6.9 million KW mainly due to foreign exchange difficulties that arose during the early years of the Second Plan and also delays in the execution of some of the major projects. Special attention was paid to extend electricity to rural areas as this was considered to be an important measure for developing and modernising the rural economy. The total number of small towns and villages electrified went up from 3,687 in 1950-51 to 23,000 in 1960-61."

**HEAVY ELECTRICALS AND PUMPS &
COMPRESSORS PROJECTS**

The Russian Government in two of the project reports submitted by it recently to the Government of India is understood to have advised against setting up of a third heavy electricals plant and a shop for the manufacture of heavy pumps and compressors. The latter project, it says, would be an uneconomic one. About the former the view expressed in the report

is said to be that India's Third Plan requirement for heavy electricals would be adequately met by the expansion of the Bhopal Electrical Plant and another unit proposed to be set up.

This should, however, not be taken to mean that the Soviet Union is contemplating reducing its offer of credit for the Third Plan. Any amount that will be found surplus by non-inclusion of these two projects in the Third Plan will, it is learnt, be available for utilisation on some more important projects.

CEMENT MANUFACTURE

A proposal to step up the Third Plan target of installed capacity for the cement industry from 15.238 million metric tons per annum to 16.762 million metric tons is understood to be under consideration of the Government of India. The installed capacity of the industry at the end of the Second Plan was 9.134 million metric tons. An additional capacity to the tune of 6.781 million metric tons has already been licensed or approved for grant of licences. Included in this additional capacity are 28 expansion programmes and 15 schemes for setting up new units. The following are the details of some of the new units that are proposed to be set up and the expansion programmes of the existing units for which either licences have been issued or approval has been granted provisionally for the grant of a licence.

ADDITIONAL CAPACITY COVERED BY IMPORT LICENCES

No.	State/Name of firm	Location (New/Expansion)	Annual capacity to be installed (in metric tons)
1.	Gujarat: Chorwad Cement Factory, Veraval	Veraval (New)	50,290
2.	Andhra Pradesh: K.C.P. Ltd., Madras	Mancherla (Exp.)	152,380
3.	Andhra Pradesh: Associated Cement Companies Ltd., Bombay	Mancherla (Exp.)	167,620
4.	Bihar: Associated Cement Companies Ltd., Bombay	Chaibasa (Exp. Slag)	172,700
5.	Mysore: Mysore Cements Ltd., Bangalore	Ammasandra (New)	101,590
6.	U.P.: Government Cement Factory, Churk (Mirzapur)	Churk (Exp.)	234,670
7.	Madras: Madras Cement Ltd., Rajapalayam	Ramanathapuram (Exp.)	134,100
8.	Jammu & Kashmir: Government Cement Factory, Kashmir	Khunmoh (near Srinagar) (New)	20,300
9.	Andhra Pradesh: India Cements Ltd., Madras	Vizianagaram (New)	203,180
10.	Assam: Assam Cements Ltd., Shillong	Cherrapunji (New)	67,050
11.	Madras: Messrs. V. Ramakrishna & Sons, Madras	Thiruvattiyur (New)	16,760
TOTAL			1,320,640

ADDITIONAL CAPACITY APPROVED PROVISIONALLY FOR IMPLEMENTATION ON THE BASIS OF UTILISING INDIGENOUS MACHINERY

No.	State	Name of Firm	Location	New/Expansion	Annual capacity likely to be installed (in metric tons)
1.	Gujarat	Digvijay Cement Co., Ltd., Bombay	Sikka	Exp.	203,180
2.	M. Pradesh	Associated Cement Co. Ltd., Bombay.	Drug	New	167,620
3.	M. Pradesh	-do-	Drug	Exp.	86,350 (Slag)
4.	M. Pradesh	-do-	Kymore	Exp.	25,400 (White & coloured)
5.	Gujarat	-do-	Dwarka	Exp.	116,830
6.	Mysore	Bagalkot Cement Co., Ltd., Bombay	Bagalkot	Exp.	203,180
7.	-do-	Mysore Cements Ltd., Bangalore	Ammasandra	Exp.	101,590
8.	Madras	Associated Cements Co., Ltd., Bombay	Madhukkarai	Exp.	121,910
9.	M. Pradesh	-do-	Banmore	Exp.	40,640
10.	Bihar	-do-	Khalari	Exp.	71,110
11.	M. Pradesh	-do-	Kymore	Exp.	179,810
12.	Gujarat	Saurashtra Cement & Chemical Ltd., Ranavav.	Ranavav	Exp.	203,180
13.	A. Pradesh	Panyam Cement & Mineral Ind. Ltd., Kurnool District	Panyam	Exp.	134,100
14.	M. Pradesh	Birla Jute Manufacturing Co., Ltd., Calcutta	Satna	Exp.	274,290
15.	Maharashtra	Rajur Cement Works, Bombay	Rajur	New	243,810
16.	Bihar	Kalyanpur Lime & Cement Works, Calcutta	Banjari	Exp.	100,570
TOTAL:					2,273,570

FOREIGN AID

An important development has taken place in the recent past on availability of economic assistance from the United States. The U.S. Export-Import Bank is reported to have decided to grant credits for exploration, refining and marketing of oil by a Government agency in an under-developed country. India is likely to take advantage of this and the Oil and Natural Gas Commission is expected to make a request for a \$2 million loan from this agency.

A change in the pattern of economic assistance provided by the Soviet Union is also said to be in the offing. A proposal is understood to be under discussion here under which the Russian Government may enter into collaboration with a private sector firm for the manufacture of trucks at a plant to be located in Andhra Pradesh.

THE SMALL CAR

The Pande Committee on Low-Cost Car has submitted its Report to the Union Government. The Committee, it is learnt, has observed that "on the basis of the present level of material costs, labour rates and taxes", a small car can be produced in this country at an ex-factory price of Rs. 5,100 (excluding excise duty), provided the annual production rate is 50,000 units. If the turnover is to be 20,000 units, the cost would be Rs. 6,150 (excluding excise duty).

The model favoured by the Committee for manufacture is understood to be "Renault Dauphine".

NEW ISSUES

Ten more companies have been granted consent by the Controller of Capital Issues for the issue of capital of various categories. The following are the details:

1. **The Britannia Engineering Company, Calcutta**, has been granted permission to issue capital worth Rs. 50 lakhs in 5 lakh equity shares of Rs. 10 each, for cash at par. This capital is required for the manufacture of wagons, road-rollers and printing machinery. The share money shall be collected in one call.

2. **Messrs. Kothari Sugars and Chemicals Limited**, have been granted permission to issue debentures worth Rs. 35 lakhs to the Bank of India, Bombay. The debentures will carry a rate of interest not exceeding 6½ per cent. The proceeds of the issue together with the equity capital of Rs. 80 lakhs raised under the authority of the consent order dated October 22, 1960, would be utilized by the company for setting up a sugar factory of 1,250 tons cane-crushing capacity per day.

3. **T.I. Miller Private Limited, Madras**, a company under formation, has been granted consent for the issue of capital worth Rs. 25 lakhs. Of this, Rs. 22.50 lakhs will be subscribed for cash by Messrs. Tube Investments of India Ltd., Madras. The rest of the capital will be offered to H. Miller & Company Ltd., Birmingham, in lieu of the technical know-how which it will make available to the Indian company. The proceeds of the issue are to be utilized for the manufacture of automobile lamps and dynamo lamps.

4. **The Century Spinning and Manufacturing Company Ltd., Bombay**, has been granted permission for the issue of bonus shares of the value of Rs. 50.98 lakhs in the ratio of one bonus share for every four shares held. The company at present has a paid-up capital of Rs. 203.91 lakhs in equity shares and Rs. 125 lakhs in preference shares.

5. **Messrs. Prabhat Limited**, have been granted consent to issue capital worth Rs. 70 lakhs in equity shares of Rs. 100 each. The issue will be at par. Shares of a value not exceeding Rs. 30 lakhs will be issued by this company for consideration other than cash against assets to be taken over and against loans from directors, relatives and friends, dealers and agents as on March 31, 1961, and the balance for cash. The object

of the issue is to take over the Prabhat (Stove & Lamp) Products Company (Private) Ltd. and to run the same.

6. **The Asian Cables Corporation Limited**, has been permitted to issue further capital worth Rs. 155 lakhs in equity shares of Rs. 100 each, for cash at par. Shares of the value of Rs. 55 lakhs would be offered to Phelps Dodge Copper Products International Corporation of U.S.A. and Enfield Cables of U.K. who are the foreign collaborators of this firm for the manufacture of cables in India, against supply of capital equipment. The balance of Rs. 100 lakhs will be issued to the existing shareholders of the company on the basis of two new shares for each share held.

7. **The Mysore Paper Mills Ltd., Bhadravati** has been granted consent to issue further capital worth Rs. 100 lakhs in equity shares of Rs. 100 each to be offered to the existing shareholders of the company at a premium of Rs. 2 per share in the ratio of four new shares for every one share held. This issue will meet part of the expenditure on the expansion scheme of the company which is estimated to cost Rs. 330 lakhs. The remaining requirements of the expansion scheme will be raised by the company as loans from financial agencies. The company is engaged in the manufacture of printing and writing paper.

8. **The Indian Drugs and Pharmaceuticals Limited**, a private company formed by the Government of India to look after the four drugs, pharmaceuticals and surgical instruments manufacturing units to be set up under the Third Plan in collaboration with the Soviet Union, has been granted consent to issue equity capital worth Rs. 60 lakhs.

9. **The Tennure Bank Limited, Tiruchirapalli** has been given permission to issue 400 ordinary shares of Rs. 50 each, for cash at par, to the existing shareholders in the ratio of one new share for every five held. The new issue is envisaged to improve the liquidity of the bank. The present paid-up capital of the bank is Rs. 50 lakhs, all in equity shares of Rs. 50 each.

10. **The Rayon Pulp Manufacturing Company, Bombay**, has been granted consent to issue capital worth Rs. 50 lakhs, for cash at par, in the form of 4 lakh equity shares of Rs. 10 each and one lakh redeemable cumulative preference shares of Rs. 10 each. Shares of the value of Rs. 15 lakhs would be subscribed privately and the balance by the general public. The proceeds of the issue are to be utilized for the manufacture of bleached rayon grade pulp.

The consent orders in all these cases are valid for twelve months from the date of issue.

FRENCH QUOTAS FOR INDIAN HANDICRAFTS

As a result of the visit of Mr. K. B. Lal, Additional Secretary, Union Ministry of Commerce and Industry, to the Common Market countries last year and the negotiations held recently with the Indo-French Economic Mission, the French Government has sanctioned the following quotas for the import of handicrafts from India.

1. Hand-made woollen carpets, knitted, with less than 450 rows to a meter, worth 600,000 new francs.
2. Woollen carpets, knitted, with 450 rows to a meter and more, worth 400,000 new francs.
3. Chain-stitched Kashmir rugs worth 200,000 new francs.
4. Handicrafts such as ivory goods, earthen-ware, brass-ware, copper-ware, filigranoworks, fancy jewellery, basket-ware, etc., worth 700,000 new francs.
5. Miscellaneous textile articles, shawls, scarves, embroidered shoes, etc., worth 200,000 new francs.

The quotas are to be utilised by December 31, 1961.

COMPANY AFFAIRS

JUGGILAL KAMLAPAT COTTON

The Directors of Juggilal Kamlapat Cotton Spg. & Wvg. Mills Co., Ltd., have pointed out in the annual report that the cost of production in their cotton textile unit increased during 1960 due to rise in the prices of cotton and other consumable stores and higher wage bill. Due to failure of cotton crop in 1959-60 season on account of adverse climatic conditions, there was scarcity in the supply of Indian cotton. Consequently the prices soared high and pierced the ceilings. The Government had to reintroduce the quota-system for Indian cotton with a view to ensure equitable distribution. Foreign cotton was also imported to fill the gap in the supply of indigenous cotton. The implementation of the Wage Board's recommendations from January 1, 1960 imposed an additional burden on the Company. With a view to hold the price line the Cotton Textile Industry agreed, at the request of the Government, to reduce the prices of cloth and yarn from 1st August, 1960 by making only such additions to the prices prevailing in August, 1959 as were commensurate with the increase in the cost of production.

The Rayon Plant and other auxiliary units like the Sulphuric Acid and Carbon-bi-Sulphide Plants which started operations in August, 1959 worked satisfactorily during the year. The rayon filament yarn produced by the plant has been well received in the market. The Company is going to put up a plant for the manufacture of Sodium Sulphate to be recovered as by-product from the Rayon Plant. Orders have been already placed for the import of the requisite plant and machinery from West Germany and the same are expected to be shipped shortly.

During the year to December 31, 1960, the Company made a profit of Rs. 91.91 lakhs. A sum of Rs. 72.62 lakhs was provided for Depreciation and Rs. 10 lakhs for Development Rebate Reserve. The Directors have proposed the payment of a dividend at the rate of 12½ per cent or Rs. 1.25 nP. per equity share of Rs. 10 each which will absorb Rs. 15.63 lakhs. The Directors are pleased to report that they have been able to recommend payment of Dividend on the increased capital within a short period after the issue of new shares which were allotted on 3rd June, 1960.

INDO-BURMA PETROLEUM

The sales of the Indo-Burma Petroleum Company Limited during 1960 were maintained in India and Burma, while in East Pakistan there was a small increase over the previous year. During 1960 the Government of the Union of Burma completed purchase of control (51 per cent) in the Burma Oil Company (1954) Limited by paying the amounts till then due against their original 33-1/3 shareholding and thereafter purchasing the additional 17-2/3 per cent shareholding necessary to give them the 51 per cent control holding in that Company. These developments resulted in the disposal of part of I.B.P.'s shareholding in the B.O.C. (1954) Ltd., which yielded a surplus over the written down book value of Rs. 34.42 lakhs.

The profit for the year from the Company's normal operations (i.e. excluding the surplus proceeds over

book value of Investments sold), after providing for depreciation, amounted to Rs. 66.30 lakhs. An interim dividend of Rs. 1 per share was paid on ordinary shares and the Directors have now recommended the payment of Rs. 1.50 per share subject to tax, on ordinary share capital which will absorb Rs. 15 lakhs.

TRIVENI ENGINEERING WORKS

Four sugar companies have announced the incorporation of a company to be called the Triveni Engineering Works Ltd. These four companies are: The Ganga Sugar Corporation Ltd., The Mahalakshmi Sugar Mills Co. Ltd., The Upper India Sugar Mills Ltd., and The Ramkola Sugar Mills Co., Ltd. With an initial capital of Rs. 60 lakhs the company will be in partnership with Messrs. Booker Brothers, McConnell & Co., Ltd., of London, well-known internationally as the Booker Group. A heavy engineering works will be set up by this company to manufacture sugar machinery under licence from Messrs. George Fletcher & Co., Ltd., and Duncan Stewart & Co., Ltd., both subsidiaries of the Bookers Group. Arrangements have also been made to manufacture industrial process turbines under licence from Messrs. Peter Brotherhood Ltd. In addition plans are being finalised for the manufacture of other engineering products. The company hopes to be the first in the country in the field of steam turbine manufacture. The works are to be situated at Naini, near Allahabad, in the Triveni District of Uttar Pradesh.

GOOD YEAR ALLOTMENT OF SHARES

The preliminaries in connection with the Company's new share issue were completed within a month of the closing of subscriptions. A total number of 4 lakh shares (at Rs. 17 each including premium) was offered to the public, and at the close of the list on April 27th a total of 88,778 applications were received for 1,01,84,501 shares representing a sum of Rs. 17.3 crores--the shares being oversubscribed 25 times. Of this 84.57 per cent applicants were in 50 and 100 share group, representing 43.24 per cent of the total number of shares applied for. The Directors have decided to allot 44.41 per cent of the total to the group of applicants for 50 and 100 shares, and allotment in the group will, if necessary be, by ballot, each successful allottee receiving 5 shares. Other applicants will receive 10 shares for each applicant of the 150-400 group, 40 shares to each applicant of 1,000 shares, 55 shares to each applicant of 1,500 shares and so on.

KILLCOTT TEA

During 1960 the crop of Killcote Tea Co. Ltd. was estimated at 5.39 lakh kilogrammes as compared with 5.19 kgms. in 1959. The average selling price recovered was also higher at Rs. 5.09 per kgm. as against 4.74 per kgm. in the previous year. Naturally, therefore, the profit of the company was higher at 6.39 lakhs as compared to the previous year's figure of 5.12 lakhs. A sum of Rs. 10,000 was transferred to development rebate reserve, Rs. 1.25 lakhs to revenue reserve and Rs. 20,000 to investment reserve. The Directors have recommended the payment of a dividend at the rate of 25 per cent.

COMMODITY NEWS AND NOTES

STEADY RISE IN COMMODITY PRICES

During the Second Five-Year Plan period commodity prices rose uninterruptedly and the general index, with 1952-53 as 100, recorded an increase of 30.7 per cent—from 92.5 in 1955-56 to 124.8 in 1960-61, according to the Tata Quarterly.

The first sharp spurt came in 1958-59 due mainly to food prices, but thereafter industrial raw materials and manufactured articles took over the lead.

The index for industrial raw materials, which was hovering around 116.0 in the first three years of the first three years of the Second Plan, rose to 123.7 in 1959-60 and 145.4 in 1960-61. Similarly, the index for manufactured goods, which was around 108 in 1958-59, increased to 123.8 in the last year of the Second Plan.

IRON ORE PRODUCTION IN INDIA

The production of iron ore during March, 1961 was 961,000 metric tons, according to the Indian Bureau of Mines. This brings the total output during January-March 1961 to 2,815,000 metric tons which was higher by about 6 per cent compared to the output during the corresponding period of the preceding year. Orissa was the leading producing State with an output of 335,000 metric tons, followed by Bihar, with an output of 230,000 metric tons. Production in Madhya Pradesh, Mysore and Maharashtra was 217,000, 120,000 and 40,000 metric tons respectively. During March, 1961 despatches for consumption in the iron and steel plants totalled 654,000 metric tons while despatches for export totalled 195,000 metric tons.

FACTS ABOUT TOBACCO

Tobacco is an important commercial crop in India. It is the mainsay of agriculturists in areas where its production is concentrated. It brings to the growers an annual income of Rs. 50 crores and fetches about Rs. 15 crores foreign exchange to the country. The Government earns Rs. 50 crores every year in the form of excise duty, agricultural cess and customs revenue.

India is the third largest producer of tobacco in the world with an annual production of over 700 million lbs. from an average planted area of 900,000 acres. Andhra Pradesh and Bombay occupy dominant position in tobacco production, Andhra's share being about 35 per cent and that of Bombay about 25 per cent. It is used in the country for the manufacture of cigarettes, bidis, snuff, cigar, 'hookah' and chewing tobacco. The total quantity utilised, within the country, for all these amounted to 485 million lbs, according to a recent estimate. Of this, the cigarette manufacturers used about 14 per cent while 50 per cent was utilised for 'bidis' and chewing, another 24 per cent was consumed in 'hookah' and 'chillum'. Increasing quantities of tobacco are being used for the manufacture of cigarettes, 'bidis' and snuff in India. In 1959-60, 32,000 million cigarettes were produced as compared to 18,000 million in 1952-53. About 88 million lbs. of unmanufactured tobacco valued at Rs. 14 crores was exported during 1959-60. The United Kingdom is an important importer of tobacco from India. About 90 per cent of the exports are made up of cigarette tobacco. India ranks fifth among the suppliers of unmanufactured tobacco to the world market. Indian tobacco is exported to nearly 50 countries.

IMPORT POLICY FOR CARDAMOMS, CLOVES, NUTMEGS, ETC.

The import policy for the pending items (1) cardamoms, cassia, cinnamon, (2) cloves all sorts, whether ground or unground, (3) nutmegs, (4) mace and (5) betelnuts for the licensing period April-September, 1961 has now been announced. The Government of India have decided that established importers of each of these items will be granted 'ad hoc' licences for a value of Rs. 500 for the import of the item concerned during the licensing period. The 'ad hoc' licence will be granted to each established importer irrespective of the quantum of his past imports of the item concerned. Established importers may submit applications for 'ad hoc' licences to the port licensing authorities by July 31, 1961. Applications should be sent separately for each of the items in question in the usual form and manner duly accompanied with quota certificates.

BUYING OF WHEAT IN THE OPEN MARKET

Roller flour mills in India now have the option of buying indigenous wheat in the open market or acquiring imported wheat from Central stocks, the latter at the issue price of Rs. 14 per maund inclusive of gunny costs f.o.r. destination. The Government of India's decision to permit roller flour mills to buy in the open market — previously they were fed from Government stocks only — is because of the general decline in prices, a trend that might be accentuated when the full impact of the arrivals of new crop wheat is felt in the market. It is, therefore, a step to prevent losses to cultivators. The major decision follows the removal of restrictions on the movement of wheat throughout the country, announced early last month, and the more recent decision to lift curbs on bank advances against stocks of wheat. Although the mills may now purchase indigenous wheat, the prices of wheat products from these mills will continue to be subject to the ceiling prices fixed irrespective of whether indigenous or imported wheat has been used in their manufacture.

CANADIAN OIL EXPORTS

The Inter-provincial Pipeline Company, which is now carrying to the U.S. about 76,000 barrels daily of Canadian crude, chiefly to the Mid-West, is asking for permission to export into the Buffalo area of New York. The Company has submitted an application to Canada's National Energy Board. Export at that point would require the construction of a 20-mile spurline from the company's trunk line around Hamilton, Ontario. Two refineries in the Buffalo area have a crude oil capacity of 57,000 barrels daily.

KENYA SISAL PRODUCTION

In four years, sisal production in Kenya has gone up from 39,636 tons to 62,620 tons, an increase of 58 per cent. These figures were given by Mr. R. J. M. Swynnerton, Permanent Secretary to the Ministry of Agriculture, Kenya, in an address to the Sisal Growers Association in Nairobi. In one year alone, the f.o.b. export value of sisal went up by £1m. to £4m. This production record is remarkable achievement and could not have taken place at a more opportune time in Kenya's history. It could only have resulted from the fact that better production methods had been applied in a wide scale.

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Food articles & Tobacco	Liquor & Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures			All Comme- dities
						Inter- mediate Products	Finished Products	Total	
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1
1960-61	..	120.0	110.0	119.6	145.4	130.5	122.8	123.9	124.8
February	1960	118.0	96.0	117.3	131.6	120.5	115.6	116.3	119.5
March	"	117.0	96.4	117.8	131.9	121.3	116.1	116.6	118.9
April	"	118.6	103.1	118.1	134.2	123.2	116.9	117.8	120.4
February	1961	116.3	111.2	119.8	159.4	134.2	128.4	129.2	126.7
March	"	117.6	114.2	121.3	159.1	137.2	128.1	129.4	127.5
April	"	117.5	112.0	122.3	152.9	136.0	125.3	126.8	125.7
8-4-1961	..	118.0	112.7	120.8	152.8	135.3	124.9	126.4	125.8
15-4-1961	..	118.1	112.2	120.9	152.1	136.1	125.0	126.6	125.8
22-4-1961	..	116.8	111.1	122.4	152.2	136.1	125.1	126.7	125.2
29-4-1961	..	118.0	111.1	122.3	151.9	136.2	125.2	126.7	125.8
6-5-1961	..	117.2	110.3	122.3	152.7	136.7	124.4	126.2	125.3

*Revised.

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

Period	Bombay		Delhi	Calcutta	Kannur	Nagpur	Jubbulpur†	Madras June 1936=100	Ludhiana†	Jamshedpur†	All India†
	Bombay	Bombay June 1934=100									
1939 (Aug.-Dec.)	103	—	—	—	105	104	—	106	—	—	—
1954	342	359	244	138	327	408	373	139	341	148	140
1955	322	338	217	130	321	371	364	133	321	134	135
1956	336	352	244	142	347	424	397	151	358	152	146
1957	352	368	259	150	364	448	422	162	374	157	157
1958	376	394	274	150	384	460	447	165	401	157	169
1959	393	412	308	158	384	469	498	163	429	166	173*
1960	401*	420*	296	158*	397*	476*	512*	165	462*	167	166*
1960 June	403	422	297	154	399	460	510	165*	462	167	164*
July	404	423	302	160	406	484*	515	165*	467	169	164*
August	402	421	304	160	410	484*	515	163	470	169	168*
September	399	418	302	161	403	489	520	163	472	167	168*
October	402	421	304	162	396	488	517	163	477	171	164*
November	404	423	300	159	392	489	509	163	484*	171	168*
December	400	419	297	160	385	478*	507	163	488*	169	167*
1961 January	400	419	296	161	385	480	—	165	470*	171	166*
February	—	—	—	163	—	487	—	165	474*	172	164*
March	—	—	—	164	—	483	—	—	479*	—	—
April	—	—	—	165	—	—	—	—	482*	—	—

†Base 1944=100. *Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)
WEEK ENDED

	19-5-1961			12-5-1961			5-5-1961			28-4-1961		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	119.55	118.25	118.90	122.00	119.20	119.94	122.05	120.65	121.30	123.01	119.75	121.19
Silver (per kilogram)	200.00	197.00	198.61	199.15	197.85	198.76	202.30	196.95	199.93	203.45	200.75	202.09

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Balances (5+6) as		Advances	Bills Discounted	(8+9) as percentage of (4)	Investments in Govt. Securities in India
	Demand	Time	Total (2+3)	Cash (Note + Coins)	Reserve Bank				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1953-54	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	59.56
1954-55	559,62	351,86	911,55	32,66	53,91	9.50	468,39	84,66	60.68
1955-56	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	63.02
1956-57	653,34	453,92	1,107,26	36,94	50,23	7.96	626,08	155,56†	71.39
1957-58	723,89	619,19	1,343,08	39,34	77,55	8.72	723,79	167,32†	66.77
1958-59	735,93	860,33	1,596,26	40,30	83,99	7.74	766,56	133,27†	56.37
1959-60	745,83	1086,79	1,832,62	44,84	75,81	6.58	842,75	144,49†	53.37
1960-61*	794,49	1155,87	1,950,36	47,04	93,09	7.17	995,75	162,94	59.48
Average of Fridays									
November 1960	790,80	1141,27	1,932,07	46,65	97,56	7.46	954,21	153,78†	57.32
December 1960	794,20	1128,10	1,922,30	45,61	91,21	7.12	991,46	155,21†	59.65
January 1961	793,54	1103,32	1,896,85	44,79	78,39	6.49	1042,22	169,59	63.89
February 1961	803,25	1092,13	1,895,38	45,46	71,07	6.15	1071,18	183,27	66.19
March 1961	820,31	1074,28	1,894,59	45,14	70,03	6.07	1107,98	197,93	68.92
April 1961	854,21	1093,17	1,947,38	47,78	74,18	6.27	1111,89	205,35	67.64
Week Ending									
14-4-1961	848,93	1095,94	1,944,87	47,82	74,88	6.31	1113,82	206,13	67.87
21-4-1961	852,49	1091,79	1,944,28	48,20	80,28	6.61	1108,39	202,90	67.44
28-4-1961	861,50	1096,84	1,958,34	47,69	73,89	6.21	1107,80	201,11	66.84
5-5-1961	859,20	1097,87	1,956,87	48,74	75,85	6.37	1110,18	200,10	66.96
12-5-1961	844,23	1109,68	1,953,91	49,73	72,15	6.24	1108,73	198,16	66.88

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Lakhs of rupees)

Last Friday	Deposit money with the public					
	Money supply with the public	Total currency with the public	Total	Demand liabilities of banks	Other deposits with Reserve Bank†	Total variations in money supply
(1)	(2) — (3) + (4)	(3)	(4)	(5)	(6)	(7)
1953-54	1,793,97	1,229,43	564,54	549,83	14,71	+ 29,26
1954-55	1,920,63	1,311,77	608,86	599,16	9,71	+ 126,65
1955-56	2,184,32	1,505,09	679,23	667,22	12,01	+ 263,69
1956-57	2,312,89	1,556,50	756,39	744,74	11,65	+ 128,57
1957-58	2,388,83	1,606,60	782,22	762,36	19,87	+ 75,94
1958-59	2,498,75	1,724,53	774,23	754,98	19,25	+ 109,92
1959-60	2,703,13	1,862,72	840,41	818,62	21,79	+ 204,38
September 1960	2,630,61	1,819,61	811,01	791,73	19,28	— 28,35
October	2,660,69	1,823,80	836,89	812,18	24,71	+ 30,08
November	2,668,68	1,843,44	825,24	804,15	21,09	+ 7,99
December	2,737,19	1,898,73	838,46	812,96	25,50	+ 68,51
January 1961	2,792,58*	1,945,02*	847,56	821,61	25,94	+ 55,39*
February	2,816,37*	1,966,85*	849,52*	828,98*	20,54	+ 23,79*
March	2,908,07*	2,028,18*	879,89*	860,93*	18,96	+ 91,70*

* Provisional.

† Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

INDEX NUMBERS OF WHOLESALE PRICES — IMPORTANT COMMODITIES

(1952-53 = 100)

Average of months/ Average of weeks	Rice	Wheat	Jowar	Bajra	Gram	Ground-nut Oil	Mustard Oil	Sugar	Gur	Tea
1953-54	100	93	100	103	89	120	137	99	141	174
1954-55	82	75	77	78	54	77	127	104	122	255
1955-56	78	72	67	84	49	74	104	94	88	170
1956-57	97	88	123	122	71	104	176	95	100	165
1957-58	105	88	114	126	68	105	164	110	107	164
1958-59	105	105	105	126	96	107	143	121	131	169
1959-60	105	96	119	126	75	118	150	124	161	186
February 1960	105	98	121	128	80	125	158	127	156	196
March	106	94	117	123	74	126	156	127	149	180
April	108	91	121	122	76	130	155	127	147	184
May	113	87	123	126	78	127	155	127	145	194
June	114	87	127	128	80	129	157	127	144	187
July	115	92	130	132	89	137	162	127	148	207
August	115	90	127	129	86	135	163	127	148	212
September	114	91	129	132	90	138	163	127	146	215
October	111	90	125	137	91	144	165	127	142	216
November	106	90	126	135	93	138	173	127	141	218
December	102	90	120	131	93	135	177	127	126	N.A.
January 1961	99	91	113	132	94	141	184	127	120	N.A.
February	101	91	110	130	92	144	184	127	116	213
March	101	91	111	128	90	153	180	127	112	208
1-4-1961	101	90	111	129	84	156	169	127	111	217
8-4-1961	101	90	111	130	83	156	171	127	115	215
15-4-1961	101	89	111	130	80	152	169	127	111	220
22-4-1961	101	88	109	129	75	153	168	127	115	218

Average of months/ Average of weeks	Spices & Condi- ments	Tobacco Raw	Coal	Cotton Raw	Jute Raw	Ground-nut	Cotton Manu- factures	Jute Manu- factures	Silk & Rayon Manu- factures	Machinery
1953-54	118	100	100	104	98	127	104	91	92	99
1954-55	114	90	100	102	112	82	107	102	92	99
1955-56	110	77	101	97	117	79	105	96	91	102
1956-57	97	80	116	111	126	111	116	95	88	104
1957-58	96	92	128	106	133	108	116	95	86	107
1958-59	127	93	133	99	118	117	112	87	93	109
1959-60	152	98	135	106	125	131	117	91	96	111
February 1960	140	94	135	114	134	139	125	96	103	111
March	132	94	135	113	141	141	125	98	103	112
April	130	102	140	113	154	144	125	103	103	112
May	129	108	140	113	198	139	125	117	104	115
June	128	111	140	112	187	146	126	113	103	116
July	130	111	140	112	155	150	129	107	103	116
August	130	107	140	112	166	140	131	115	102	116
September	130	104	141	112	181	141	132	116	101	116
October	129	116	141	114	225	142	130	136	102	117
November	130	121	141	111	232	140	129	142	102	117
December	126	114	141	110	226	143	129	143	102	117
January 1961	125	113	141	111	248	151	128	155	104	117
February	124	113	141	110	280	153	126	168	112	117
March	122	114	141	111	271	159	127	162	117	117
1-4-1961	125	112	141	110	249	163	127	147	118	117
8-4-1961	123	112	141	110	239	167	127	140	118	117
15-4-1961	123	111	141	109	240	162	127	141	116	117
22-4-1961	122	110	141	109	243	161	127	142	116	117

INDIAN UNION

INCIDENCE OF TAXATION ON RESIDENT COMPANIES IN 1959-60

(Public and Private Limited Companies)

Range of Total Income Assessed				Public Limited Companies			Private Limited Companies		
Rs.				No. of Companies	Total Income Assessed (Rs. '000)	Tax Payable (I.T. + S.T. + S.C.) (Rs. '000)	No. of Companies	Total Income Assessed (Rs. '000)	Tax Payable (I.T. + S.T. + S.C.) (Rs. '000)
Below	3,000	..	..	890	10,51	5,55	1289	15,68	8,46
3,001	..	5,000	..	280	11,80	6,07	379	15,43	8,18
5,001	..	7,500	..	248	15,38	7,81	339	20,79	10,67
7,501	..	10,000	..	213	18,36	9,43	273	24,29	12,46
10,001	..	12,500	..	161	18,36	9,76	224	25,07	12,97
12,501	..	15,000	..	128	17,38	8,60	182	24,82	12,87
15,001	..	20,000	..	212	38,39	19,50	272	47,37	24,46
20,001	..	25,000	..	148	33,50	16,96	255	57,23	29,55
25,001	..	30,000	..	133	36,83	18,00	201	55,14	28,84
30,001	..	40,000	..	200	72,84	37,78	292	1,01,36	53,75
40,001	..	50,000	..	133	61,30	32,72	197	88,30	45,35
50,001	..	60,000	..	99	54,19	27,63	153	83,73	43,26
60,001	..	70,000	..	105	74,07	39,62	132	84,86	45,04
70,001	..	1,00,000	..	186	1,59,13	83,09	271	2,26,10	1,18,61
1,00,001	..	2,00,000	..	304	4,41,80	2,34,43	376	5,36,27	2,79,54
2,00,001	..	3,00,000	..	129	3,10,95	1,59,18	155	3,78,73	1,98,22
3,00,001	..	4,00,000	..	84	2,96,51	1,65,48	88	3,07,30	1,63,86
4,00,001	..	5,00,000	..	56	2,53,48	1,30,19	71	3,19,95	1,66,13
Over	5,00,000	..	..	357	98,85,61	48,90,02	269	50,74,90	26,36,35
Total	..	..	..	4071	118,10,39	59,01,82	5418	74,87,32	38,98,57

INCIDENCE OF TAXATION ON NON-RESIDENT COMPANIES IN 1959-60

(Public and Private Limited Companies)

Range of Total Income Assessed				Public Limited Companies			Private Limited Companies		
Rs.				No. of Companies	Total Income Assessed (Rs. '000)	Tax Payable (I.T. + S.T. + S.C.) (Rs. '000)	No. of Companies	Total Income Assessed (Rs. '000)	Tax Payable (I.T. + S.T. + S.C.) (Rs. '000)
Below	3,000	..	..	11	14	8	10	14	10
3,001	..	5,000	..	2	9	5	2	7	4
5,001	..	7,500	..	1	6	2	2	12	6
7,501	..	10,000	..	5	44	25	2	18	10
10,001	..	12,500	..	5	56	39	1	11	6
12,501	..	15,000	..	5	70	43	3	40	21
15,001	..	20,000	..	7	1,30	75	7	1,31	70
20,001	..	25,000	..	9	2,00	1,19	2	46	26
25,001	..	30,000	..	8	2,19	1,35	3	82	51
30,001	..	40,000	..	8	2,78	1,77	4	1,41	86
40,001	..	50,000	..	6	2,64	1,53	2	85	53
50,001	..	60,000	..	6	3,34	1,90	1	58	26
60,001	..	70,000	..	4	2,59	1,60	—	—	—
70,001	..	1,00,000	..	13	11,15	6,66	3	2,34	1,45
1,00,001	..	2,00,000	..	14	20,16	12,51	5	6,64	4,08
2,00,001	..	3,00,000	..	16	39,44	23,81	3	7,64	3,85
3,00,001	..	4,00,000	..	7	24,09	14,17	5	18,14	10,03
4,00,001	..	5,00,000	..	10	43,57	26,81	2	8,95	4,71
Over	5,00,000	..	..	60	10,87,05	6,19,04	48	7,04,64	4,09,17
Total	..	..	..	197	12,44,29	7,14,31	105	7,54,80	4,36,98

I.T. — Income Tax; S.T. — Super Tax; S.C. — Surcharge.

KALINGA TUBES

*Announce the
opening of their*

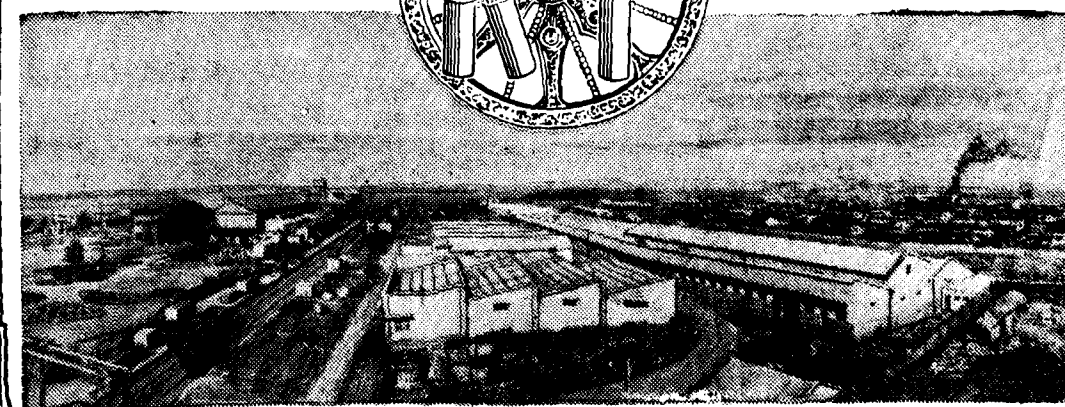
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THE EASTERN ECONOMIST

VOL. XXXVI NO. 23.

NEW DELHI: JUNE 9, 1961.

ONE RUPEE



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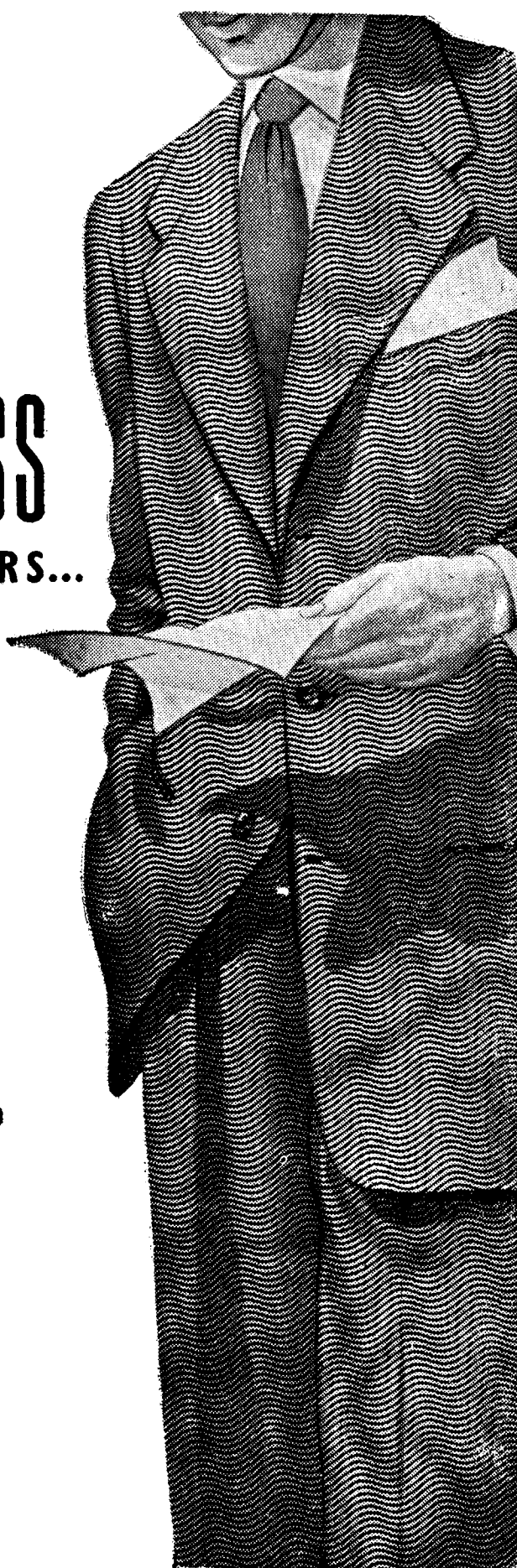
SMARTNESS THAT MATTERS...

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DV/NPS-55

The Eastern Economist

JUNE 9, 1961.

Escape from Objectivity

THE National Development Council's last session was of crucial importance inasmuch as its principal object was to approve the final version of the Third Five-Year Plan. Welcome reports continued to pour at the nick of time creating a climate of confidence that the problem of foreign assistance would not pose any difficulties whatsoever. In view of this agreeable change in the outlook, it was expected of the NDC to take up the corresponding challenge and prepare the scheme for internal resources as well as the objectives of the Third Plan in a spirit of plain realism. But, instead of conducting a businesslike session, the NDC frittered away a good deal of its energy in vague thinking and tiresome platitudes on the objectives of the Plan. When it came to grips with the question of rupee resources, it was amazing that it made a display of much wishful thinking.

During the first day of the debate, concentration of economic power and the remedies to break it occupied much of the energy of the NDC. It was simply presumed that concentration had developed to an extent at which it had become a menace to the free growth of the economy and posed a problem of urgency to fight it, when the reality of the situation is that economic regulations under the various enactments impose curbs on private enterprise at every stage, particularly, in the industrial sector, which have proved quite adequate for preventing the hypothetical emergence of any such menace. Nevertheless, proceeding on the hypothesis of the existence of concentration of power, the NDC endorsed the view that the one effective remedy in the short run was for the public sector to enter the field of large-scale and heavy industries more vigorously than it was doing. In the sphere of heavy industry, the pride of place in new expansion goes to the public sector. But if the State is to enter the field of other large-scale industries, the implications which it raises ought to be fully examined. The demands they make on the State in terms of finance, technical and managerial personnel, among others, ought to have received priority consideration in this discussion. But they were conspicuous by their total exclusion.

Further it was argued that there should be a wide diffusion of industrial licensing with a deliberate bias for issue of licences to new entrepreneurs. This question has been discussed thread-bare by the Estimate Committee in its report on the Development Wing of the Commerce and Industry Ministry. But the final conclusion to which it was driven on this question of diffusion was that, in the event of sufficient new entrepreneurs failing to come forward, new entrepreneurs should be granted to the existing entrepreneurs. This is a clear admission that there exist serious doubts in the minds of

those who are making much ado about the concentration of economic power about the feasibility of the proposed diffusion. Encouragement to the co-operative sector and to medium and small-scale industries, as well as a conscious regulatory direction of fiscal policy were other remedies suggested to break the concentration of ownership in industry. These are no novel proposals, but the depressing aspect of this discussion was that not a moment's thought was given to making a general appraisal of the progress of the co-operative, medium and small sectors and their potential capacity to substitute the large-scale sector during the period of the Third Plan without prejudice to the fulfilment of the industrial targets.

Finally came the question of a machinery for vigilance. It is here that the NDC showed itself patently hazy in its reasoning. A special organisation to keep a watch on the trends in the distribution of incomes was recommended, when, in fact, even the Mahalanobis Committee has not yet finished its assignment of an investigation into the recent pattern of income distribution and recorded its findings on it. Mr. Nanda ventilated his grievance that the redistributive function of taxation was proceeding very tardily in spite of the radical changes in the Budget proposals of May 1956. His solution as a corrective remedy was the appointment of yet another taxation enquiry commission. This abiding faith in a succession of commissions of enquiry cannot fail to convey the unmistakable inference of a search for escapism.

The faith of the NDC in setting up a special machinery of vigilance was exhibited again during the course of the discussion on the efficient and expeditious execution of the schemes in the Plan according to schedule. Special functions were proposed to be assigned to the Planning Commission to keep a continuous watch on the proper execution of the programmes in the Plan. The NDC proceeded a step ahead and recorded its decision that Mr. Nanda, as Minister for Planning, should undertake quarterly rounds of visits to the State capitals for discussions with the Cabinets on the execution of the State programmes. All the previous elaborate schemes of drawing up annual plans for the States and scrutinizing their implementation according to schedule were conveniently forgotten. No one paused to ask why it was that the progress reports on the Plan, at least from year to year, could not be prepared according to the earlier firm decisions.

A substantial amount of Rs. 4,100 crores worth of investment in the private sector of the economy has been envisaged in the Third Plan period. The least that was expected in the final discussion on the Draft Plan was that a definite scheme should be approved to assist the private sector in obtaining the necessary aids to raise

these resources, since its own efforts must perforce be supplemented by co-operation from the State. But, this strategic aspect of development was totally ignored. On the contrary, in the course of the discussion on raising resources for the public sector outlay, a novel suggestion was made which ran directly counter to the legitimate interests of the private sector. The proposal emanated from the Finance Minister of Madras that deposits of commercial banks should be diverted in a significant measure to financing industries in the public sector.

The direct consequences of such a policy of damaging diversion were not analysed even superficially. The fact has obviously escaped the notice of the NDC that the contraction of bank credit available to private parties, which would inevitably result from the diversion of bank deposits to the State sector, would react sharply on bank deposits. If entrepreneurs in the private sector could not hope to get adequate accommodation from the banks, what inducement would there be for them to deposit their funds with the banks, unless it be that they would be motivated by a new philosophy of obliging the State sector? The one most injurious result of such diversion would

The Consortium's Courageous Lead

THE consortium of the six creditor nations has given a courageous lead to this country in launching the Third Five-Year Plan with a full faith in its destiny. External assistance constitutes a strategic part of the scheme of resources for the Plan and until recently there existed considerable uncertainty about it. The Draft Third Plan gives ample evidence of the halting attitude of the Planning Commission in prescribing a firm order of priorities in the programmes primarily on account of this uncertainty. It is now being removed and there is the assurance that India can look forward to obtaining the external aid she requires in a full measure. This undoubtedly is a happy augury for launching the Plan.

The consortium's decision to provide liberal assistance constitutes a vote of confidence in India's rational approach to planning and her capacity to execute the planned programmes with speed and efficiency. Planning has caught the imagination of the people in this country and there is distinct evidence that they have become intensely plan-conscious. This is one of the main motive forces behind the marked momentum which economic development has gained in this country. The members of the consortium made the preliminary decision that it was of the utmost importance not only to sustain this momentum but to carry it to a higher pitch in consonance with the demand for a high rate of economic growth. This view has been strengthened by its conclusion that the Third Plan programmes have been drawn up with care and the size of the Plan is in no sense ambitious. But in any developing country there can be no escape from supplementing the internal resources by external aid. The precondition of supply of external assistance is the capacity and readiness of the country to raise its own resources. The consortium is convinced that India will satisfy this test.

The impressive change in the attitude of the consortium has been brought about primarily by President Kennedy and Mr. Eugene Black. The President of the World Bank has always played a vigorous role in urging the members of the Aid India Club to step forward with timely and ade-

quate offers of assistance. But aid on the scale which is now promised was possible mainly because of the liberal philosophy of foreign assistance which the Kennedy administration has declared as an article of faith with it. It was the initiative taken by President Kennedy that was responsible for persuading the other members of the consortium to take a liberal view of India's requirements and to provide for them.

Although the outlay on the public sector has been held at Rs. 7,500 crores, the same figure as was approved by the NDC at its meeting in January last, the untenable anomaly of maintaining a dual target for the Plan—the financial and the physical—was not eliminated. A Micawberish faith was displayed and expression was given to the optimism that resources could be raised to the full extent of Rs. 8,000 crores to fulfil the physical target and even more—to the tune of Rs. 8,300 crores. The only fitting reply to this school of advocacy of higher resources, led by the Chief Ministers, was the one given by Mr. Morarji Desai, who posed a simple question to them why they did not seize the opportunity of the first budget in the Third Five-Year Plan to levy additional taxation. In fact, the major redeeming feature of the session of the NDC was the dogged determination of Mr. Desai to stand up against any indulgence in wishful thinking passing under the convenient concept of optimism.

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Total aid of the order of \$2,225 million has been announced for the first two years of the Third Plan. But simultaneously with it, West Germany has announced her decision to defer the Rourkela credit of \$61 million whose payment falls due in the third year of the Plan. If this amount is also included in the aid that is announced, the aggregate quantum comes to \$2,286 million. The biggest contribution, of course, is being offered by the USA to the tune of \$1,045 million. Next in order are West Germany—\$364 million, the United Kingdom—\$250 million, Japan—\$80 million, Canada—\$56 million and France, the latest entrant in the consortium—\$30 million. It is a noteworthy feature of this credit that the IBRD and IDA are participating in the joint venture and, between them, they would contribute \$400 million.

The combined contribution of the members of the consortium other than America falls short of parity with America's contribution by \$265 million or nearly 25 per cent. But there could be no rigidity about parity. It is well to remember the factors responsible for the size of the contributions of individual countries now announced—Germany's pre-occupation with the general elections and the UK's obligation to provide assistance to the new emerging sovereign States which were formerly her colonies. The amount of aid has been divided in the proportions of \$1,295 million for 1961-62 and \$930 million for 1962-63. This allocation fits broadly with our programme of outlay. It is well to remember that the problem of our overall payments in the second year may prove more apparent than real, if factors like aid from other countries, notably Russia, are taken into account. But this is not enough. To reduce the possible strains on our balance of payments,

it is only legitimate to expect that the friendly creditor countries should reinforce their policy of aid by aid along with trade, implying a substantial step-up in the offtake of India's exports.

The offer of aid on a liberal scale puts us on our mettle. It now remains for us to justify the confidence reposed in us. And to justify it, we need to approach the task of raising the internal

Labour Policy for the Third Plan

THE predicament that Mr. G. L. Nanda faces in his dual capacity as the Deputy Chairman of the Planning Commission and Minister for Labour and Employment, is to a great extent reflected in the labour policy proposed to be followed during the Third Plan period. In the chapter devoted to an explanation of this policy in the final version of the Plan, an attempt has been made to reconcile the conflicting claims of the country's present-day economic situation and the Directive Principles on promotion of labour welfare laid down in the Constitution.

Which considerations have weighed more heavily with the Planning Commission in enunciating this policy, it is not difficult to say. The policy has apparently been guided more by the Directive Principles of the Constitution. A concerted attempt is to be made to provide greater social security to industrial workers. It is proposed to integrate the various provident fund schemes and convert them, as early as possible, into statutory old age, invalidity and survivorship pension-cum-gratuity schemes. The provident fund rate in some industries may be raised to 8-1/3 per cent of the wages. There are also plans to provide assistance to helpless individuals—the physically handicapped, the aged ones, women and children to begin with. Gradually this aid will be extended to other needy workers.

Wage boards are envisaged for the major well-organised industries in which the emoluments of workers have not so far been codified by an expert body. Greater attention is proposed to be paid to such labour welfare activities as provision of houses, prevention of occupational diseases etc. The lot of agricultural labour and of workers employed in the unorganised sector of industry, who have not benefited much from the labour welfare schemes so far, is sought to be improved through various measures. A Bonus Commission has been set up to lay down the principles which should govern the payment of bonus in the major industries. One can find little fault with all this programme theoretically. But how far can the Government go in its implementation in the context of the present-day economic situation is a debatable point.

The labour policy to be realistic for the Third Plan period has obviously to take note of two crucial problems—maintenance of industrial peace and reduction of production costs. It is, indeed, gratifying that these two imperatives have not been wholly overlooked by the Planning Commission in enunciating the policy for the Third Plan. The Planning Commission has appropriately laid great stress on increasing productivity in industry; "the vicious circle of poverty and unemployment and low productivity," it says, "can be broken only by a tremendous stress on the maximum possible contribution being made by all the participants in the processes of production." It has been rightly pointed out to workers that no real advance in their standard of living can be had without a steady increase in

resources and executing the programmes in the Plan with an unswerving attitude of objectivity. If in the preceding article a candid exposure had to be made of the wishful attitudes displayed by some of the participants in the National Development Council's deliberations, it was not in a spirit of carping criticism, but with a view to bringing home the urgency of imbibing this spirit of a realistic approach to the task.

their productivity. The management too has been advised to bring about maximum rationalisation in its own sphere by eliminating unjustifiable practices, which at present act as disincentives in drawing the best out of the workers. The pride of place accorded to rationalisation is a welcome development.

Appreciable improvement in productivity of industrial workers can be effected by imparting to them intensive occupational training. The training programme that has been chalked out for the Third Plan period, despite plans to place the Apprenticeship Training Scheme on compulsory footing, however, does not seem to be commensurate with the growing requirements of trained workers. Training facilities, therefore, have to be made broad-based if any real advance is to be made towards raising of productivity of workers.

To maintain industrial peace during the Third Plan period, it is proposed to make the implementation of the Code of Discipline, which has been in operation in this country since 1958, more effective. The Code has been instrumental in reducing appreciably the time-loss on account of stoppage of work owing to strikes, lockouts and go-slow tactics. Strengthening of the various sanctions for breach of this Code is apparently called for. Side by side with this, there is need to remove apprehensions amongst workers who feel that the Code is weighted against them. A far more important factor that can contribute to fostering of peace in industry, however, is educating of labour to enable it to form an intelligent view of its real stake in a trade dispute. The notice of strike from June 15 issued by the dock workers of Bombay is a case in point. Hardly any one among the rank and file has a real appreciation of which of the different scales of pay and allowances suggested by different committees in the recent past are in labour's interest. Proper education will enable labour to exercise correct judgment when ballots are taken on launching of strikes.

The impressive programme drawn up by the Government for workers' education can also be quite helpful in eliminating in progressive stages the outside leadership. Greater emphasis, of course, needs to be placed in this programme on making workers understand their responsibilities along with their privileges. The scheme of workers' participation in management has to be implemented at a slow pace to be dictated by the progress that is achieved in the sphere of workers' education and in fostering mutual trust between the management and labour.

The success of the labour policy proposed to be followed during the Third Plan period, in the ultimate analysis, depends largely on how far the Government is successful in containing the expanding price spiral. Any undue rise in prices will lead to claims for upward revision of wages which cannot be resisted when the value of the pay-package is being undermined.

THE WEEK'S NOTES

Assam

THE LANGUAGE COMPROMISE FORMULA

THE LANGUAGE compromise formula, which has been announced formally by Assam's Chief Minister, Mr. Chaliha, should put an end to a painful and unhappy episode. This formula is as much a triumph for the spirit of accommodation shown by the Government of Assam and the Assam P.C.C. as it undoubtedly is for Mr. Lal Bahadur Shastri's qualities of sweet reasonableness and persuasiveness. Having carried the dispute to an extreme pitch, it was very difficult—and politically embarrassing—for the Assam Cabinet and the State Congress Party to modify their position. But they have taken courage in both hands and shown the readiness to incur popular displeasure in the Brahmaputra valley in the immediate run.

The greatest stumbling block was the conversion of the advocates of Assamese as the sole official language throughout Assam to agree to the amendment of the Assam Official Language Act. Nothing short of the amendment to the section in the Act, conferring on the Mahakuma Parishad in Cachar the right to opt for Assamese as the language of the Cachar District, could have paved the way for the settlement. In terms of the Shastri formula this provision will be deleted and Bengali will receive secure recognition as the official language of the Cachar District. It is also agreed that in so far as the communications between the Cachar and the hill districts, on the one hand, and the State headquarters, on the other, are concerned, they will be conducted in English until it is replaced by Hindi. At the apex, English would be used exclusively, but subsequently it would continue along with Assamese. This is a great improvement on the original position taken by the Assam Government.

Two representatives of the Bengali speaking population, Mr. Baidyanath Mukherjee, a former Minister, and Mr. Moinul Huq Choudhury, Minister for Agriculture, were present at the meeting of the Cabinet convened to take a decision on the Shastri formula and they have signified their assent to it. The Sangram Parishad would now do well to accept the reasoning put forward by Dr. B. C. Roy in favour of giving unreserved support for working out the formula. The Parishad's demand for making Bengali an official language throughout the State, including the Brahmaputra valley, where it lacks popular support, now loses force and ought to be given up. The Chief Minister of Bengal has given the right counsel in stating that in matters such as this a compromise ought to be struck in the interest of maximum agreement. It remains for the Sangram Parishad to withdraw its agitation and now is the time to act with grace. But the greatest responsibility rests on the State Government to keep unremitting vigilance to ensure that its officials at the lower level carry out its directives about the language policy and safeguards for linguistic minorities in the spirit of reconciliation which inspires the Government's changed attitude.

The Press

THE ISSUE OF FREEDOM

AT THE 10th General Assembly of the International Press Institute held at Tel-Aviv, between May 30 and June 1, one of the basic questions which was debated at length was whether the Press in the developing countries should surrender its right to freedom, if

political conditions were not conducive to its independent growth. Discussion on this problem assumed a pointed edge because of the sharp cleavage among the editors of the Indonesian newspapers which was caused primarily by the 19-point undertaking demanded by the Government of Indonesia from all its editors as a condition for permission to continue publication. The Editor of "Pedoman", Mr. Rosihan Anwar, signed the declaration in the hope that he could, by this technique, keep "the flickering flame of democratic aspirations alive in the face of governmental pressure". Another courageous journalist, Mr. Muchtan Lubis, a former editor of "Indonesia Raya" and a former Chairman of the National Committee of the IPI, had refused to compromise on this issue of principle and had been constrained not only to suspend the publication of his paper but to remain under house arrest for more than four years. It may be stated that the IPI decided to suspend Mr. Rosihan Anwar as a member; but before this decision reached Mr. Anwar, the Government of Indonesia had banned the publication of his paper "Pedoman".

The concensus of opinion at the Conference was that, while all efforts should be made to uphold the principle of free journalism—in terms of the freedom of the Press, "understanding amongst journalists, free exchange and flow of news etc."—under certain circumstances the battle of the freedom of the Press could be fought better by yielding on certain points on a limited scale as a matter of expediency. The doctrine, "give me my liberty, or give me death", is too abstract for practice for nurturing the growth of a free Press in countries where the full conditions of democratic freedom are not present. Another pertinent observation was made by one of the delegates that the IPI had failed to take any action in cases where all the papers in a country partly signed off the liberty of the Press. This fact alone had given the impression that in countries where the principle of a free Press did not find acceptance with their Governments, accommodation was a preferable alternative to effacement in the hope of reviving the struggle for freedom at an appropriate time.

Port Labour

THE THREAT OF STRIKE

THE BOMBAY TRANSPORT and Dock Workers' Union has issued a notice of strike from June 15. The Union is totally in the wrong in jumping to the remedy of last resort without even taking a strike ballot, not to speak of exhausting every other remedy to settle the dispute. It cannot be permitted to take action in such a light-hearted manner—action which will result in paralysing traffic in this major port. The Union's attitude is a reflection on its leadership's sense of responsibility and also on its maturity of understanding. If a show-down is forced, the Government has indicated its determination to meet the challenge. The Union would make a serious miscalculation if it would count on public support or sympathy in this situation.

This is not to say that it has no grievances or that its grievances are trifling. They do exist. In fact the whole issue of the pay scales and allowances of dock and port labour at the three major ports of Calcutta, Bombay and Madras has been handled clumsily. Responsibility for this attitude rests squarely on the Government which has chosen to tackle the question piecemeal and to adopt ad hoc decisions. The Chaudhuri Committee, appointed at the close of 1956, was

restricted in its assignment to selected posts and categories of labour. Then arose the serious crisis of a general strike at the major ports which was averted by the intervention of the Prime Minister. As part of the understanding reached with him, the Jeejeebhoy Committee was appointed late in 1958 to go into the entire complex and diversified classification of port labour and to rationalise the pay-scales and other emoluments with reference to the categories. A year after this Committee's appointment, in December 1959, was published the report of the Second Pay Commission, some of whose recommendations had application only to a few posts comparable with posts under the Central Government. Evidently, it was necessary to await the publication of the Jeejeebhoy Committee's report for a comprehensive settlement.

The Government, however, cannot escape the charge that it does not act with a sense of urgency in its dealings with this class of labour unless prodded to do so. The Jeejeebhoy Committee's report which was likely to be published next month is being released in haste now. Two merits of this report are that it is unanimous and its recommendations are applied retrospectively from October 1, 1957. Labour must now give up its war-like posture and hold its soul in patience during the inevitable time-lag.

Uttar Pradesh

EXPANSION OF THE CABINET

AFTER THE inordinate and inexplicable delay over the reconstitution of the PCC in Uttar Pradesh, it was expected that whatever differences had been responsible for the delay had been ironed out and the ground was cleared for establishing smooth relations between the organisational wing and the ministerial wing of the State Congress Party. Mr. A. P. Jain, the new President of the UPPCC, issued sanguinary statements and even took the Press into confidence by disclosing that Mr. Nehru intended to take greater interest in the affairs of the UPPCC. This was welcome news as the State Congress, torn by internal dissensions, required a healing touch and a supreme effort on the part of the state leadership to subordinate sectional interests to the larger interests of the party.

But it would appear that the accord which has been brought about is not without mental reservations. There has been an unhappy display of divergence between the Congress Chief and the Chief Minister on the expansion of the UP Cabinet. Mr. A. P. Jain told the Press on June 4 at Kanpur that six cabinet ministers were too few to cope with the administrative problems of such a big and thickly populated State as Uttar Pradesh and he undoubtedly favoured an expansion of the Cabinet. What he stated was an obvious fact. But this statement evidently provoked Mr. C. B. Gupta, the Chief Minister, who, immediately the next day, contradicted Mr. Jain. Technically Mr. Gupta is justified in maintaining that under the circumstances he, as the Chief Minister, is the right person who would take a decision on the expansion of the Cabinet. But it is no secret that a convention has been set up in the Congress Party to abide, in the matter of formation of Cabinets, by the directives of the High Command, which is scrupulous in ensuring that harmony is maintained between the two wings of the Party. It is idle to pretend that the Chief Minister exercises his abstract right to the exclusion of the views of the PCC Chief. It is apparent that Mr. Jain had in mind effective ministerial control of the administration and there was nothing exceptionable in what he pressed for. But Mr. Gupta's tone in his retort leaves no doubt that he resented Mr. Jain's statement,—“after all the question

is to be decided by me alone.” It is significant that on the previous day Mr. Jain declined to disclose whether he was consulted on this question by the Chief Minister. His reluctance to clarify this point indicates that differences have emerged between the two so soon after Mr. Jain's assumption of office. It is an unhappy development. The differences ought to be composed and the Cabinet expanded without avoidable delay.

National Integration

CHIEF MINISTERS' CONFERENCE

THE OFFICIAL communique issued after the Conference of the Chief Ministers, held on May 31 and June 1, makes a forthright admission that the question of tackling the problem of communal harmony was engaging the attention of the Government since independence; but although it was taken up in 1948 and again in 1955, it was not pursued at the official level with the zeal that it called for. It would appear that a false sense of complacency was responsible for this lack of sustained interest. Little purpose can be served by crying over the spilt milk. But there can be no doubt that as a result of the recent rude shocks which this complacency has received, the authorities are seized of this problem with a full sense of its gravity. The Chief Ministers' Conference, convened by the Prime Minister, was a belated measure because the A-ICC had already taken its decisions on the recommendations contained in the report of the Committee on National Integration.

Nevertheless, this conference was useful for thrashing out measures which need to be taken at the administrative level. Appropriate amendments to the Penal Code, the Criminal Procedure Code and the Representation of the People Act are to be made as they will operate as essential deterrents. The problem of creating communal harmony for national integration is essentially a psychological problem of a change in outlook. From this view-point, much depends upon the attitudes which are inculcated by the officers, particularly at the higher level in the districts, who have to tackle on the spot problems involving communal grievances, differences of disturbances. The Committee on National Integration has urged that the right type of personnel should be recruited and care should be taken to ascertain that they bring a national outlook to bear upon the handling of communal issues. It is certainly difficult to assess intangibles such as this. The best course is to incorporate, as part of the training of probationers, necessary courses of instruction to inculcate the true national spirit. This has been agreed upon. The Prime Minister has pointed out in a subsequent communication, addressed to the Chief Ministers, that the National Academy at Mussoorie for the training of probationers for the Central Services, has prescribed the “foundational course” for the trainees to inculcate the national spirit and outlook. A similar course of training is urged by him in the case of the administrative personnel recruited by the State Governments. Another important point which has emerged from the deliberations at the Chief Ministers' Conference was the criterion to be applied in determining the backwardness of any sections of the community. It was heartening that the approach is to be radically changed. Economic backwardness is recommended as the main criterion for giving special facilities for uplift whether for entrance to educational and technical training institutions or government jobs. Reservation of government posts for backward communities or classes is to be confined preferably to the medium and lower cadres of service as a transitional safeguard.

*The World Abroad***BRITISH SOCIALISTS ON NATIONALISATION**

By

ODYSSEUS

WHAT DO BRITISH SOCIALISTS think about nationalisation today? Not least of the services rendered by Professor W. A. Robson's authoritative defence in "Nationalisation and Public Ownership" (Allen & Unwin) is to provide an up to date symposium of Socialist views.

Professor Robson quotes Mr. Gaitskell as stating that "the most vital question is how far greater social and economic equality can be achieved without more nationalisation and public ownership." He notes that Mr. C.A.R. Crosland says that, except for water, there are no more public utilities worth nationalising and, except for steel, no more which are basic, like coal. If size is the criterion, Mr. Crosland says that shipbuilding, motors, chemicals, aircraft, radio and electrical equipment would be indicated, but adds that these industries are neither monopolies nor inefficient. Nationalisation may improve the structure of such industries as electricity distribution and coal mining, but the weaknesses of the motor industry are in such spheres as design and marketing which are unlikely to be cured by nationalisation. Nor does Mr. Crosland believe that industries working for highly competitive markets at home and abroad will prosper under a centralised corporation. He asserts that Socialism's aim, to substitute common interests for those of class, will not be advanced by setting up more public corporations. Professor Robson records that there has been widespread Labour rejection of further nationalisation of whole industries on the 1945-51 model, with the exception of steel and road haulage, "for these are existing commitments which it is difficult for the Labour party to disavow without making a confession of past error."

In 1957, the Labour party's pamphlet "Industry and Society" drew attention to some 500 large firms, responsible for about half total private investment. They recommended that the path to equality lies in acquisition by the state of shares in these large companies which would enable the community to share in the capital gains which accrue "almost automatically" to shareholders, while leaving the companies under their present managements.

Professor Robson himself advances cogent arguments against this recommendation. There are, for example, possible conflicts of interest. Did the government do all that it could to make the activities of the former Anglo-Iranian Petroleum Co. acceptable to Iranian nationalism, or were they inhibited by a wish to obtain maximum profit from their shareholding? Then, since an equity shareholder does not realise a capital gain unless he sells, the state will have to buy and sell shares on the Stock Exchange if it is to make capital gains. This would lay the state open to constant suspicion that its share operations had been influenced by foreknowledge of cabinet decisions. If the government had, for example, a plan for road construction, its mere announcement might increase the prices of shares of companies supplying roadmaking materials. What would be easier than for the government to buy before, and sell after, the announcement? Again, the main attraction of equities is often capital appreciation. If this were substantially reduced by the capital gains tax, as recommended by "Industry and Society", the government might find few buyers. Professor Robson shrewdly says that the Labour party's proposal to obtain revenue from shares instead of by taxation is the method of the USSR where most revenue is obtained by trading

and manufacturing trusts owned by the state. Prices are fixed so as to yield whatever sums the state decides that it needs to spend. The result is concealed indirect taxation. What would happen in the UK if the state owned large blocks of equities? The government would influence companies to fix prices to maximise profits and, in time, would give them a privileged position to prevent them from being undersold by competitors. There would be far less parliamentary control, and public understanding, of concealed indirect taxation than exists now with the present recognisable taxes.

But there are still many Socialists who believe that the Labour party's ultimate aim should be to eliminate private enterprise. Mr. J. Dugdale M.P. wrote in 1957 that even at the then level of taxation some large firms were already transferring their headquarters abroad. If taxation, and its avoidance, were tightened, the move to quit England might become a stampede. Many people reckon that, with an expense account and capital gains, hard work is worth while. What if both were taken from them? Mr. Dugdale doubts that entrepreneurs will develop production without the expected rewards. To combine a high degree of public control and of taxation would end in disaster. Private enterprise cannot be "milked" indefinitely to pay for Welfare. He concludes that nationalisation is the only way in which industry can be run for the community.

Professor Robson criticises Mr. Dugdale's view that nationalisation will avoid difficulties in the private sector under a Labour government, and asks if they are not likely to occur also in the public sector. Are the directors, managers, and high level technicians, needed in public corporations no less than in private, indifferent to financial incentives and oppressive taxation? The 1957 Labour party pamphlet "Public Enterprise" asserted that the salaries paid to the executives of public corporations should not be less than those paid by private enterprise. It would, says Professor Robson, be rash to assume that men with administrative abilities and technical knowledge, in worldwide demand today, will be ready to work nationalised industries if taxes are driving business men abroad. "In its policy statement on Equality, the Labour party has already expressed concern at the emigration of scientific and technical personnel. The Labour party will have to face up to these disagreeable questions sooner or later; and the sooner the better," he adds.

Professor Robson offers six points by which to decide whether to nationalise or not:

1. Where an industry or a firm is working successfully, there is no point in nationalising merely because of its size. Only if an official enquiry shows that it is abusing a monopolistic position should it be nationalised. To which I reply that there are many ways of dealing with a monopoly other than to throw it to the electoral wolves in the public arena.

2. Industries or firms operating abroad, or exporting, might meet sales resistance on political grounds in several countries if nationalised.

3. If the state takes over an industry suffering from bad management, or technological backwardness, or inadequate investment, the state will find it difficult to halt the momentum of decline.

4. The best results have been in industries which have come under public control early in their existence like the airlines and atomic power. Public enterprise

does better in new and expanding than in old and contracting industries. (So does private enterprise!).

5. It is a mistake to identify nationalisation with giant, monopolistic industries. The optimum size for the unit in each industry should be ascertained and competition encouraged between separate undertakings within nationalised industries, or between public and private enterprise in the same industry. Professor Robson seems unaware that where, as in India, public and private enterprise is in competition, the state is suspected of stacking the cards in favour of its own.

6. Although it was right to nationalise coal, gas, electricity, railways, road haulage and the air lines, in future it would be better to take over individual firms or set up a new undertaking rather than a whole industry.

Professor Robson criticises the Labour party's commitment to nationalise any firm which is "failing the nation", because this will saddle the state with inefficient, contracting, or stagnant industries. How right he is! Why interfere with the natural economic process of liquidation that paves the way to change and growth?

Professor Robson castigates the private management of the U.K. coal mines, which, he says, left the National Coal Board with a heritage of bad management and under investment. He does not mention that a "momentum of decline" had spread over most of UK industry in the depression, that the coal industry's fortunes depend on the general level of prosperity; that coal, in particular, was hit by three other world developments beyond the control of the ablest management: (1) the opening of many new mines in Europe and Asia, (2) growing economy in fuel utilisation, (3) the substitution of competitive fuels for coal, as in the oil-fired ship: in 1914 96.6 per cent of the world's mercantile

marine was coal-fired; by 1932 it had fallen to 60 per cent and by 1939 to 54 per cent. This "badly managed" industry produced in those years an average of 236 million tons a year, yielding an average surplus for export of 60 million tons. The nationalised industry has averaged 215 million tons, and despite the investment of £1,276 million between 1947-65 is expected to attain only 233 million tons in 1965, i.e., 3 millions less than the pre-war average. What is more, until the recession of 1957, the UK had to import coal to meet her needs. That pre-war investment was inadequate is true, but it is difficult to raise money in a long depression, and investment lagged in most industries. It is also likely that management was poor in many firms after the UK introduced protection to cushion them from competition.

The UK's postwar recovery has been partly due to the avoidance of depression by adopting Keynes's theories and partly to world expansion. That her growth has been slower than elsewhere may be blamed, inter alia, on the inept policies of the nationalised industries (especially the distortions of consumer demand, and of investment, by under pricing), on inequitably allotted taxation, and on lack of enterprise caused by persistence in high protection. If private enterprise had continued in coal, bankruptcy would have closed uneconomic pits and forced amalgamations on others, and the industry would have made the enormous profits which Professor Robson says that the National Coal Board could have made if it had pursued a purely commercial policy. Such profits would have attracted the investment needed. Anyone who has read PEP's Report, "Growth in the UK Economy", must conclude that a substantial part of the £6,827 million invested in all the nationalised industries between 1948-58 was allocated uneconomically and used wastefully.

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The European Scene

ECONOMIC PLANNING IN WEST EUROPE

From Our Special West European Correspondent

PARIS, June 2.

THE scope for economic planning in an industrialised democracy has lately become a subject of discussion in West Europe to a degree unknown since the end of the war. The fact is notable because all the countries of this region are under liberal governments—liberal in the narrower economic sense, most of them being Catholic-conservative regimes whose orthodox neo-capitalist policies have served them well in recent years and whose natural instincts are opposed to the dragooning, State initiative and technocracy that planning suggests. Obviously, it is not Leninist planning that interests them, nor even the sort of five-year planning to which most developing countries believe they are obliged by the immensity of their task and the absence of adequate private enterprise. Rather, what they mean by planning is the "concerted economy", which, in a fashionable pun, is compared with a concert given by unconstrained instrumentalists who have agreed beforehand on the tempo at which the piece will be played and have their eyes on a conductor—it being understood that the conductor can only use his baton to invite sections of the orchestra to perform, and never a long whip.

This harmonisation of efforts may appear absurdly inadequate to the doctrinaires of development by dictatorship, but it is quite properly called planning because the fundamental operation is the same: the preparation of a national input-output table for the medium-term future, along the lines of the 'tableau economique' invented by Louis XV's personal physician, Quesnay. (An achievement that Marx noted, incidentally, as one of the great events in the history of economics.) Although the question was long obscured by ideological dispute between liberals and socialists, there is nothing in the bare notion of such a forward-looking table to say who shall decide what production figures for a future date will be written into it (whether a dictator, a college of planners or a parliament of free men), not to say what means shall be used to see that actual practice conforms roughly to its forecasts (whether brute force, monetary incentive or enlightened self-interest plus a measure of induced enthusiasm). So there is room for all sorts of planning that still deserve the name, from the most rigid to the most democratic. And we must add, remembering some of the Himalayan blunders committed by Communist planners, that the loosest and most liberal is not necessarily the least efficacious in the long run—it can hit more of its own targets. A digression that would take too long to develop but which should be noted in passing is that modern electronic computers have changed the face of the problem since the classic debate half a century ago about Pareto's "ministry of production".

Renewed interest in these issues is natural in France because the Fourth Four-Year Plan is currently being written and will be presented in October. "Odysseus" reported here on May 12 the discussions in London about French planning methods, which have inspired a "model of the British economy in 10 years' time" (what I have called an economic table for the future) prepared by the Cambridge Institute of Applied Economics. If this latter were adopted it would constitute Britain's 10-year plan, and articles in 'The Guardian' (May 4) and 'The Observer' (April 30) show that a section of opinion is in favour of such a plan as a

means of quickening the UK's relatively slow expansion. The need for an "indicative programme" (in contrast to an imperative programme) has also been agitated in recent months in Italy, while there is a movement in support of a Common Market Plan for the whole six-nation region.

While this discussion was going on, a speech by President de Gaulle seemed to foreshadow an important change in planning methods in the very country where "forward programming" is practised (on the admission of the Russians) most scientifically. As compensation for the loss of her last colonial distraction in Algeria, and as reward for the support the working class gave the regime when threatened by rebellious generals, the President offered France a more ambitious and more "popular" plan. The targets would be set higher; there would be more of them, the plan taking cognisance of social needs like housing as well as industrial objectives; the setting of targets would entail more consultation with trade unions and other popular movements; and the fulfilment of targets would become a matter of "ardent obligation for all". None of the first three points involves a revolution, but the last appeared to.

The fulfilment of targets is now not a matter of obligation. It relies on four factors, all of them perfectly liberal. Firstly, the people asked to reach certain targets are just the people who set them, since the plan is drawn up by a sort of parliament of officials, employers and workers. Secondly, the plan is coherent which means that it prefigures an economy where supply and demand for each factor and commodity are in equilibrium, so that it is in each producer's interest to turn out the goods expected of him because he knows he will be able to sell them. Thirdly, the State, thanks to its normal administrative work, to its nationalised industries and to its role in financing housing, controls about 50 per cent of national investments and thus has the key to stimulating or slowing down the economy so that targets are met. Finally, the government has a whole arsenal of incentives—credits, tax exemptions, depreciation facilities, etc.—to encourage just the industries whose target-hitting is most important.

If President de Gaulle were projecting to introduce into this liberal framework the notion of obligation, French national planning would take a turn toward a form so far unknown in Western Europe. Of course, one must beware of the superficial reactions ("epidermic" reactions, the French say) of the classic liberals, who rebel at the very mention of "obligation" in economic life. Our democracies are riddled with obligations, there are numerous things people and firms are forced by law to do; there is an infinite number of stages between free programming and dictatorial planning; so to introduce a few compulsory targets into a plan that has been democratically and rationally written would not be the end of the world, nor the end of democracy.

The President himself has not explained what he meant, but official exegetes have explained it all away. The apposition of "ardent" and "obligation" shows, they say, that he meant an interior psychological force rather than an external constraint. That is, every means would be used to bring people to want to fulfil plan targets. To the extent that this was not sufficient,

the government would use more freely its battery of incentives and disincentives; the only compulsion would be aimed at the government's own departments, whose remissness in fulfilling plan targets has caused some disappointment in the recent past. Lastly, it was hinted that in a few industries, of no great size but of crucial strategic importance for the operation of the plan, some measure of compulsion (starting out with pretty definite recommendations) might be invoked to ensure the meeting of planned obligations. On the whole then French planning is not due for any notable revolution and can remain a model for democracies willing to take a programmatic view of their near future.

The real problem for the advanced democracies who are becoming more interested in economic planning is not the bugbear of obligation, but the relation between parliaments and planning commissions. Addressing the British Houses of Parliament in April last year, President de Gaulle said that the question of the day for West European countries was "how to reconcile human nature, which aspires to freedom, with development, which demands efficiency". Indeed, it is true that Europeans today demand efficiency more than any of their predecessors, efficiency in every department of their affairs and above all in the management of their national economies; and yet at the same time they have not abated their demand for liberty. Parliaments have traditionally been taken as the symbols of this latter demand, and now planning commissions are coming more and more to be seen as the guarantees of effi-

ciency. Yet there is, not a contradiction, but a measure of opposition between the working of these two institutions—even when, as in France today, the planners are not a self-appointed coterie of know-alls like a Communist dictatorship, but several thousand honorary workers and employers co-operating with a small staff of official experts in prevision.

To the extent that a nation is preoccupied with its economic development (and that is by far the greatest concern of Europeans today) and to the degree that development is governed by collaboration between planners and free enterprise, the nation's parliament is being dispossessed of its traditional role. This is not necessarily illiberal; discounting the mystique of the ballot box, a few thousand trade unionists, consumers' representatives and employers can be just as much an expression of the people's wishes as a few hundred deputies subservient to a party caucus. But it certainly represents a break with the parliamentary tradition. Without being malicious, one may see in this precisely the reason for President de Gaulle's interest in planning: it is yet another expression of his anti-parliamentarism, of his distaste for political parties. However, the question is larger than the foibles of one man. The problem of the relation between parliament and planning commission, between law and targets, is one that is going to confront all the advanced countries of West Europe as they turn more to democratic national planning as the best guarantee of their economic progress.

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Economic Report from the U.S.**FOREIGN AID PROGRAMME**

By GUY SIMS FITCH

WASHINGTON, May 30.

WHEN Congress open its hearing next week on the annual foreign aid requests of the President, it will be considering a programme that is far different from those it has approved in past years. As he had indicated earlier, President Kennedy this year has recommended a programme that calls for dramatic and welcome changes in the organization, concept and operation of the U.S. foreign aid effort. It also involves expenditures that exceed by a goodly amount those estimated a few months ago. The purpose of this revamped aid effort, in the words of President Kennedy's special message to Congress, is to help the United States meet "the challenges and responsibilities" of the 1960's.

As it now shapes up, the foreign aid programme calls for outlays during the 1962 fiscal year, which begins this July 1, of \$4,500 million. This is about \$500 million above earlier estimates, with most of the increase going into economic aid. The totals proposed are \$2600 million for economic and \$1,900 million for military assistance. At least as important as the increased dollar totals, however, is the shift in operating procedure which would put development lending on a long term basis. In essence, the Kennedy Administration proposes to borrow for this purpose some \$7,300 million from the U.S. Treasury over the next five years, starting with \$900 million for fiscal 1962 and up to \$1,600 million in each of the following four years. This would have the great advantage of allowing the United States to commit development assistance funds to match the long-term development programmes of the recipient countries. It would be especially valuable to those development projects, such as power plants; transportation facilities and industrial installations, which often require a period of years to complete, from the planning through the operational stages. In the past, the normal year to year appropriations procedure has tended to complicate this aspect of the U.S. assistance task. But Congress tends to guard its annual appropriations prerogative rather closely, and it remains to be seen how much support the Administration will be able to muster for this basic reform. In addition to this change, the President also has called for a complete reorganization of the U.S. aid machinery. This involves overhauling existing U.S. aid agencies and rearranging their functions under a new central body—the Agency for International Development (A.I.D.)

With the exception of the Export-Import Bank, the Food for Peace Programme, the Peace Corps and

a few other scattered functions, A.I.D. would absorb the major agencies, such as the Development Loan Fund and the International Co-operation Administration, under one administrator. Reporting to them would be four regional administrators, serving the Far East, the Middle East, Africa and Latin America. The new set-up would make it possible to channel aid of various types—development loans, grants, technical assistance, etc. — to the places and projects where they are needed most. In this way, it would contribute to integrated national and regional development plans and thus enhance the effectiveness of U.S. assistance efforts. A.I.D., in turn, would become one of the key component agencies reporting to the U.S. Department of State, thereby ensuring its effective co-ordination with overall U.S. foreign economic policy. It is interesting to note, in this regard, that the military aid budget also would remain under the control of the State Department, although it would be administered by U.S. Defence Department authorities.

Another significant advance sought by the President is the revamping of existing incentive for channelling U.S. private investment into capital short lands, where it, too, would be able to contribute more effectively to development programmes. Basically, this involves U.S. government guarantees against loss through political upheavals, which is now available to a relatively limited degree, and against normal business losses on high-risk equity investment, which heretofore has not been available under the government's guaranty programme. In addition, in further effort to funnel capital where it is most needed, the President's proposals would provide for direct loans to private companies investing in developing lands. It is an old truism, one basically in keeping with the U.S. Constitution, that in money matters the President proposes and the Congress disposes. Hence, Congress must now approve of the President's recommendations in principle, and then must make the necessary funds available to put them into effect. Close examination of the President's new aid programme has led many experts to the conclusion that it is a carefully devised and, potentially, a highly effective instrument of U.S. foreign economic policy and international co-operation. From available reports, it appears that a number of influential members of Congress share this view. Administration officials can now be expected to use all their powers of persuasion to make sure that a majority of both Houses of Congress—the Senate and the House of Representatives—hold or come around to this same view.

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WORLDGRAM

India

India's Foreign Trade in Merchandise in April 1961: The provisional figures of India's foreign trade in merchandise by all routes, sea, air and land, on private and Government accounts during April, 1961, according to information available in the Department of Commercial Intelligence and Statistics, Calcutta, are given below:-

Exports	Rs. 53.36 lakhs
Re-exports	Rs. 48 lakhs
Imports	Rs. 85.90 lakhs
Balance of Trade	Rs. 32.06 lakhs

Trade with Tibet, Bhutan and Sikkim, and the trade arising in the Andaman and Nicobar and the Laccadive, Minicoy and Amindivi Islands is not included. In the case of Nepal, airborne trade alone is covered. The value of certain consignments of private merchandise under reference to the customs for verification and of Government stores awaiting adjustment is also excluded.

Table below brings together the provisional figures for April, 1961, along with similar figures for March, 1961, April, 1960 and the revised figures for April, 1960:

INDIA'S FOREIGN TRADE DURING APRIL, 1961, MARCH, 1961 AND APRIL, 1960

(In lakhs of rupees)

Foreign trade in merchandise	For the month of			
	April, 1961		April, 1960	
	April, 1961	March, 1961	Provisional	Revised
Exports	53.36	56.96	48.12	46.20
Re-exports	43	40	46	43
Imports	85.90	81.38	82.00	98.82
Balance of trade in merchandise	-32.06	-24.02	-33.42	-53.19

Industrialisation of Jammu & Kashmir: The first meeting of the Industries Development Board of the Jammu & Kashmir Government to consider industrialisation of Jammu and Kashmir was held in New Delhi on the 29th May, 1961. At the first meeting of the Board, general discussion was held on various steps to be taken for the purpose of speeding up the industrialisation of the State and for the creation of a suitable climate for attracting potential entrepreneurs to make investments and contribute to the growth of industries in Jammu and Kashmir. Methods were discussed for simplifying procedures governing issue of approvals facilitating quick decisions for establishment of industries. Among the more important schemes considered at this meeting were — setting up of a cotton spinning mill, establishment of a number of small power loom units throughout the State, setting up of steel re-rolling mills, expeditious modernisation of the silk filature industry, expansion of worsted woollen yarn industry, setting up of a tyre retreading plant, and the establishment of a fur producing farm with a view to increasing the fur production of the State. It was also agreed that the question of suitably amending the State Aid to Industries Act with a view to affording help to all levels of entrepreneurs who have a desire to set up industrial units in the State should be considered and that efforts should be made to attract entrepreneurs to set up industrial units in the State.

U.S.S.R.

Electrical Equipment for Export: Soviet export of high-voltage and other industrial electrical equipment this year will be double the 1960 level. This year arc-welding equipment and transformers will, for the first time, be shipped to Guinea. Also for the first time, electrical equipment will be exported to Ghana. Large contracts have been signed with Cuba, where 12 electric locomotives for work in mines and arc-welding equipment will be shipped shortly. A large number of power transformers for railway electrification will be sent to India. Burmese experts speak highly of Soviet electrical equipment. Not long ago, a new contract was signed with the Rangoon Electrical Supply Company for the delivery of Soviet transformers. A French company has acquired a manufacturing licence for Soviet welding equipment.

Soviet Machine Tools Abroad: Soviet metal cutting machine tools, stamping and forging presses and other tools are used in 46 foreign countries, including Austria, Finland, and West Germany. This year a large number of Soviet metal cutting machine tools was purchased for the first time by Japan. In the last six months more than 100 lathes, milling, grinding, and other metal-working machine tools were sold in West Germany. At the Leipzig Fair, Austrian and West German firms bought 58 machine tools. Towards the close of the Fair a British firm signed a contract for the purchase of 70 lathes manufactured by the Krasny Proletari factory to be delivered in 1962. Argentine firms placed an order for some 80 Soviet machine-tools. Foreign firms and experts speak highly of Soviet machine-tools and orders for Soviet equipment are constantly increasing.

United States

Dow Chemical Company: The Dow Chemical Company has announced that it has acquired all the shares in its British subsidiary, Dow Agrochemicals Limited, in Kings Lynn, East Anglia. Dow Agrochemicals was established in 1958 for the manufacture and marketing of Dow agricultural chemicals in the United Kingdom and in several Commonwealth countries. Dow owned 74 per cent of the capital and the rest was in British hands. G. B. Branch, President of Dow Chemical International Limited S.A., said that by the acquisition of all the shares Dow will spur the development of the subsidiary and make available to it the full benefit of all the research and resources of the parent company. Dow Agrochemicals will continue to market its products in the United Kingdom in accordance with existing distribution arrangements.

Yugoslavia

Trade With Africa: Yugoslavia have concluded trade and other economic arrangements with many African countries with both that existed before the war and the newly independent ones. The former group includes Ethiopia, the Sudan, the Egyptian province of the United Arab Republic, Tunisia, Morocco and Liberia. The latter group comprises, Guinea, Ghana, and the Mali Republic. Trade and other economic relations with some countries are regulated by the Franco-Yugoslav trade agreement. This refers to the Congolese Republic (the former French Congo), the Ivory Coast, the Malagasy Republic (Madagascar), Mauritania, Niger, Senegal, Upper Volta, Cameroon, the Central African Republic, Dahomey, Gabon, and Tohad. Algeria is likewise included into this agree-

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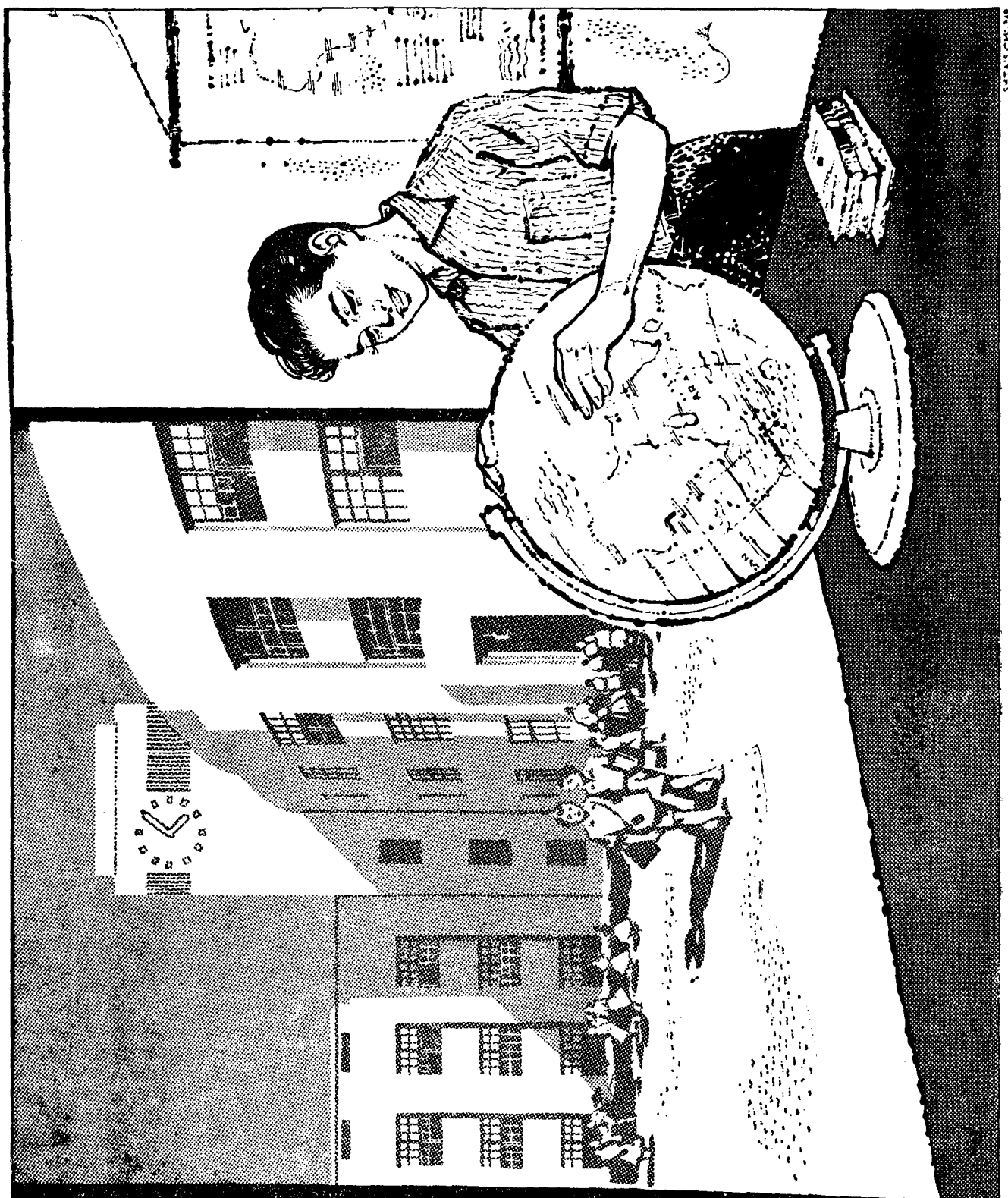
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ment and special quotas set for Yugoslav exports to that country. Commodity exchange with African countries during the first quarter of 1961 is best illustrated by the following figures:

(In millions of dinars)

Yugoslav Exports ..	1,296.4
Yugoslav imports ..	2,649.8

United Kingdom

Automatic Laundry With Jetstream Conditioner: A new machine capable of drying and "shaking out" large quantities of washed linen in a continuous automatic process has been introduced by a U.K. firm. Shown at the recent International Hospital Equipment and Medical Services Exhibition in London, it can take, in one hour, just under 4 cwt. (203 kg.) of tightly-packed laundry, and can deliver it dry with the items separated and loaded, ready for ironing, on a conveyor belt. The "jetstream" conditioner, as it is known, is described as an attempt to produce flow-line, shaker drying, tumbler on the 'closed-circuit' principle.

*

British Fund Helps Tibetan Children in India: Some hundred Tibetan children whose parents have sought refuge in India are to be housed and educated in a home now being planned in Simla by the Foreign Relief Committee of Britain's Save the Children Fund. A spokesman for the Fund said in London that it was hoped, the premises would be opened within three months. Negotiations were still in progress for acquiring property, and staff to administer the project was now being recruited. The Save the Children Fund founded in 1919, is a British Voluntary Society, dedicated to aiding needy children all over the world. It was a founder member of the International Union of Child Welfare, the headquarters of which are in Geneva.

Australia

Trade Drive in South-East Asia: The Department of Trade is making a vigorous drive for export-markets, particularly in Asian countries. More than two hundred organisations have displays in the trade mission ship *Straat Banka*. The largest export-selling mission to leave Australia since World War II, it has been organised by the Australian Chambers of Commerce Export Council, the Australian Manufacturer's Export Council and the Department of Trade. During the two-months' tour, the Mission will visit Singapore, Port Swettenhan, Penang, Bombay, Cochin and Colombo.

*

Japanese Market for Australian Iron Ore: The recent expansion of the Japanese Iron and Steel Industry is opening up prospects for exports of Australian Iron Ore. The Minister for National Development has stated that the Japanese Industry's needs had outstripped the small local production of the ore. The steel output had increased by six million tons to 22 million tons last year and planning is for 48 million tons in 1970. To support this expansion Japan will have to import steadily increasing quantities of iron ore. It was forecast that established import sources would not be able to provide more than 31 million tons in 1970. This was Australia's opportunity. The conditions of export of Australian iron ore assured supplies for domestic industry from the known high grade deposits. Future Australian reserves were also safeguarded by the provision that not more than half of the high grade ore

in any other deposit could be exported. The announcement of the Japanese plans created much interest in mining circles in New South Wales. Experts predicted a mining boom and pointed out that the State had at least 11,600,000 tons of proven iron ore deposits lying under the ground, most of which had been untouched for years. In the state of Western Australia, a new public company is being formed to exploit the deposit of 30 million tons at Mount Gunsworthy, 30 miles east of Port Headlands. Production is intended for export to Japan.

France

Output of French Iron Mines: The output of French iron mines in March totalled 6,199,194 compared with 5,572,112 tons during February. Deliveries in France totalled 6,148,920 tons compared with 3,309,480 tons.

Total exports were 2,428,325 tons compared with 2,097,905 tons.

Following is the output broken down by regions:

	February	March
Output of mines in the East	5,235,226	5,806,826
Output of mines in the West	312,420	364,154
Output of mines in the Centre-South	24,466	28,214
TOTAL	5,572,112	6,199,194

*

Trade with the Republic of China: Because there is no trade agreement between France and the Republic of China, purchases are limited to essential goods including raw materials and semi-finished products. In 1960, French imports from China totalled a value of 11.2 billion old francs. Among the principle imports were the following:

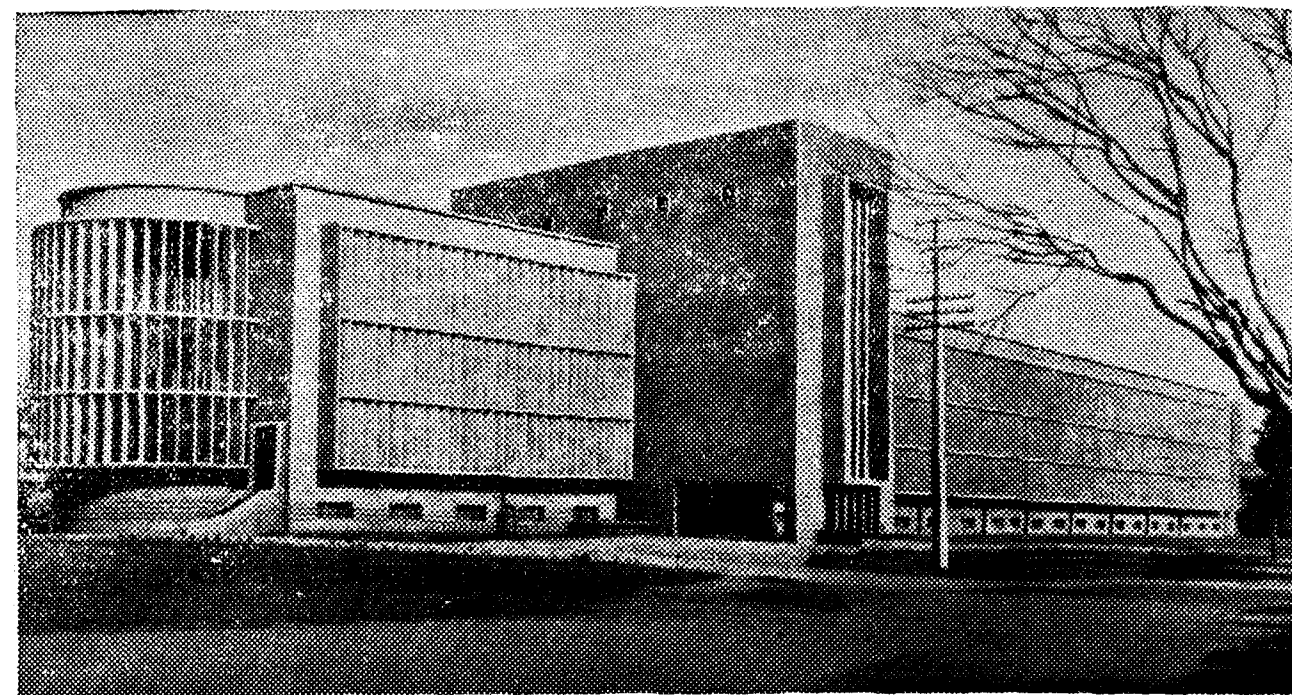
	In millions of old francs
Oleaginous products	1,500
Crude silver	1,390
Raw silk	1,160
Hog's bristle	720
Wool	530
Silk fabric	280

French exports to the Republic of China totalled a value of 26 billion francs for the same period.

Poland

Ships for Soviet Union: The negotiations conducted in Moscow recently between representatives of the Polish foreign trade enterprise Centromor, the shipbuilding industry and the amalgamation of marine overhaul shipyards on the one hand representatives of the Soviet commercial enterprises Sud-import, Soviet ship owners and others have ended in the signing of a big contract. The contract envisages for the delivery to USSR in the current Five-Year Plan of 44 ships of 442 million foreign currency zlotys. The ships for the Soviet Union will be built by the Gdansk yards which were placed last year fifth on the world list of shipyards as regards the tonnage launched. The shipyards are to build for the Soviet buyers 4 types of ships.

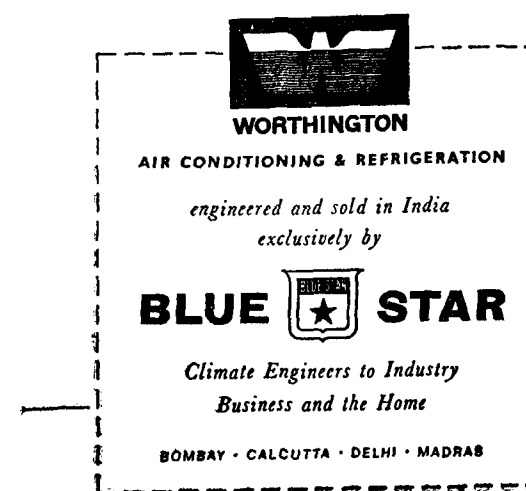
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NEWS IN BRIEF

PUBLIC DEPARTMENT

INDIAN

Rajasthan has decided to bring 67 per cent of the rural families of the State under the fold of co-operatives by the end of the Third Plan.

India is to buy 7.19 lakh cubic feet of a special type of railway sleepers from Burma. This decision follows negotiations between the Burmese State Timber Board and a three-man Railway Purchase Mission which visited Rangoon in February. Payment will be made in Indian rupees.

The Government of India has decided to increase the current average retention price for steel payable to the Mysore Iron and Steel Works by Rs. 7.89 per ton for the period April 1, 1955 to March 31, 1960. The current retention prices of all grades of pig iron used by the works will be increased by Rs. 5.02 per ton for the same period.

Total production of saleable steel by the Tata Iron and Steel Company at its Jamshedpur works in May was lower, but the output of pig iron and steel ingots showed improvement in comparison with the April figures.

The Government of India has decided to extend the procedure under Rule 191-A, of the Central Excise Rules, 1944 for export out of India of articles under claim for rebate of duty on the excisable goods used in their manufacture to plastic manufacturers.

West Bengal has the highest level of per capita taxation, according to a memorandum prepared by the State Government. The per capita taxation is Rs. 16.4 in West Bengal.

The possibility of introducing roadtrailers in India is being considered. The South Eastern Railway is now ascertaining from industrial associations in Calcutta their views about the suitability of introducing the roadtrailer type of traffic together with their assessment of the break-up of the traffic expected.

It is reported the National Development Council has decided to place Rs. 200 crores at the disposal of Hindustan Steel Ltd. for the fourth public sector steel project at Bokaro in Bihar.

The Union Minister for Transport and Communications is considering a proposal that the Mysore Government be entrusted with the work of developing Mangalore as a major port and act as an agent of the Central Government.

The first paint pigment to be exported from India is a consignment of pythalocyanine Blue, a pure strong pigment favoured in the making of paints, lacquers and printing inks.

FOREIGN

An important contract was secured at the British Trade Fair in Moscow by Enfield Rolling Mills for the supply of £450,000 worth of unwrought copper for the Soviet Rasnoexport Company.

It is reported Greasy Wool Futures Exchange has decided to offer Japan a seat on the floor of the Exchange.

Canada's Treasury ended the first month of the current fiscal year with a deficit of \$25.5 million compared with a surplus of \$10 million in the corresponding month a year ago.

A wholly owned subsidiary plant of the Felix Company of Sweden has recently been opened at Mattersburg in Eastern Austria. The factory, which will turn out canned fruit, vegetables and meat, has been built at a cost of £700,000.

The world trade prospect for 1961 is one of gradual expansion mainly consisting of a further rise in trade between industrial countries, says the May issue of the Treasury Bulletin for Industry.

Fiji is to receive a grant of £1,143,000 to improve wharf facilities at Suva. The grant is one of 60—including 11 for research—approved under the Colonial Development and Welfare Act during April making available £2.4 million for schemes to benefit Britain's overseas territories and bringing the total of colonial development and welfare grants and loans for the first four months of 1961 to £12.1 million.

Output of man-made fibres declined again last month. Figures, published by the British man-made Fibres Federation show that 42.17 million lbs. were produced, compared with 47.52 million lbs. in March and 43.13 lbs. in February.

The U.S. is to supply 200,000 tons of wheat and flour, worth \$13 million to the Egyptian region of the U.A.R.

A small quantity of high-grade oil in addition to petroliferous gas was reported at Combargno No. 1 well in Southern Queensland. Combargno is 70 miles north-west of Cabawin, where oil was struck by Union Oil Development of America in April on a lease held by Australian Oil and Gas Company.

A huge programme for the construction of administrative buildings has recently begun in Gabon. The programme, which will cost 2,143 million francs C.F.A. includes the construction of buildings in Cibreville, Port Gentil and other cities.

The Pakistan Government will launch an export credit guarantee scheme from October next to introduce a new incentive to expand the country's export trade.

Special Article

PERFORMANCE OF THE PUBLIC SECTOR UNDERTAKINGS: 1959-60

THE Central Statistical Organisation has attempted in a brochure published recently, a consolidated picture of the financial results of no less than 54 public sector undertakings. A similar attempt was made last year and it seems that this consolidation of the financial picture of the public sector undertakings is useful for keeping a close watch on their working results. The

Third Five-Year Plan has pinned great hopes on the capacity of these units to generate sustained surpluses, as it is assumed that no less than Rs. 450 crores would be available from them for investment.

The financial results of these undertakings for 1959-60 throw a flood of light on the technique of utilisation

THE PERFORMANCE OF INDUSTRIAL UNITS IN 1959-60

(Rs. lakhs)

Industrial Unit	Net Fixed Assets	Deprecia- tion	Gross Profits	Value of Sales	Percentage of		
					(3) to (1)	(3) to (4)	(2) to (1)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Indian Rare Earths Ltd.	48.9	39.2	—	22.5	—	—	80.2
2. Travancore Minerals Ltd.	14.8	3.3	15.4	84.8	104.1	18.2	22.3
3. Hindustan Antibiotics Ltd.	1,91.9	65.9	76.9	2,99.4	40.1	25.7	34.3
4. Hindustan Cables Ltd.	1,48.3	37.0	15.6	1,27.0	10.5	12.3	24.9
5. Hindustan Insecticides Ltd.	76.5	26.4	40.8	1,46.1	53.3	27.9	34.5
6. Hindustan Machine Tools Ltd.	3,37.3	65.7	47.4	2,13.6	14.1	22.2	19.5
7. Hindustan Salt Company Ltd.	84.6	7.7	—5.8	64.1	—	—	9.1
8. Nahan Foundry Ltd.	8.8	6.6	3.5	19.3	39.8	18.1	75.0
9. National Instruments Ltd.	56.9	10.9	7.1	52.5	12.5	13.5	19.2
10. The National Newsprint & Paper Mills Ltd.	3,77.6	1,41.8	37.8	2,35.3	10.0	16.1	37.6
11. Praga Tools Corporation Ltd.	35.5**	47.4	3.5	47.9	9.9	7.3	13.4
12. Sindri Fertilisers & Chemicals Ltd.	27,63.0	15,22.1	25.5	9,51.9	9.2	2.7	55.1
13. Bharat Electronics Ltd*	2,10.1	25.1	—6.5	53.2	—	—	11.0
14. Indian Telephone Industries Ltd.	2,34.1	1,29.2	37.1	3,58.4	15.8	10.4	55.2
15. Hindustan Housing Factory Ltd.*	5.7	0.3	0.8	41.9	14.0	1.9	5.3
16. Hindustan Aircraft Ltd.	11,87.3	2,10.7	42.8	—	3.6	—	17.7
17. Chittaranjan Locomotive Works	22,75.4	8.2	—	—	—	—	0.4
18. Integral Coach Factory	10,22.5	4.7	—	—	—	—	0.5
19. Hindustan Shipyard Ltd.	3,46.1	1,18.9	0.7	4,35.2	0.2	0.2	34.4
20. Orissa Mining Corporation Ltd.	2.0	0.8	0.2	7.7	10.0	2.6	40.0
21. National Coal Development Corporation Ltd.*	13,81.5	3,83.9	20.0	7,27.5	1.4	2.7	27.8
TOTAL (1 to 21)	108,08.8	28,55.8	3,63.0	38,88.3	3.4	9.3	26.4

* Relates to 1958-59.

** Including the capital works in progress.

Note: The ratio of gross profits to Net fixed assets turns out to be 4.9 per cent when the Chittaranjan Locomotive Works, Integral Coach Factory and the Indian Rare Earths Ltd. are excluded.

of funds and their results. In this Special Article three objectives have been set. In the first place, it is attempted to find out if the return on the capital employed in these units is comparable to the yield on capital in the private sector or the prevalent Bank Rate in the country. In the second place, an attempt is made to find out if the "depreciation" policy of these units is healthy and whether proper allowances are being made currently so as not to face serious consequences later. An additional factor which is scrutinised pertains to the relationship between the total turn-over of these units in relation to the capital invested in them. At the outset the depressing finding ought to be recorded that the three indicators do not show an encouraging performance and it seems that the public funds are not being utilised efficiently. Much effort needs to be put in for raising the productivity of the capital invested.

It will be seen from the table on the previous page that the gross profits for all the 21 industrial units formed only 4.9 per cent of the total net fixed assets. If this ratio were to be corrected for total net assets, it would be around 3.5 per cent. Whatever way the return on capital may be computed, it turns out to be much below the Bank Rate even. It corroborates the thesis presented in the columns of "The Eastern Economist" repeatedly that the public sector undertakings are being run inefficiently and the return on capital employed (in terms of total net assets) is far from adequate. There is urgent need for looking into the working results of some of these units which have made a poor showing. In this category, the outstanding examples are those of Hindustan Salt Company Ltd., Bharat Electronics Ltd., and Hindustan Housing Factory

Ltd. The Hindustan Shipyard and Orissa Mining Corporation also stand almost in the same category.

The picture on sales, however, is partly blurred due to the accounting procedure adopted. For example, in the case of Chittaranjan Locomotive Works, no sales have been indicated because, according to the accounting practice, "the profitability of a unit should not be determined on the basis of the accounts maintained, since the works are not of an independent commercial unit, making sales of its products to outside consumers." For this very reason, the total figure for sales at Rs. 38.88 crores turns out to be nearly one third of the net fixed assets shown. Thus, the ratio of sales to net fixed assets does not carry much conviction because the value of total sales is indicated at a level which is almost one third of the total net fixed assets.

The twenty-one industrial undertakings listed in the table have varying durations of life and a certain amount of depreciation has been provided, with some exceptions, in almost every year of existence. The total depreciation for these undertakings turns out to be a little more than one-fourth of the total net fixed assets. This fact demonstrates that proper depreciation is being provided in general and that there need not be any cause for alarm on this account.

The broad conclusion of this analysis is that, while capital invested in the public sector industrial undertakings is significantly large, the return is not adequate. The accounting procedure does provide for sufficient depreciation, in general. On sales, no definite conclusions can be arrived at because of the manner in which the products of these units are disposed of.



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THE BUSINESS WORLD

Seesaw in Shipping

By CROESUS

DEMANDS for a higher allotment for shipping by the shipping interests and replies by Union Ministers almost conceding these demands, immediately followed by official denials (that the original allocation is not to be changed)—this seems to be the order in which the plea of the shipping interests for a greater allocation for this industry under the Third Plan is being seesawed, as it were, between Bombay and Delhi. Somehow or other, when in Bombay, perhaps, after listening to the cogent and fervent pleas of shipping interests, the Union Minister or Ministers concerned feel like agreeing with what is said on this subject and holding out assurances, albeit vague, that more funds than at present would be allotted. But the moment they are back again in Delhi and are face to face with the austere and awe-inspiring supercabinet, the Planning Commission, they appear to become helpless. That, at any rate, is the impression that one, who cares to follow closely the proceedings at various functions connected with shipping in Bombay and the pronouncements in the Press of the powers-that-be from Delhi, cannot help forming. I wonder whether the same story will be repeated in the wake of the assurances given to shipping interests last week in Bombay by Mr. Raj Bahadur, the Union Minister of State for Transport and Communications.

Speaking at the Annual Day Prize function of the Merchant Navy Training Ship "Dufferin", Mr. Raj Bahadur frankly admitted that there was a measure of disappointment over the fact that the allocation for shipping was much less than what the National Shipping Board had recommended. He even tried to explain why the allocation had to be lower; the resources available, he said, were limited. But, as everyone knows, this is no new discovery. However, the Union Minister gave a practical tip and an encouraging hint about how to get the allocation raised. His tip was that shipping companies, both in the public and the private sectors, should go ahead with their respective development plans and utilise the funds already allotted. "If we are able to use them up", he said, "we (that is, I presume, private sector shipping, public sector shipping and the Transport Ministry) shall be in a position to ask for more." This was also the proviso to his hint that the Planning Commission was likely to provide additional funds for the expansion of India's shipping tonnage. In other words, Mr. Raj Bahadur and his Ministry want the shipping interests fully to utilise the provision now made and thereby establish a case for further funds and thus strengthen the Ministry's hands to approach the Planning Commission again for an upward revision

of the present allocation. This is so far so good and undoubtedly serves to establish the 'bona fides' of Mr. Raj Bahadur. No one can now say that he at least is still unconvinced about the case for a higher allocation for shipping.

Be that as it may, seldom has so good a case as that of Indian shipping for higher allocation suffered by such sheer helplessness as this. Lack of resources is admittedly a formidable obstacle, but, as shipping is perhaps among the very few avenues that earn foreign exchange almost simultaneously with the outlay, it should not have been difficult for the Planning Commission to find some more funds for the expansion of our shipping. It cannot surely be argued that the demands for expansion of the shipping interests are excessive or unrealistic. As Mr. G. L. Mehta pointed out when he inaugurated the Eastern Shipping Corporation's service from the west coast of India to Japan, the other day, the rate of expansion of 100,000 tons a year recommended by the National Shipping Board (of which he has been the Chairman) is no more than the annual rate of expansion actually achieved by the Indian shipping industry during the Second Plan period. And this would have entailed an outlay of Rs. 104 crores. The Planning Commission, however, has allotted only Rs. 55 crores (according to Mr. Raj Bahadur, it is Rs. 62.5 crores). In Mr. Mehta's opinion, the present allocation can take care of an annual expansion of just 40,000 tons per year! Even on the basis of Mr. Raj Bahadur's figure, the rate of expansion would not exceed 45,000 tons per year. The least that the planners should have done was to ensure that at least the same rate of progress as that actually achieved during the Second Plan period is maintained during the present Plan period, as wisely and reasonably urged by the National Shipping Board. In doing this, it is noteworthy, the N.S.B. has nowhere suggested that the Government of India is not alive either to the needs of the Indian shipping industry or to the importance of shipping as such to the country's economy. But, as Mr. Mehta suggested—though he did not say so in as many words—the authorities in New Delhi have apparently yet to realise that all our tall talk about intensifying our export drive and augmenting our exports to around Rs. 1,500 crores a year (as some experts have suggested) would prove meaningless if we don't have adequate carrying capacity. Let them note that the inadequacy of merchant shipping is a double-edged weapon, for it will not only hinder our export drive but also cause a serious drain on our already slender foreign exchange resources.

Business Notes

Jute

A MEANINGLESS GESTURE

AFTER REPEATED dinnings into their ears for several weeks, it would appear, the authorities have condescended to relax from what all along seemed to be an

inflexible stand on their part in the matter of import of raw jute from Siam. (Has this attitude anything to do with the Siamese twins?) When the possibility of import of raw jute from Siam was suggested to them to get over the acute shortage of this raw material in the country, the Union Finance Minister apparently looked

at it only from the point of view of raising some more revenue by imposing a stiff import duty on raw jute, although he could not be unaware of the fact that we pay no import duty on the raw jute we buy from Pakistan. The Union Finance Ministry's argument presumably was that, if there was no duty on raw jute imports from Pakistan (by reason, perhaps, of a trade agreement), the same concession could not be extended to other countries. If so, the argument is both short-sighted and fallacious. In the first place, it is not Siam that is hankering to export raw jute to India, but it is we who want it badly. Secondly, there are not so many countries as could export raw jute to suggest that we would be running the risk of estranging our relations with any country by allowing imports of Siam raw jute also free of duty. Perhaps, if an import duty is imposed, Siamese raw jute interests might well complain that we are discriminating as between Siam and Pakistan! Again, it should not be forgotten that, by imposing an import duty on raw jute from Siam, we shall only be adding to the cost of manufacture of jute goods and making it correspondingly less competitive than the jute goods sold in export markets by our rivals in the field. Nothing could be more short-sighted, if not suicidal.

The Union Finance Ministry probably believes it is very ingenious in having finally agreed to refund the import duty on Siam raw jute if the shipper of Indian jute goods proves to the satisfaction of the customs authorities that a given consignment of jute goods shipped by him is manufactured entirely out of Siam raw jute. This is no relaxation but a refusal to see the obvious. It is hardly conceivable that any jute mill, let alone a shipper, could single out or separate goods manufactured out of Siam jute from those manufactured out of Indian or Pakistani jute, unless, of course, that mill runs three sets of plant, each devoted to the utilisation of only one country's raw jute. One has only to spell out this to point to the utter absurdity of the proposition. So long as we have such unimaginative bureaucracy, we can never hope to build up, not to speak of expanding, our exports.

Plantation Industry

ANOMALIES OF EXPORT DRIVE

WE HAVE ushered in the Third Five-Year Plan with our foreign exchange reserves at an all-time low. Notwithstanding the generous assistance promised by the Aid-India Club, thanks to the initiative of America, which takes care of our foreign exchange requirements, including balance of payment deficits, for the first two years, and more, we cannot afford to slacken our export drive. In this context, two things call for the utmost attention, namely the policy pursued by the Government towards exports and its attitude towards industries that produce the commodities of export.

Now tea and, to a lesser extent, coffee have been our long-standing exports for which we have fairly constant customers overseas, as, for example, the U.K. Last year's exports of tea to the United Kingdom, however, show, that, despite its buoyant economy and rising standard of living, Britain's consumption of Indian tea did not increase, presumably because of the growing competition from other tea-producing countries like Ceylon, East Africa and North America. Thus, while, on the one hand, our tea exports have not tended to rise, on the other, our tea production has registered a 20 per cent rise during the Second Plan period; a further increase of 20 per cent is envisaged during the Third Plan. This state of affairs demands

that we should redouble our efforts to expand the market for our tea. But, then, has the industry been afforded all the requisite facilities to do so?

According to Mr. W. C. Roy, Chairman, Kannan Devan Planters' Association, this does not appear to be the case. Speaking at the 76th annual general meeting of this Association, a few days ago, he expressed fears about the Government's tax policy towards the plantation industry. On the top of a number of taxes, such as the plantation tax of Rs. 8 per acre on all producing areas, the Kerala additional tax on lands, the building tax, etc. which are already being borne by the industry, Mr. Roy said, the Union Government had further increased the excise duty on loose tea from 9 nP. to 15 nP. per lb. True, some relief has been provided on export duty, but, as against the industry's request to abolish the export duty altogether, only a slender relief has been given by reducing the export duty from 53 nP. to 44 nP. per lb.

More or less the same is the case with coffee. Perhaps it is worse. For, unlike tea, coffee has had to pass through a crisis last year due to the steep fall in export prices. Recent export auctions indicate a still further fall in these prices. Thus, at these auctions, Arabica Plantation 'A' variety was sold at Rs. 170 per cwt., while Robusta was sold at about Rs. 75 per cwt., both below last year's prices. As Mr. P. J. Stephen, Chairman of Nallampathy Planters' Association told the 18th annual general meeting of that body, the present existing export prices for coffee are uneconomical. It is anomalous that, when, inside the country itself, there is a very good market for coffee, the industry should be urged to export at such uneconomical prices. This is one more case where, even when we are in a position to export, we can afford to do so only at a loss. To put it differently, here is yet another of our exportable commodity that is priced out of the world markets.

Balanced Growth

THE NAG-VIDARBHA CHAMBER'S COUNSEL

IN HIS Presidential address at the first quarterly general meeting of the Nag-Vidharbha Chamber of Commerce, Nagpur, Mr. D. C. Sutaria strongly pleaded the case for balanced growth in the newly formed State of Maharashtra. It is true that, as reiterated by the Chief Minister of the State, Mr. Y. B. Chavan, an integrated and balanced development of the entire State in general and of locating industries in what are known hitherto as the under-developed areas in the State in particular, is the considered policy of the Government. The president of the Chamber complained that their appeal that the Vidarbha area of the State should be given some priority in this respect has not recorded any impact and the State Government has paid no attention so far. "We had on several occasions suggested", he adds, "that even a fertilizer plant would be a welcome harbinger of the industrial progress which both the Central and the State Governments wish to bring about ... Nothing seems to have been done in this respect."

It may be pointed out that in the coming years of Third Five-Year Plan the base of an Agro-industrial Society has to be created wherein industrial production has also to be extended to the rural areas. In fact, the Government has realised the necessity and has established, or has plans to establish industrial estates, wherever facilities are available for small and medium-sized industries. Such industrial centres, it

may be added, have the double advantage of lower costs and proximity of the markets. They also help in reducing the congestion in the present industrial cities where living goes on becoming more and more complicated. In fact, as the President has pointed out, various kinds of resources can only be exploited if the industrial enterprises are carried to un-developed regions. As an instance it may be pointed out that the Government of India accepted the suggestion of the Chamber to make an intensive scientific survey and prospecting of the mineral wealth in the State. It is quite likely that coal and manganese resources are discovered in the region. This will save the region from a part of the expenditure on coal by way of reduced transport expenses.

Synthetic Fibre

NEW FLOATATION

THE USE of synthetic yarn has become quite popular in India. Most of the present requirements of this type of yarn, however, are met by imports. It is only natural, therefore, that new units should be set up in the country to produce this yarn. The venturing of J.K. Synthetics Ltd. (formerly known as J.K. Investment Trust Ltd.) into this field is thus welcome. The company has obtained a licence from the Government of India to establish a new synthetic filament yarn plant with a capacity of 4.8 lakh lbs. per annum. The plant is to be located at Kotah in the State of Rajasthan. The location of the plant is quite advantageous in the sense that power for the plant will be available from Chambal Grid and adequate water supplies will be available from the Kotah Barrage of the river Chambal. The company is getting technical know-how from M/s. Ing. A. Maurer of Switzerland. This is a firm of international repute in the man-made fibre industry and has wide experience in designing such plants satisfactorily in different parts of the world.

The plant and machinery required for the project have already been ordered and shipments are expected to start shortly. Total capital outlay on the plant of Rs. 178.60 lakhs is estimated to be made up of land and building (Rs. 20 lakhs), plant and machinery (Rs. 133.5 lakhs), erection expenses (Rs. 6.1 lakhs), working capital (Rs. 15 lakhs) and miscellaneous expenses (Rs. 4 lakhs). This expenditure is to be raised to the extent of Rs. 30 lakhs by loan from the Government of Rajasthan, Rs. 80 lakhs by deferred payment facilities from suppliers of machinery, Rs. 16.22 lakhs by borrowings from banks and other sources and the remain-

ing sum of Rs. 52,37,500 is to be raised by way of new issues now being offered to the public in the form of equity shares of Rs. 10 each. The subscription list will open on June 12, 1961, and will close on June 17, 1961 or earlier at the discretion of the Directors but not before June 14, 1961. The entire issue has been underwritten. In view of the soundness of the project the new issue is likely to be well received in the market.

Iron Pipes

NEW VENTURE

THE FLOATATION of a new public limited company under the name Saru Engineering Corporation Limited for the manufacture of spun cast iron pipes is another feather in the cap of the industrial house of Seth Jugmandar Dass Shital Prasad Jain of Meerut. The importance of this industrial house is, of course, already known in the field of non-ferrous metals and alloys through its concern Saru Smelting and Refining Corporation Private Limited which has established a name for such products as resin cored solder, silver brazing and other welding alloys and a large number of other non-ferrous alloys and metals. The authorised capital of the new company is Rs. 50 lakhs. The whole of this amount is expected to be raised in the market in about 6 to 8 months' time. The sanctioned installed capacity of the plant is 24,000 tons per annum.

The stage for the project has been well set at Meerut which is in a position to cater to the demands for such pipes from a wide area comprising Delhi, Punjab, Jammu and Kashmir, Rajasthan, U.P., and Madhya Pradesh. Its proximity to the West Pakistan border is also an advantageous factor for making exports to that country. The attitude of the U.P. Government is also said to be quite favourable; it is expected that the State Government will sanction the necessary electric power on the completion of Harduaganj Extension Project.

Along with the floatation of this company, another heartening development in respect of this industrial house is that Saru Smelting and Refining Corporation has been granted a licence to establish a new division for producing steel castings. The installed capacity of this division will be 3,000 tons per annum. These two projects are likely to be of great benefit to West U.P., for not only would they bring this area into the arena of heavy industries, but they would also lead to establishment of small-scale industries connected with these projects.

FROM THE CAPITAL'S CORRIDORS

THE THIRD PLAN

THE Third Plan in its final form is likely to be presented to the country by the middle of next month. Final touches are being given to it in the light of the discussions that took place at the recent meeting of the National Development Council.

The Plan, it is learnt, aims at an increase in per capita income from Rs. 331 in 1960-61 to Rs. 385 in 1965-66 in terms of 1960-61 prices. Total national income is expected to go up from Rs. 14,500 crores in 1960-61 to Rs. 19,000 crores in 1965-66 (also in terms of 1960-61 prices).

Some of the major targets fixed for achievement by 1965-66 are as follows:

Agriculture

Foodgrains (million tons)	100
Cotton (million bales)	7
Sugarcane (in terms of gur) (million tons)	10
Oilseeds (million tons)	9.8
Jute (million bales)	6.2
Tea (million lbs.)	900
Tobacco (thousand tons)	325
Irrigated area (million acres)	90
Land reclamation (additional area) (million acres)	3.3

Industry

Power (million kw. capacity)	12.7
Coal (million tons)	97
Iron ore (million tons)	32
Finished steel (million tons)	6.8
Pig iron for sale (million tons)	1.50

Cotton Textiles

1. Mill-made (million yds.)	5,800
2. Decentralised sector (million yds.)	3,500

The public sector outlay of Rs. 7,500 crores has been allocated for various economic development programmes in the following manner:

Programme	(Rs. Crores)	Amount
Agriculture, Community Development and Co-operation	1,068	
Major irrigation	643	
Power	1,019	
Village and Small Industries	264	
Industries, Minerals, Transport and Communications	3,006	
Social Services	1,300	
Inventories	200	
TOTAL		7,500

The resources for the public sector are to be raised in the following manner:

Heads	January Decision of N.D.C.	Present Estimate	(Rs. crores)
1. Balance from current revenues (excluding additional taxation)	421	550	
2. Contribution by Railways	71	100	
3. Surpluses of other Public Enterprises	449	450	
4. Loans from Public (net)	850	800	
5. Small Savings (net)	585	600	
6. Provident Funds (net)	249	265	
7. Steel Equalization Fund	160	105	
8. Balance of Miscellaneous Capital Receipts over non-Plan Disbursements	208	170	
TOTAL 1 to 8	2,993	3,040	

9. Additional Taxation including measures to increase surpluses of public interests	1,710	1,710
10. Budgetary receipts corresponding to External Assistance	2,200	2,200
11. Deficit Financing	550	500
TOTAL	7,453	7,500

The foreign exchange component of the Plan is envisaged to be met in the following manner.

	1961-62	Total Third Plan
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A. Receipts		
1. Exports	667	3700
2. Invisibles (net) (excluding official donations)	22	Nil
3. Capital transactions (net) (excluding receipts of official loans and private foreign investment)	-133	-550
4. External assistance	575	2800
5. Draft on foreign exchange reserves	—	—
TOTAL (1 to 5)	1131	5750
B. Payments		
1. Imports of machinery and equipment for plan projects	325	1900
2. Components, intermediate products etc. for raising production of capital goods	60	200
3. Maintenance imports	746	3650
TOTAL (1 to 3)	1131	5750

IRON AND STEEL IN THE THIRD PLAN

The overall targets proposed for the iron and steel industry under the Third Plan are 10.2 million tons of steel ingot capacity and 1.5 million tons of pig iron for sale. The estimates of requirements of pig iron and finished steel by 1965-66, which have provided the background for the planning of this industry, and the present installed capacity are as given in the table below. (Demand forecast is based on the assumption that the current selling price of steel will hold good for the Third Plan period).

CATEGORY-WISE BREAK-UP OF DEMAND FOR IRON AND STEEL

End-product	Estimated demand by 1965-66	Capacity in existence in early 1961
1. Heavy rails & fishplates	400	345
2. Heavy structural and broad flanged beams	550	445
3. Sleepers & crossing sleepers	200	180
4. Medium & light structurals	550	680
5. Rounds & flats including rounds for nuts, bolts and screws	2200	1305
6. Tin-plate	300	150
7. Plates 3/16" and up	650	300
8. Wires including wire ropes	400	220
9. Hoops & box strapping	50	50
10. Sheets	1200	740
11. Strips & skelp for tubes	400	188
12. Forging blooms and billets	300	132
13. Wheels, tyres and axles	100	30
14. TOTAL (1 to 13)	7300	4760
15. Pig iron for sale	1500	660-870

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Information Officer, National Productivity Council, 38, Golf Links, New Delhi.

The share of the private sector in the steel target is 3.2 million tons of ingots. The existing installed capacity of Tatas and IISCO is 3.0 million tons. The expansion of capacity for steel in the private sector is expected to come from the installation of scrap-based electric furnaces which will augment the supplies of billets to re-rollers. The supply of billets to re-rolling mills from the main producers of steel is visualised at 1.0 million tons by the end of the Third Plan. As regards salable pig iron, the output from the private sector is provisionally placed at about 0.3 million tons — to be achieved through expansion of iron making capacity based on low shaft blast furnaces and/or electric smelting of iron ores.

The levels of capacity to be reached by 1965-66 under these programmes in the public sector are as follows:

(Million tons)		
Scheme	Steel ingots	Pig iron
(a) Expansion of:		
Bhilai	2.5	0.3
Rourkela	1.8	—
Durgapur	1.6	0.3
Mysore Iron & Steel Works ..	0.1	—
(b) Bokaro Steel Project ..	1.0	0.36
(c) Neyveli Pig Iron Project ..	—	Capacity to be still decided

The Neyveli Pig Iron Project on which considerable preliminary investigations have still to be conducted in regard to the process as well as the raw materials intended to be used, represents an intermediate stage towards the establishment of a steel plant of about 0.5 million tons in the Southern region. The financial provision included for this scheme in the Third Plan covers mainly the requirements of a high temperature carbonisation plant for the production of lignite coke.

The expansion programme of the Mysore Iron and Steel Works comprises mainly the spill-over expenditure on the ferro-silicon plant and provision for steel making by the L.D. process and for a light structural mill.

The layout of the new steel plant at Bokaro is being planned for a capacity of 2.0 million tons of steel ingots, but as the first phase of development it is proposed to install facilities for the production of 1 million tons. This plant is expected to specialise in the production of different types of flat products. The exact types to be produced in the first phase and the nature of the finishing facilities to be provided there-of are currently under examination.

On the completion of these development programmes, the capacity for mild steel of the public sector steel works will be raised from 3 million tons to 7 million tons, making along with the capacity of the private sector a total of 10.2 million tons of ingots.

The overall investment required for the public sector steel development programmes included in the Third Plan is estimated at Rs. 525 crores. This is inclusive of the investments required for increasing the production of lime-stone at Nandini and iron ore at Dalli Rajara and Barsua in the case of the expansion programmes. It also includes the investments required for the additional production of coal and iron ore for the Bokaro steel plant and the expenditure on townships at all the four steel works.

The total production of finished steel in the country during the Third Plan period is tentatively estimated to be of the order of 24.1 million tons, inclusive of an output of 0.3 million tons from the Bokaro steel plant

in 1965-66. The annual break-up of production is visualised as follows:

ESTIMATE OF FINISHED STEEL PRODUCTION

Year	Million tons
1961-62	3.5
1962-63	4.0
1963-64	4.3
1964-65	5.5
1965-66	6.8
TOTAL	24.1

On the basis of the above forecast of production and of the tonnages of different end-products likely to be available, shortages are expected to be significant, particularly in the initial years of the Plan period, in the case of flat products, e.g. tin-plate, sheets, skelp and plate. This will call for the formulation of a scheme of priorities for determining the allocation of flat products to different classes of consumers. Prima facie, it should be possible to narrow down the margin between the demand and the indigenous supply of steel products in short supply by free inter-change of steel ingots between the public sector plants, so as to achieve the most intensive use of the rolling mill facilities for flat products. This possibility should receive attention in production planning in the light of the situation that may obtain from year to year.

The output of the main producers of steel will include electrical steel sheets produced by TISCO and at Rourkela. Similarly, finished steels turned out by the producers operating on electrical furnace billets and by the ordnance factories will include spring steels and free-cutting steels. The level of production of these special varieties of mild steel will be related to the demand estimate for 1965-66 placed at 75,000 tons for spring and free-cutting steels and 70,000 tons for electrical steel sheets.

TOOL, ALLOY AND STAINLESS STEELS

The manufacture of tool, alloy and stainless steels has been assigned a very high priority in the Third Plan from the point of view both of the requirements over the five-year period and of the probable long-term growth of demand for these products. The demand estimates for 1965 and 1970, which have been kept in view as a guide for planning in this field, are indicated below along with the end-product pattern of the public sector project to be established at Durgapur.

PROJECTION OF DEMAND

(Tons of finished steel exclusive of electrical steel sheets, spring steels, and free-cutting steels)

Varieties	Demand in 1965	Demand in 1970	Output capacity
Tool steels ..	42,000	70,000	13,000
Constructional Steels ..	100,000	241,000	17,500
Stainless steels ..	50,000	68,000	17,000
Die and other alloy steel ..	8,000	10,000	500
TOTAL ..	200,000	389,000	48,000

The projected Durgapur alloy steel plant will incorporate some of the latest equipment and processes for the manufacture of these products developed recently in advanced countries. It is proposed to install electric-soaking pits in preference to gas-fired pits. The desirability of using sponge iron instead of scrap as the starting raw material and of introducing continuous casting facilities is expected to be kept in view in connection with the further expansion of this plant.

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In the current phase of development, it is planned that the plant should draw supplies of pedigree scrap from the adjoining Durgapur steelworks. The outlay on the project is estimated at Rs. 50 crores in all, of which Rs. 20 crores would be the foreign exchange element.

The Ordnance Factories of the Ministry of Defence are expected to function as a second source of supply of alloy steel in the public sector. The combined output of the Ishapur and Kanpur Ordnance Factories, mainly in the category of constructional steels but including some output of spring steels as well, is estimated at 50,000 tons.

The rest of the developments in this industry are envisaged in the private sector where additional production facilities will be planned having regard to the deficits in different categories of these products still outstanding.

OIL PROSPECTING IN ASSAM

The agreement between the Government of India and the Burmah Oil Company for further exploration of oil in Assam has been signed. The agreement provides for reconstitution of Oil India Limited, a company in which the Government at present has 33-1/3 per cent share and the BOC 66-2/3 share, on 50 : 50 partnership basis. The reconstituted Oil India shall be given a licence for oil prospecting over an area of 18,000 sq. miles in North-East Assam, adjacent to its present concession area of Nahorkatiya, Hugrijan and Moran.

The following are the other main provisions of the agreement:

1. The Burmah Oil Company shall sell part of its holdings of Oil India stock to the Government at par to raise the latter's share to 50 per cent from the present level of 33-1/3 per cent.
2. The Board of Directors of the reconstituted Oil India Limited will consist of 8 members, four of whom will be Government nominees and the other four representatives of the Burmah Oil Company. The Chairman of the Board will be alternated every year between the two partners. The first Chairman will be representative of the Government. The Managing Director of the Company will be selected by the Board of Directors from a panel to be submitted by the Burmah Oil Company. The Financial Director will be selected from a panel to be submitted by the Government of India. The tenure of office of both the Managing Director and the Financial Director will be restricted to five years at a time.
3. The Burmah Oil Company will provide all the foreign exchange required for oil exploration in this area and its development at a later stage. The Government will provide the rupee finance.

4. The crude which is available from the Nahorkatiya-Moran oilfields and which will be found in the area for which the new prospecting licence is to be granted shall be sold to the Government for processing at the Nunmati and Barauni refineries. Small quantities will also be made available to the Digboi refinery whose own crude reserves are nearing exhaustion.

5. The price of crude will be fixed on the basis of FOB Persian Gulf prices, minus a certain discount, plus ocean freight, plus insurance and plus ocean loss to Calcutta. The discount will be a variable factor to be fixed in such a way as to enable the Burmah Oil Company to declare a dividend to its shareholders at the rate of 9 to 13 per cent per annum, exclusive of all taxes (even the tax on dividends). Normally, the net return to the shareholders will be 10 per cent. This, it is understood, has been done taking into consideration the long-term and heavy investment which the B.O.C. will have to make in Oil India.

6. All the expenditure which Oil India has so far incurred or will incur on exploration and development will be taken into consideration for income-tax purposes.

The agreement also provides for exchange of products between the Nunmati and Barauni refineries on the one side and the Digboi refinery of Assam Oil Company on the other. The prices which the Indian Refineries Ltd. will charge from the Assam Oil Company for its products will be the same that it will charge from Oil India Ltd.

The authorised capital of Oil India Ltd. is Rs. 50 crores. The paid-up capital is Rs. 28 crores. No increase in the paid-up capital is envisaged in the near future.

The first exploratory well in the new concession area is expected to be spudded in before the current year is out.

OIL IN THE THIRD PLAN

According to Planning Commission, a project report is to be obtained in the near future for setting up a high viscosity index lubricating oil products manufacturing plant in the public sector. The Government is also considering a proposal for setting up a similar plant in association with private enterprise. Refining of oil and manufacture of petroleum products during the Third Plan period, otherwise, will be entirely in the public sector.

The Third Plan programme for oil development also includes prospecting of oil in various parts of the country, completion of the two refineries under construction at Nunmati and Barauni and the establishment of a third refinery in the public sector to process

WANTED

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Cambay-Ankleshwar crude. This refinery will be set up somewhere in Western India and will have a capacity to process 2 million tons of crude per annum. External credit and technical assistance for it has been assured by the Soviet Union.

The product pattern of this refinery will be designed to cover, as far as feasible, the possible deficits

in kerosene and diesel oil.

The estimated requirements of end-products of oil by 1965-66 and the expected output from all the refineries, both in the private sector and the public sector, which are in operation at present or are envisaged to go on stream during the Third Plan period, are as follows:

ESTIMATED REQUIREMENTS OF PETROLEUM PRODUCTS

('000 tons)

End-products	Estimated requirements by 1965		Refineries in operation (private sector)	Refineries under construction (public sector)	Total production	Deficit or surplus
	As given in Draft Outline	As estimated by Oil Advisory Committee in March 61				
1. Kerosene	2,200	2,660	916	366	1,282	-1,378
2. High speed diesel oil	1,800	2,607	1,064	514	1,578	-1,029
3. Motor spirit	1,300	1,123	1,023	514	1,537	+ 414
4. Aviation turbine fuel (ATF)	300	408	—	189	189	— 219
5. Aviation spirit	60	53	—	10	10	— 43
6. Furnace oil	2,200	2,753	1,619	311	1,930	— 823
7. Light Diesel Oil	700	872	511	208	719	— 153
8. Bitumen	700	628	394	120	514	— 114
9. Jute Batching Oil	100	80	47	—	47	— 33
10. Vapourising Oil Mineral turpentine	—	130	46	—	46	— 84
10. Lubricants	500	409	21	50	71	— 338
TOTAL:	9,960	11,723	5,641	2,282	7,923	-4,214 + 414

The estimated requirements of furnace oil, however, might prove to be higher than those mentioned above if fiscal incentives are given to encourage industries situated away from coal-fields to switch-over from coal to fuel oil. The matter is under examination of the Government of India.

In common with several other countries, India is likely to face during the Third Plan period, a problem of imbalance between the output of motor spirit (gasoline) and demand for it. While exports have so far provided a outlet for surplus gasoline, its disposal in this manner is expected to become more and more difficult in future in view of the all-round expansion of refining capacity in the neighbouring countries. It is proposed to solve this problem by adopting the following measures.

1. The production of middle distillates will be increased as far as the technological advances permit. The question of increasing the production of kerosene and HSD by changing the specifications in the flash point of these two products is being examined.

2. Proper fiscal measures will be designed, as has been done to some extent in 1960-61, to check the growth of consumption of high speed diesel oil.

3. Efforts will be made to promote the use of mixed fuels which will reduce the demand of HSD and increase the consumption of gasoline. The existing diesel vehicles, it is thought, can use mixed fuels containing upto 10 per cent gasoline without any change affecting in them.

4. The surplus of motor spirit is also envisaged to be reduced or avoided by diverting the light distillate (naphtha) from which motor spirit is made, to other productive use such as manufacture of nitrogenous fertilizers and petro-chemicals. It has already been decided to use naphtha for the production of fertilizers at Trombay, Visakhapatnam, Gorakhpur and Ennore.

It is also proposed to set up a project in the public sector for the fractionisation of the Nahorkatiya natural gas to isolate ethylene, butenes and other aliphatic hydrocarbons and make them available to petro-chemical industries to be established in Assam. The residual gases are proposed to be supplied to the Nahorkatiya fertilizer factory and the power plant planned for establishment close to the petro-chemical plants.

EXTERNAL ASSISTANCE

The Aid-India Club has promised to make available assistance to the tune of 2.25 billion dollars for the first two years of the Third Five-Year Plan. Of these \$1,045 million will be available from the United States, \$364 million from West Germany, \$250 million from the United Kingdom, \$80 million from Japan, \$56 million from Canada, \$30 million from France and \$400 million from the World Bank and International Development Association. The U.S. promise of aid is subject to approval by the Congress. West Germany, besides providing aid to the tune of \$364 million, will make available \$61 million in 1963 for refinancing the Rourkela loan.

Aid to the tune of \$1,295 million will be available during 1961-62 and the rest \$930 million in 1962-63. The following are the details:

Source	(\$ million)	
	1961-62	1962-63
World Bank and I.D.A.	250	150
U.S.A.	545	500
West Germany	225	139
United Kingdom	182	68
Japan	50	30
Canada	28	28
France	15	15
TOTAL	1,295	930

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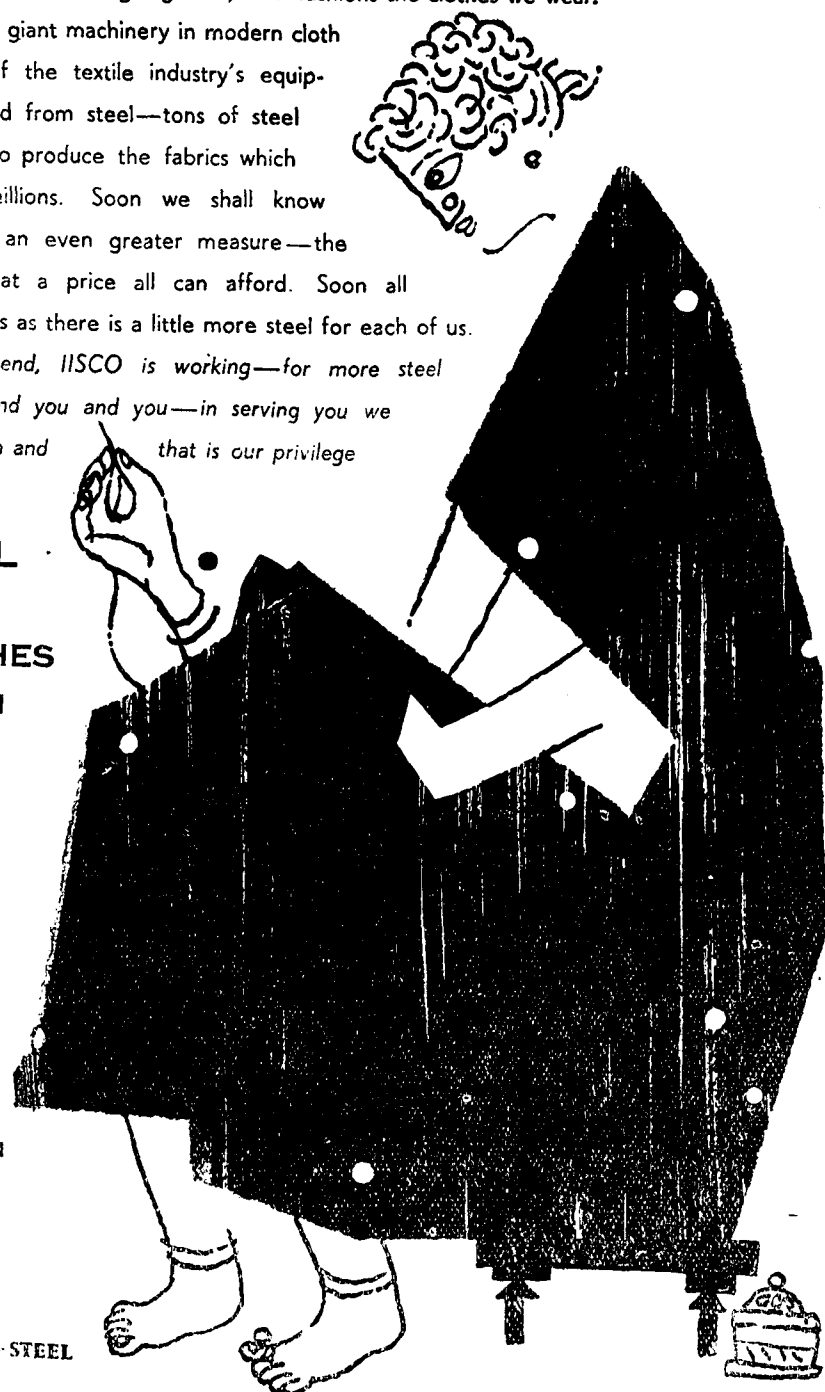
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Another meeting of the "Club" is likely to be held in October or November. It is hoped that the five members other than the U.S.A. will be coming forth with some additional assistance to match the U.S. contribution.

HALDIA PORT

Mr. Posthuma, the U.N. expert from Rotterdam, whose services were lent to the Government of India for rendering to her advice on the Haldia Port Project, is understood to have submitted his report. He is said to have cautioned against rushing through with the Project without assessing properly the hydraulic and other data. He is also said to have expressed serious doubts about some of the premises on which the Project is based. Mr. Posthuma's report obviously is of great significance because the World Bank is likely to be influenced by it while considering a request for a loan for the Project.

Mr. Posthuma, it is further learnt, has stated in the report that an outlay of Rs. 25 to 30 crores on the Haldia Project can be justified only if the port has an assured traffic of 4 million tons. The Government of India's present estimates put the traffic to be available for this port at only 1.5 million tons. This traffic is apparently far short of the minimum required to justify an expenditure of Rs. 25 to 30 crores.

Analysing the nature of the cargo likely to be handled at the Haldia port, Mr. Posthuma doubts whether adequate provision is really necessary to handle foodgrains and oil which will be the main items of import through this port. Foodgrains imports, he says, will be of a temporary nature. They should not be taken into consideration for any firm calculations of the traffic available for this port. He is understood to have rejected the suggestion of the Union Food and Agriculture Ministry to construct a silo at the port for the storage of grains. He says even if a silo were to be constructed at the port, it would have to be on the shore, away from the rail-head and the road which would connect the port with the hinterland.

About the suggestion of oil imports being handled at this port, Mr. Posthuma's view is said to be that as long as there are no concrete proposals by any oil firm, these imports should also not be taken into consideration while calculating the traffic available for the port.

Mr. Posthuma has stressed the importance of detailed hydraulic research before a decision is taken for the development of Haldia as a port. Silting of the Hoogly near Haldia which makes the depth of the stream variable would pose a big problem, he says. Provision of drinking water will be another problem which will have to be faced, since the Project envisages the construction of a township near the port. The water of the river that passes by the port is saline and therefore not fit for drinking purposes. Tubewells, nearly 700 ft. deep, will have to be dug to secure drinking water supplies for the township.

TRADE WITH NORTH KOREA

Letters have been exchanged between the Union Ministry of Commerce and Industry and the Democratic People's Republic of Korea for fostering trade between the two countries. Under the arrangement that has been finalised between the Governments of India and North Korea during the recent visit of the Vice-Premier of the latter, trade between the two

countries will be in terms of non-convertible rupees and on balanced basis. The goods that will be available for export from India to North Korea are ferromanganese, leather goods, textiles, handicrafts, vegetable oils, mica and shellac. North Korea will be supplying to India such goods as chemical fertilizers, electrolytic zinc, high-speed and special steels, anthracite and various types of equipment. The arrangement is initially for a period of one year commencing June 1, 1961.

Agreement has also been reached on the question of establishing offices of trade representatives in the two countries for promotion of trade relations.

NEW ISSUES

Four more companies have been granted consent by the Controller of Capital Issues for the issue of capital of various categories. The following are the details:

(1) **The United Malleable Company Private Limited**, a new concern floated in Maharashtra, has been granted permission to issue capital worth Rs. 1.25 crores in the form of 1,00,000 equity shares, of Rs. 100 each, and 25,000 cumulative redeemable preference shares, also of Rs. 100 each. The preference shares will carry a dividend of 9 per cent. The capital is required for the company's scheme for undertaking manufacture of iron pipe fittings in collaboration with M/s. Union Company of Ohio, U.S.A. The U.S. company will be investing in the capital of the Maharashtra company a sum of Rs. 40 lakhs in the form of plant and machinery. The Indian promoters will subscribe shares to the tune of Rs. 20 lakhs. The rest of the issue, Rs. 65 lakhs, will be offered for public subscription after the company has been converted into a public limited company.

(2) **The New Shorrock Spinning and Manufacturing Company** has been given permission to capitalise its share premium account to the tune of Rs. 28,11,250 for the purpose of issuing bonus shares to the existing equity shareholders at the rate of two bonus shares for every five shares held.

(3) **The Machinery Manufacturers Corporation** has been granted consent to raise further capital worth Rs. 25,07,200 in the form of equity shares of Rs. 10 each for consideration other than cash. 1,90,720 equity shares will be allotted to the company's existing equity shareholders on the sub-division of the existing shares of Rs. 100 each. The remaining 60,000 shares will be given to the Managing Agents in discharge of the loan of a like amount.

(4) **The Commercial Ahmedabad Mills Company** has been granted consent to capitalise Rs. 5,77,500 from reserves and issue 2,310 bonus shares of Rs. 250 each in the ratio of one share for every five held.

The consent order in all the four cases is valid for a period of 12 months.

DEVELOPMENT OF DEEP COAL MINES

The British National Coal Board expert, Mr. Elliott, is expected here in July in connection with Indo-British collaboration for the development of deep coal mines. He will be accompanied by four others, including the Chief Geologist of the Board, the head of production and development section of the Board and a shaft sinking expert.

COMPANY AFFAIRS

PHILIPS INDIA LIMITED

The Philips factory at Loni made a significant progress in local production of various radio components and metalware parts. The Company has taken steps to produce these components on large scale not only to meet its increased requirements for the manufacture of radio sets but also to sell substantially in the market. A four band transistor set produced by the Company at Calcutta was introduced. It is designed essentially for use in semi-urban and rural areas. It offers the owner a battery operated radio set with many added advantages including low operational cost. The manufacture of polyester ballasts in this factory is yet another step forward in the field of fluorescent lighting. Polyester, according to the Directors' report, has been used for the first time in this country for the production of ballasts. By this process it has been possible to reduce the size of the ballasts and also to improve the usual life and performance. There are also plans to manufacture a large range of specialised electronic instruments on a phased programme. Another special feature of the Company's manufacturing scheme has been that constant efforts are being made to feed small scale industries with a growing volume of orders for items which may be made by the ancillary industries with the Company's requisite technical know-how.

In December, the Company acquired the land, buildings and other assets of a lamp factory in Bombay which was previously owned by the Osler Electric Lamp Manufacturing Company Ltd. — now in liquidation. This factory was lying idle since 1958 and a team of experts belonging to this Company is now engaged in putting it in working order. The licensed capacity of this factory is nearly 5 million general lighting service lamps.

During the year 1960 there was a marked rise in the sales of the Company which was essentially due to expansion schemes introduced by the Company. The sales increased from Rs. 4.91 crores in 1959 to Rs. 5.55 crores in 1960. Profit for the year, before taxation but after providing depreciation of Rs. 19.04 lakhs, amounts to Rs. 62.96 lakhs. This compares well with the profit for the previous year of Rs. 58.82 lakhs. After making provisions for taxation the Directors have recommended the transfer of Rs. 2.90 lakhs to development rebate reserve. A dividend at the rate of 12 per cent, subject to tax, has been proposed by the Directors to be paid.

ANDHRA CEMENT

There has been an improvement in the working of the Andhra Cement Co. Ltd., Madras, during the year 1960 as compared to the previous year. The production and despatches were higher and naturally the sales too increased to Rs. 1.29 crores against Rs. 91.34 lakhs during the previous year. The net profit during the year came to Rs. 11.23 lakhs which was higher than the previous year by about 25 per cent. The Directors have proposed the payment of dividend at the rate of 10 per cent on ordinary shares, subject to tax, which will absorb Rs. 7.10 lakhs.

There were, however, certain restrictive factors operating against the achievement of rated capacity of production and the Company could not avail of improved market conditions. The Directors have pointed out that coal was the biggest handicap. Due to continuing short supplies of coal it was not possible to increase the production further. As normal supplies by road had considerably suffered and the Government

were advising the industry to draw supplies by sea-railroad, the cost of coal became prohibitive.

The Directors have introduced various improvements in the working of the factory and the mechanisation schemes for handling the raw materials at the mines are nearing completion and the supply has been extended to the quarries. The mechanised units are expected to go into full operation shortly.

AMAR DYE-CHEM

During the year to December 31, 1960, Amar Dye-Chem Ltd. recorded a profit of Rs. 62.11 lakhs after making provision for taxation etc. The Directors have proposed dividend on equity shares of Rs. 100 each at the rate of Rs. 12 per share. The proposed dividend on 20,000 new equity shares was at the rate of Rs. 7.50 per share. The sales of the Company's products improved slightly and went up from Rs. 1.72 crores in 1959 to Rs. 1.76 crores in 1960.

The Directors have succeeded in getting the loan of Rs. 15 lakhs in foreign currency for expansion programme. The import application for capital goods required for TPM plant has been submitted and licence is expected shortly. Moreover, the Company has been granted licence to manufacture 250 tons of reactive dyes and 260 tons of pigment colours. The Directors stated that the licensing committee has approved the application of the Company for the manufacture of 2,155 tons of intermediates and has recommended the issue of a manufacturing licence to the Company. The Company was granted licence in 1954 to manufacture 1,000 tons of betanephthol. The Government clarified the position that the licence was valid even this day and the Directors have decided to take up this project and the negotiations are in progress.

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COMMODITY NEWS AND NOTES

RICE CROP

The final estimate of rice production in India in 1960-61 is of 49,600,000 tons (in paddy equivalent), some 4,000,000 tons above that for the 1959-60 season, says the Commonwealth Economic Committee's Rice Bulletin issued in London on May 30. The estimate of production is revised upwards by some 2,400,000 tons, mainly as a result of new estimates of area and production in Orissa. The bulletin says that figures indicate that trade in rice in 1960, excluding Chinese shipments to the Soviet Union, reached a post-war peak of 5,800,000 tons; exports so far reported in 1961 show some upward tendency, consignments from Thailand being large. During 1960, Burma remained the largest exporter, shipping 1,700,000 tons—still, however, below the post-war peak figure of 1956. Consignments from Thailand, which had declined from the total of 1,700,000 tons in 1957, recovered to 1,200,000 tons. India's total imports during 1960 amounted to 222,000 tons, more than 198,000 tons of this coming from Burma.

ANOTHER 2-LAKH TON SUGAR RELEASE

The Government of India has decided to release 2 lakh tons of sugar this month. There will be no release for free sale from the factories in Uttar Pradesh, Bihar and Punjab, except a small quantity which will be released to each factory for sale at the factory gate. Allotments of sugar to Madhya Pradesh, Rajasthan, Uttar Pradesh, Bihar, West Bengal, Orissa, Madras, Kerala, Maharashtra, Gujarat, Himachal Pradesh, Assam, Manipur and Tripura from factories in the controlled region will be made only to the nominees of the State Governments. In the case of Punjab and Jammu & Kashmir, allotments will be made direct to the State Governments or their nominees. Allotments to Delhi will continue to be made on the existing basis. Allotments will be made at prices fixed under Notification No. GSR 1112/Ess. Com/Sugar dated September 15, 1960 and GSR 1/Ess. Com/Sugar dated January 2, 1961. The controlled ex-factory price for U.P. and North Bihar factories is Rs. 37.85 per maund and for factories in Punjab and South Bihar Rs. 38.35 per maund for ISS D-29 grade with the prescribed price differentials for other grades. The fixed f.o.r. destination prices in respect of allotments made to Kanpur and Calcutta

will be Rs. 38.60 and Rs. 39.85 per maund respectively for sugar of ISS D-29 grade.

TEA PRODUCTION IN CEYLON

The production of tea in Ceylon in the 12 months ending December 1960 with 473,709,149 lbs. was the highest ever recorded. The previous record was 431,129,800 lbs. in 1959. This high production figure was due to the adoption of better planting methods by both estate owners and smallholders of tea. Under the impetus given to the growers to use fertilizers and to adopt pest control measures, more and more tea growers were becoming yield conscious and reaping good results. The average yield some time back was 740 lbs. per acre. A number of estates and smallholders now get up to 2,000 lbs. per acre. The highest yield recorded for a single month last year was in May with 46,587,395 lbs. Last year 182 million lbs. of tea was shipped through Trincomalee harbour on the East Coast of Ceylon. This amounts to about 45 per cent of the total exports of tea from Ceylon.

TENTH SESSION OF THE INTERNATIONAL SUGAR COUNCIL

The tenth session of the International Sugar Council was held in London recently. The Council made a careful statistical survey, and although its forecast of import requirements this year was substantially higher than the forecast made at its February meeting, it calculated that supply and demand this year would be closely in balance on the basis of present quotas. This balance (at about 8.5 million tons) will be achieved largely because several members are expected not to fulfil their quotas, and these shortfalls are not to be redistributed under the resolution passed in February. The Council also modified the rule by which it fixed its own official price. Until the meeting the price was calculated as an average of the London and New York prices. Now the Council has decided that when these two prices differ by more than six points, the lower shall be taken and three points added to it to make the I.S.C. price. Some such change had clearly become necessary, owing to the fact that the only major supply of sugar at present available to the free market is Cuban, and this is explicitly banned from New York.

THE BRITISH INDIA CORPORATION LIMITED, KANPUR

BRANCHES DIVISION

Cawnpore Woollen Mills Branch Cooper Allen Branch
New Egerton Woollen Mills Branch North West Tannery Branch

LONDON OFFICE. BEGG SUTHERLAND DIVISION

SECRETARIES & TREASURERS

The Elgin Mills Co. Ltd. Cawnpore Sugar Works Ltd.
Cawnpore Textiles Ltd. Champaran Sugar Co. Ltd.
Brushware Limited Saran Engineering Co. Ltd.

Secretaries for: Beta Picker & Co. Ltd.

Royal Exchange Assurance.

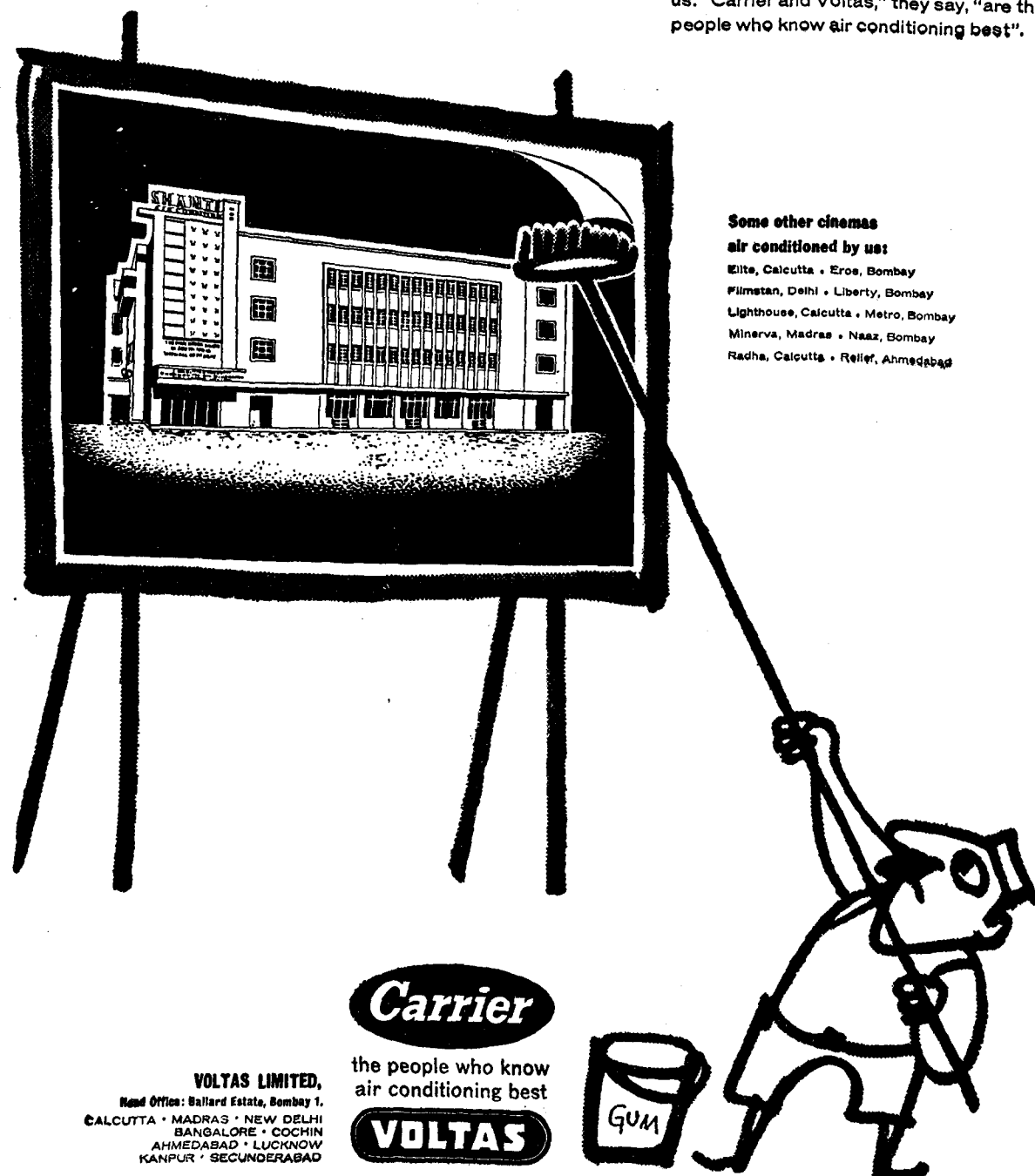
Carrier gets star billing at Shanti Theatre, Madras

We're star performers here and at many other leading theatres. Not exactly show people. We're not seen. Not even heard! But we're there all the same. Keeping audiences cool and comfortable throughout the year.

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Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES
(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Food articles & Tobacco	Liquor Light and Lubricants	Industrial Raw materials	Manufactures			All Comme- dities
					Inter- mediate Products	Finished Products	Total	
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	104.6
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105.5	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	117.1
1960-61	..	120.0	110.0	119.6	145.4	130.5	122.8	124.8
February	1960 ..	118.0	96.0	117.3	131.6	120.5	115.6	119.5
March	" ..	117.0	96.4	117.8	131.9	121.3	116.1	118.9
April	" ..	118.6	103.1	118.1	134.2	123.2	116.9	120.4
February	1961 ..	116.3	111.2	119.8	159.4	134.2	128.4	126.7
March	" ..	117.6	114.2	121.3	159.1	137.2	128.1	127.5
April	" ..	117.5	112.0	122.3	152.9	136.0	125.3	125.7
15-4-1961	..	118.1	112.2	120.9	152.1	136.1	125.0	125.8
22-4-1961	..	116.8	111.1	122.4	152.2	136.1	125.1	125.2
29-4-1961	..	118.0	111.1	122.3	151.9	136.2	125.2	125.8
6-5-1961	..	117.4	110.3	122.3	152.7	136.7	124.4	125.3
13-5-1961	..	117.6	108.4	122.3	153.8	136.9	124.7	125.7

*Revised.

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

Period	Bombay		Delhi	Ben- gal	U.P.	Central Provinces		Madras June 1936=100	Ludhiana†	Jamshedpur†	All India†
	Bombay	Bombay June 1934=100				Nagpur	Jubbulpur†				
1939 (Aug.-Dec.)	103	—	—	—	105	104	—	106	—	—	—
1954	342	359	244	138	327	408	373	139	341	148	138
1955	322	338	217	130	321	371	364	133	321	134	132
1956	336	352	244	142	347	424	397	151	358	152	145
1957	352	368	259	150	364	448	422	162	374	157	152
1958	376	394	274	150	384	468	447	165	401	157	161
1959	393	412	308	158	384	469	498	163	429	166	168
1960	401*	420*	296	158*	397*	476*	512*	165	462*	167	171*
1960 June	403	422	297	154	399	460	510	165*	462	167	171
July	404	423	302	160	406	484*	515	165*	467	169	174
August	402	421	304	160	410	484*	515	163	470	169	174
September	399	418	302	161	403	489	520	163	472	167	173
October	402	421	304	162	396	488	517	163	477	171	173
November	404	423	300	159	392	489	509	163	484*	171	171
December	400	419	297	160	385	478*	507	163	488*	169	171*
1961 January	400	419	296	161	385	480	—	165	470*	171	170*
February	—	420	—	163	—	487	491	165	474*	172	170*
March	—	423	—	164	—	483	488	—	479*	—	—
April	—	—	—	165	—	—	—	—	482*	—	—

†Base 1944=100. *Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT) WEEK ENDED

	26-5-1961			19-5-1961			12-5-1961			5-5-1961		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	120.25	118.85	119.73	119.55	118.25	118.90	122.00	119.20	119.94	122.05	120.65	121.30
Silver (per kilogram)	200.60	197.85	199.43	200.00	197.00	198.61	199.15	197.85	198.76	202.30	196.95	199.93

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. Lakhs)

LIABILITIES						ASSETS				
Period	Notes in Circulation	Notes Held in Banking Dept.	Total Notes Issued (a)	Gold & Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percent- age of (a)	Rupee Coin	Rupee Securities	Total Assets
1955-56	.. 1,339,39	17,08	1,356,47	40.02	656,52	696,53	51.35	106,87	533,06	1,356,47
1956-57	.. 1,475,77	18,75	1,494,52	40,02	545,61	585,63	39.95	115,93	755,22	1,494,52
				(117,76)		(663,37)	(44.37)			
1957-58*	.. 1,529,36	23,18	1,552,53	117,76	329,65	447,41	28.79	1,30,06	975,06	1,552,53
1958-59*	.. 1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
1959-60*	.. 1,730,90	19,86	1,750,77	117,76	167,62	285,38	16.30	131.50	1,333,83	1,750,77
Average of Fridays										
Feb. 1960	.. 1,803,57	18,74	1,822,31	117,76	163,01	280,77	15.41	126,73	1,414,81	1,822,31
March "	.. 1,836,41	16,63	1,853,04	117,76	163,01	280,77	15.15	124,00	1,448,28	1,853,04
April "	.. 1,887,42	17,25	1,904,67	117,76	163,01	280,77	14.74	127,16	1,496,74	1,904,67
Feb. 1961	.. 1,936,01	18,78	1,954,79	117,76	128,01	245,77	12.58	121,75	1,587,28	1,954,79
March "	.. 1,970,51	14,91	1,985,42	117,76	127,01	244,77	12.33	119,42	1,621,24	1,985,42
April "	.. 2,017,13	18,87	2,036,01	117,76	118,01	235,77	11.58	121,90	1,678,33	2,036,01
Week-Ending										
14-4-1961	.. 2,038,53	10,78	2,049,32	117,76	118,01	235,77	11.50	121,44	1,692,11	2,049,32
21-4-1961	.. 2,007,65	22,28	2,029,93	117,76	118,01	235,77	11.61	122,10	1,672,01	2,029,93
28-4-1961	.. 1,982,43	32,55	2,014,98	117,76	113,01	230,77	11.45	122,24	1,661,98	2,014,98
5-5-1961	.. 2,002,38	9,38	2,011,76	117,76	113,01	230,77	11.47	119,02	1,661,97	2,011,76
12-5-1961	.. 2,007,26	13,38	2,020,64	117,76	113,01	230,77	11.42	117,93	1,671,94	2,020,64
19-5-1961	.. 1,985,50	15,44	2,000,94	117,76	113,01	230,77	11.53	118,23	1,651,94	2,000,94

BANKING DEPARTMENT

(Rs. Lakhs)

Period	Deposits					Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad§	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Gov- ernment	Other Gov- ernments	Banks	Others	Total									
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
1955-56*	60,11	19,85	53,77	18,31	152,04	35,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
1956-57*	57,52	14,10	52,46	19,73	143,81	91,21	245,02	18,91	5,69	64,77	4,89	85,34	51,82	13,60
1957-58*	54,61	11,28	81,00	111,38	258,27	84,36	407,63	23,30	4,81	40,47	32,90	77,91	213,92	14,32
1958-59*	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,18	25,57	28,23	65,83	284,49	11,73
1959-60*	55,50	23,24	79,61	123,48	281,83	83,18	450,01	19,94	15,54	28,97	25,53	88,92	258,90	12,22
Average of Fridays														
Feb. 1960	54,68	25,82	75,76	107,57	263,83	92,51	441,34	18,82	19,84	41,08	23,97	123,39	200,73	13,52
March "	54,19	41,86	83,07	96,73	275,86	110,21	471,06	16,71	18,36	33,02	25,06	143,45	220,44	14,03
April "	62,66	21,36	90,66	100,04	274,72	119,50	479,25	17,33	47,71	21,96	41,01	117,33	219,04	14,86
Feb. 1961	61,59	20,90	72,74	91,55	246,78	112,68	446,95	18,87	51,64	26,19	37,71	152,41	142,06	18,07
March "	61,08	20,34	72,56	91,25	246,03	125,10	456,13	15,00	33,81	26,22	44,51	168,25	148,97	19,38
April "	59,70	8,73	77,38	101,68	247,48	134,15	467,38	18,99	55,31	10,60	84,08	135,28	142,78	20,37
Week-Ending														
21-4-1961	63,19	4,30	87,06	107,95	263,23	137,62	485,85	22,37	60,20	10,79	93,45	126,27	152,24	20,53
28-4-1961	51,63	18,31	78,16	115,15	263,25	138,74	486,99	32,66	40,76	10,32	84,00	125,47	172,91	20,88
5-5-1961	53,13	15,07	81,80	114,16	264,15	135,86	485,01	9,48	44,39	17,68	86,30	128,49	177,58	21,10
12-5-1961	56,53	14,20	78,28	114,31	263,32	144,75	493,07	13,47	43,00	21,94	87,89	133,80	171,78	21,19
19-5-1961	68,01	15,22	76,43	114,29	273,95	153,16	508,11	15,54	42,09	22,86	81,04	121,92	203,42	21,24

* Average of Fridays. **Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. †Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. §Includes cash and short-term securities.

DEPRECIATION OF MONEY

			Indices of Value of Money			Annual Rates of Depreciation Compounded		
			1950	1955	1960	'50-'55	'55-'60	'50-'60
			Base: 1950 = 100					
Philippines			100	104	94	-0.8%	2.1%	0.7%
Ceylon			100	96	93	0.8	0.6	0.7
Portugal			100	101	92	-0.2	1.9	0.9
Guatemala			100	91	91	1.8	0.0	0.9
Switzerland			100	92	87	1.6	1.1	1.4
Ecuador			100	83	84	3.7	-0.2	1.8
Belgium			100	90	83	2.1	1.7	1.9
Germany			100	91	82	1.8	2.2	2.1
India			100	106	81	-1.1	5.1	2.1
Lebanon			100	103	81	-0.6	4.7	2.1
United States			100	90	81	2.1	2.1	2.1
Canada			100	88	80	2.5	1.9	2.2
El Salvador			100	78	77	4.8	0.2	2.5
Pakistan			100	90	75	2.0	3.6	2.8
Italy			100	82	75	3.9	1.8	2.9
Netherlands			100	85	74	3.2	2.6	2.8
Denmark			100	83	71	3.7	3.0	3.3
South Africa			100	79	71	4.6	2.1	3.4
Ireland			100	79	69	4.7	2.5	3.6
Japan			100	74	67	5.8	2.0	3.8
United Kingdom			100	76	67	5.2	2.6	3.9
New Zealand			100	75	65	5.6	2.7	4.2
Norway			100	74	64	5.8	2.8	4.3
Sweden			100	76	64	5.3	3.5	4.4
Spain			100	88	61	2.6	7.1	4.9
Austria			100	67	60	7.3	2.1	5.0
Finland			100	80	58	4.3	6.3	5.3
France			100	76	57	5.3	5.5	5.4
Greece			100	64	57	8.6	2.2	5.4
Australia			100	66	57	8.0	3.0	5.5
Colombia			100	81	52	4.0	8.6	6.3
Iran			100	68	51	7.4	5.7	6.6
Mexico			100	65	49	8.3	5.2	6.8
Peru			100	71	47	6.6	7.8	7.2
Turkey			100	78	41	4.8	12.2	8.6
Israel			100	39	32	16.7	3.9	10.8
China (Taiwan)			100	45	28	14.9	8.8	11.9
Uruguay			100	59	21	10.0	18.4	14.8
Brazil			100	45	15	14.6	20.3	17.5
Argentina			100	44	9	15.3	27.6	21.7
Paraguay			100	14	8	33.0	11.1	22.8
Chile			100	18	5	29.1	23.6	26.4
Bolivia			100	7	1	40.5	34.6	37.6

Note: The shrinkage of currencies (Depreciation of money) is measured, inversely, by the rise in cost of living.

Source: Monthly Bulletin of the First National City Bank of New York.

DESTINATION-WISE, EXPORTS OF INDIAN TEA: 1950-60

			(Quantity In mil. lbs. Value In mil. Rs.)						
Country			1950	1955	1956	1957	1958	1959	1960
EUROPE									
United Kingdom									
Quantity	..	..	254.5	251.0	365.4	301.7	330.9	282.6	269.7
Value	..	..	421.0	739.6	988.9	823.6	894.8	757.1	754.0
West Germany									
Quantity	..	..	2.3	3.1	6.3	4.1	4.3	5.6	3.8
Value	..	..	6.4	10.3	21.1	14.0	14.5	19.1	13.4
Irish Republic									
Quantity	..	..	21.1	18.0	16.7	19.5	15.9	16.5	13.8
Value	..	..	41.5	58.1	44.2	55.1	42.3	47.1	39.9
Netherlands									
Quantity	..	..	5.3	3.0	4.9	1.9	2.8	3.4	3.2
Value	..	..	11.1	10.2	12.9	5.4	7.5	8.9	8.6
U.S.S.R.									
Quantity	..	..	3.1	Neg.	13.6	15.9	25.3	27.3	22.6
Value	..	..	4.7	Neg.	41.6	53.8	83.0	91.1	75.5
AMERICA									
Canada									
Quantity	..	..	23.9	16.3	22.6	16.9	19.0	16.0	15.4
Value	..	..	47.7	53.8	65.2	46.9	53.2	44.1	45.9
Chile									
Quantity	..	..	1.5	1.2	0.1	1.0	1.2	1.1	1.2
Value	..	..	2.3	5.2	0.4	2.6	3.1	2.9	3.3
U.S.A.									
Quantity	..	..	34.7	24.1	28.4	23.3	25.5	23.7	19.0
Value	..	..	72.3	77.3	78.4	64.1	65.8	61.3	52.7
AFRICA									
Egypt									
Quantity	..	..	4.0	12.8	23.1	16.8	25.5	25.8	31.7
Value	..	..	7.6	42.1	63.4	41.4	53.8	59.4	80.2
Sudan									
Quantity	..	..	—	3.3	6.7	4.4	14.0	23.6	8.7
Value	..	..	—	7.8	11.8	8.9	27.7	48.4	20.6
OCEANIA									
Australia									
Quantity	..	..	15.4	6.1	9.4	7.9	7.3	6.3	5.4
Value	..	..	27.8	18.4	23.1	17.6	16.5	14.4	12.4
New Zealand									
Quantity	..	..	1.5	1.0	1.5	1.6	1.2	1.6	1.1
Value	..	..	3.5	3.5	4.0	4.3	3.0	4.2	3.9
ASIA									
Afghanistan									
Quantity	..	..	—	2.3	2.4	1.5	2.8	5.7	7.4
Value	..	..	—	4.1	4.6	2.9	6.4	12.8	18.3
Aden									
Quantity	..	..	1.0	0.5	0.6	0.4	0.2	0.2	0.1
Value	..	..	1.4	1.4	1.1	0.8	0.5	0.5	0.3
Bahrain Islands									
Quantity	..	..	1.6	3.0	1.9	1.7	2.4	1.3	1.1
Value	..	..	2.8	9.6	4.1	4.2	5.7	3.3	2.9
Iraq									
Quantity	..	..	2.2	0.2	0.2	0.1	0.1	3.7	4.7
Value	..	..	4.5	0.5	0.4	0.2	0.3	8.9	12.1
Iran									
Quantity	..	..	8.3	10.7	8.3	9.9	12.0	7.6	7.8
Value	..	..	22.0	55.2	28.8	48.4	44.3	26.7	27.4
Kuwait									
Quantity	..	..	5.5	3.8	2.9	3.2	2.7	2.3	2.1
Value	..	..	10.6	13.2	6.5	7.9	6.6	5.4	5.4
Turkey									
Quantity	..	..	3.5	3.0	5.8	7.1	8.2	10.5	5.4
Value	..	..	8.1	11.5	15.8	21.4	23.7	28.3	15.8
TOTAL EXPORTS									
Quantity	..	..	403.2	367.5	523.6	442.7	506.0	472.5	430.3
Value	..	..	719.1	1,136.1	1,428.2	1,233.9	1,365.4	1,260.1	1,200.4

COAL STATISTICS

TABLE I

STATE-WISE PRODUCTION OF COAL: 1950-60

(Million metric tons)										
Period	W. Bengal	Bihar	Assam	Andhra	Maharashtra	M. Pradesh	Orissa	Rajasthan	Total	
1950	..	9.115	17.771	0.399	1.182	0.411	3.534	0.382	0.020	32.814
1951	..	9.800	18.885	0.474	1.226	0.423	3.650	0.490	0.034	34.982
1952	..	10.504	19.894	0.502	1.397	0.375	3.998	0.467	0.046	36.883
1953	..	10.389	19.396	0.491	1.293	0.314	4.219	0.498	0.035	36.555
1954	..	10.773	19.462	0.504	1.455	0.318	4.393	0.534	0.031	37.470
1955	..	11.520	19.734	0.552	1.495	0.352	4.594	0.562	0.029	38.838
1956	..	11.472	20.410	0.576	1.644	0.417	4.905	0.613	0.025	40.062
1957	..	13.893	21.443	0.589	1.951	0.634	5.132	0.540	0.018	44.200
1958	..	14.474	22.163	0.573	2.150	0.672	5.479	0.542	0.012	46.065
1959	..	15.198	22.730	0.650	2.266	0.685	5.639	0.620	0.024	47.812
1960	..	16.465	25.050	0.661	2.518	0.788	6.309	0.778	0.040	52.609

TABLE II

TRENDS IN PRODUCTION OF COAL DERIVATIVES: 1950-60

(In thousand metric tons)

Year		Soft Coke	Hard Coke		Total Hard Coke
			Collieries	Coke Plants	
1950	..	1,307.1	142.4	301.0	443.5
1951	..	1,291.2	108.3	285.2	393.6
1952	..	1,322.8	113.2	281.1	394.3
1953	..	1,510.3	130.6	279.5	420.1
1954	..	1,574.0	160.1	256.8	417.0
1955	..	1,675.1	261.3	253.5	514.8
1956	..	1,678.4	269.9	259.4	529.3
1957	..	1,749.2	292.1	291.9	584.0
1958	..	1,814.0	374.2	307.9	682.1
1959	..	1,810.1	356.4	427.3	783.6
1960	..	1,816.0	204.2	481.5	685.7

TABLE III.

EMPLOYMENT TRENDS

Average Daily Number of Workers Employed

Period		Underground	Open Working	Surface	Total
1952	..	182,353	29,148	129,237	341,738
1953	..	181,973	28,866	126,957	337,796
1954	..	181,280	28,457	122,583	332,320
1955	..	187,593	30,161	122,861	340,615
1956	..	187,068	29,823	116,499	333,390
1957	..	200,192	33,880	115,604	349,676
1958	..	208,205	40,973	114,721	363,899
1959	..	208,651	41,204	114,285	364,140
1960	..	217,046	48,069	115,161	380,276

TABLE IV.

COAL STOCKS

(At the end of each period)

('000 metric tons)

Period		At Pit-head	With Industries
1951	..	2,824	2,356
1955	..	3,675	1,949
1956	..	2,810	1,735
1957	..	3,331	1,467
1958	..	2,808	3,130
1959	..	2,729	2,650
1960	..	3,458	2,513

TABLE V.

STOCKS IN RELATION TO PRODUCTION

('000 metric tons)

Period		Production	Stocks at Ratio of stocks	
			Pit-head	to production
January	1960	.. 4,182	2,739	0.65
February	"	.. 4,365	3,018	0.69
March	"	.. 4,434	3,117	0.70
April	"	.. 4,453	3,272	0.73
May	"	.. 4,421	3,546	0.80
June	"	.. 4,207	3,578	0.85
July	"	.. 4,123	3,556	0.86
August	"	.. 4,204	3,306	0.79
September	"	.. 4,212	3,163	0.75
October	"	.. 4,339	2,931	0.68
November	"	.. 4,638	3,015	0.65
December	"	.. 5,099	3,458	0.68
January	1961	.. 5,137	3,886	0.76

JUTE STATISTICS

JUTE CROP FORECAST

(India and Pakistan)

State	1960-61			1959-60		
	Area (⁰⁰⁰ acres)	Crop (⁰⁰⁰ bales)	Bales per acre	Area (⁰⁰⁰ acres)	Crop (⁰⁰⁰ bales)	Bales per acre
West Bengal*	7,20	19,87	2.76	8,24	21,70	2.63
Tripura	15	41	2.73	20	20	3.00
Assam	2,99	8,13	2.72	3,34	11,14	3.34
Bihar	3,63	8,39	2.31	3,99	9,57	2.40
Orissa	1,00	2,61	2.61	75	2,12	2.83
Uttar Pradesh	32	89	2.78	33	92	2.79
All-India	15,29	40,30	2.64	16,85	46,05	2.73
East Pakistan	30,60	99,68	3.26	30,47	96,55	3.18

* Including Cooch-Bihar.

EXPORTS OF JUTE MANUFACTURES FROM INDIA

					('000 tons)				
Country	1957	1958	1959	1960	Country	1957	1958	1959	1960
Commonwealth					Foreign				
United Kingdom	.. 38.3	56.8	53.3	54.3	United States	.. 220.7	216.0	256.2	265.3
Australia	.. 100.7	82.1	72.8	76.2	Burma	.. 26.6	9.3	14.8	6.1
New Zealand	.. 16.9	19.5	15.6	17.6	Cuba	.. 54.5	42.7	25.2	40.6
Ghana	.. 4.1	4.2	3.5	6.8	Argentina	.. 66.4	63.6	53.4	38.5
Nigeria	.. 18.2	6.1	9.4	10.6	Indonesia	.. 15.7	14.4	21.1	22.0
Canada	.. 34.0	37.2	40.1	40.8	Thailand	.. 23.9	13.8	14.4	12.2
Other Commonwealth	56.6	47.5	36.8	37.0	Egypt	.. 49.4	20.1	21.9	35.2
					China	.. —	7.7	51.9	32.5
					Peru	.. 10.7	6.6	10.1	7.9
					West Germany	.. 2.3	6.1	12.8	19.2
					Netherlands	.. 1.6	6.0	4.0	3.9
					Belgium	.. 3.7	7.3	9.6	13.0
					Soviet Union	.. 8.2	16.0	20.8	28.4
					Other Foreign	.. 114.4	94.9	112.5	89.5
Total Commonwealth	.. 268.8	253.4	231.5	243.3	TOTAL EXPORTS	.. 866.9	777.9	860.2	857.6

EXPORTS OF JUTE MANUFACTURES*

(From Six Leading Countries)

				('000 tons)		
Country	1959	1960	Percentage change of (2) over (1)			
	(1)	(2)	(3)			
India	860.2	857.5	— 0.3			
Pakistan	189.9	185.7**	— 2.2			
United Kingdom	15.2	16.3	+ 7.2			
Belgium	43.6	51.0**	+ 17.0			
France	27.0	29.3**	+ 8.5			
West Germany	12.2	12.8	+ 4.9			
TOTAL	1,148.1	1,152.6	+ 0.4			

* Covering woven piece goods, bags, sacks, webbing, yarns, carpets, etc. but excluding old bags.

** Estimated.

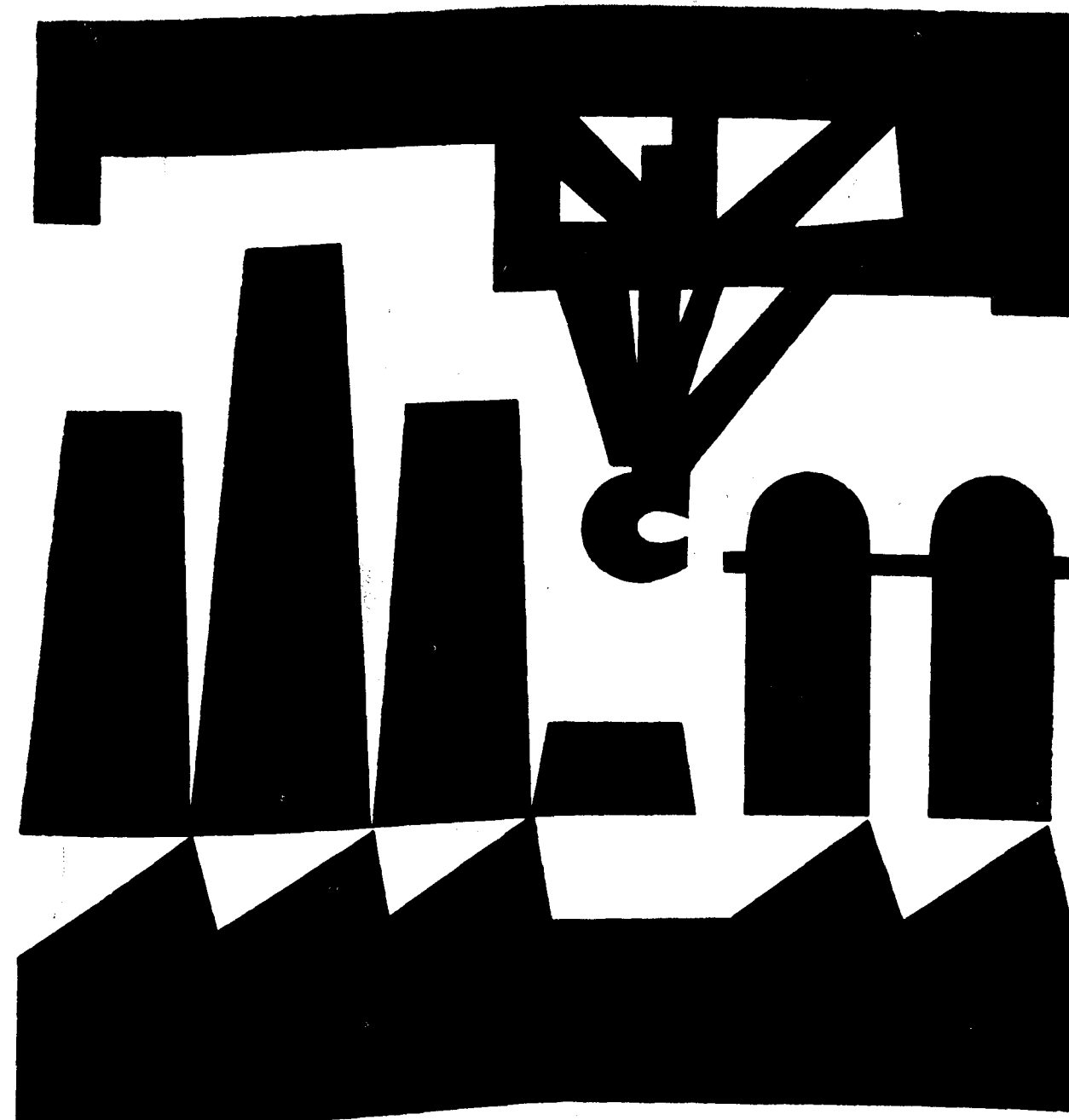
OUTPUT OF JUTE MANUFACTURES

(In Major Producing Countries)

				('000 tons)		
Country	1959	1960	Percentage change of (2) over (1)			
	(1)	(2)	(3)			
Cloth						
United Kingdom	79.9	82.2	+ 2.9			
France	65.3	66.3	+ 1.5			
West Germany	56.8	58.0	+ 2.1			
Belgium	36.7	34.9**	— 4.9			
India*	1,051.5	1,067.1	+ 1.5			
Pakistan	232.9	266.4**	+ 14.4			
Total	1,523.1	1,574.9	+ 3.4			
Yarn						
United Kingdom	137.7	141.8	+ 3.0			
France	81.6	85.9	+ 5.3			
West Germany	72.0	72.6	+ 0.8			
Belgium	77.9	76.6**	— 1.7			
Total	369.2	376.9	+ 2.1			

** Partly Estimated.

* Including small quantities of other manufactures, namely carpets, webbing, rope, twine, yarn etc.



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The Eastern Economist

JUNE 16, 1961.

Stability for Orissa

THE verdict of the electorate in Orissa has taken the entire nation by surprise. By all competent forecasts, there was little prospect of any of the two parties, which formed the coalition, winning a clear majority, not to speak of the other parties. The outlook, therefore, appeared depressing — a coalition yielding the balance of power to the smaller parties in the first instance and its eventual replacement by the President's rule. In either case it was a prospect of instability and retardation of progressive policies indispensable for the development of the State in any sphere. The surprise is that the electorate gave an unequivocal verdict for stability. This is very likely a case of robust commonsense influencing judgment in the right direction after the experience of the futility of the coalition.

Orissa had never been a stronghold of the Congress and never since Independence had the Congress (or for that matter any other party) been returned to the legislature with a decisive majority. The roots of this imbalance are to be found in a large degree in the feudal traces left on the political life of the State by the vanishing princely regimes and, even after their extinction, today the western districts bear witness to this phenomenon. But there is the other side to the medal — the deterioration of the Congress organization. Between the first and second general elections the Congress Party's influence was on the wane. The Ganatantra Parishad derived the greatest accession of strength from it, while the Praja Socialist Party and the Communist Party also benefited in a marginal degree.

The tables have now turned. The Ganatantra Parishad has retained 37 seats as against 51 in the previous House, the Praja Socialist Party 10 with a loss of 1, the Communist Party 4 as against 9 and the rest of the candidates 7, making a combined opposition strength of 58. Some regret will be felt for the total effacement from the legislature of the Jarkhand Party, which, with its 5 in the last House, stood firmly by the Congress Party, when its fate was hanging precariously in the balance before the coalition with the Ganatantra Parishad was formed. The electorate has swept the Congress into power with a solid strength of 82 in a legislature consisting of 140.

Soon after the honeymoon was over, the coalition in operation brought the painful realisation that it was to the benefit neither of the State nor of the Congress Party. The younger element in the Congress Party was convinced of the compulsion of having to make a supreme effort to re-

trieve the position. The first stage was accomplished with infusing order in the organisational wing of the Party. The tussle between the old and the young inside its ranks persisted with a vengeance after the emergence of Mr. Bijoyanand Patnaik as the Chief of the Pradesh Congress Committee. He led a sustained and powerful offensive against the continuance of the coalition as this marriage of convenience was fast turning to be awkward. The coalition broke under the weight of the attack from the dominant element in the organizational wing.

Mr. Patnaik launched another move to secure a mid-term election as procrastination until the general election might cost the Party dearly in terms of loss of self-confidence and prestige. He argued vehemently that the opportunity must be seized, but it was obviously not unaccompanied with possible risks. The decision was made, but not without hesitation and reserve. The struggle between the young and the old created a cleavage and as many as 35 dissident Congressmen contested the election as independents, while Dr. Hare Krushna Mehtab deliberately stayed aloof.

The outcome was not altogether predictable. Mr. Patnaik's organizational capacity and mastery over the Party's electioneering machinery were valuable assets. But the significance of Mr. Nehru's personal extra attention can hardly be missed. The thirteen election meetings which he addressed were a record for a State of Orissa's size and strength of the electorate. Reliance on the popularity and influence of the top leaders may pay rich dividends, but it is short-sighted policy. However, the electorate hardly had an alternative. It could not trust the Ganatantra Parishad to deliver the goods, while the remaining parties suffered from their stature.

It is a younger generation which is being called upon to assume the reins of power in Orissa. Political immaturity and lack of experience may quite likely involve errors of judgment with their possible repercussions on the administration. Their magnitude is minimised in the advanced democracies by a build-up of the second line of leadership. In Orissa the failure of the older leadership has hastened the inevitable experiment. Since it is inevitable in other States, too, the transition can be made less abrupt, if the change is incorporated in the ministries that will be formed after the next general election. Orissa's mid-term election has this profound significance for the whole country.

India's Mounting External Liabilities

THE Reserve Bank of India periodically surveys India's foreign liabilities and assets to determine the annual inflow of foreign capital both

on the official and non-official accounts. The latest survey published in May issue of the Reserve Bank of India bulletin outlines the mag-

nitute of the foreign investments in India upto the year 1959 alongwith some preliminary estimates for 1960. The Survey indicates that since 1955, India's foreign liabilities have nearly trebled, while the assets stand reduced to half. This may be illustrated with precise figures. The total external liabilities of the Indian Union by the end of 1955, both on the private and the official accounts, including the banking sector, were Rs. 714 crores only. By the end of 1960, they had risen to Rs. 1,914 crores. The rise during the last three years was, on the average, of the order of Rs. 300 crores per annum. On the other hand, the assets indicated a steady depletion from Rs. 1,226 crores in 1955 to Rs. 641 crores in 1960. The fall in India's assets and the rise in liabilities had the net effect of accumulating a debt of the order of Rs. 1,785 crores. It was in 1957 that the Indian Union had changed over from a creditor nation to a debtor nation. While the net overall investment position at the end of 1955 indicated assets of the order of Rs. 512 crores, the scales had turned against India by the end of 1960 indicating liabilities of the order of Rs. 1,273 crores.

The increase in liabilities occurred, by and large, on account of the official sector. It is common knowledge, however, that practically all the borrowed capital went into investment in the public sector undertakings. There are clear indications, because of the heavy need for external assistance for the Third Plan period, that this position of rising external liabilities is likely to shoot up during the next five years as well.

Which are the countries that lent funds to the official sector for India's economic development during the last five years? Here the United States of America has taken a lead over all the other countries. According to the preliminary estimates, the public sector liabilities to the United States of America were as high as Rs. 615 crores in 1960 as against a mere Rs. 92 crores in 1955. The United Kingdom occupied the second position with the level of India's liabilities at Rs. 137 crores, followed by West Germany at Rs. 105 crores and the USSR at Rs. 53 crores. A significant feature is the role played by the International Institutions in respect of which this country's liabilities are of the order of Rs. 213 crores — second only to those owed to the United States.

Salesmanship in Exports

ON the basis of an analysis of India's foreign trade over the past decade, the Planning Commission has arrived at four fundamental conclusions which have been set out in detail on pages 1402-06 of this issue. Apparently, there is hardly anything new about these conclusions. They have been discussed threadbare in numerous policy communiqués issued by the Government in the recent past. Even when the disease has been diagnosed, there is something wrong with the prescription of the remedy or probably with its application; otherwise export earnings would have responded to the treatment.

The four basic points discussed by the Planning Commission, namely, curtailment in domestic consumption, mobilisation of public opinion in favour of exports, diversification of the export trade, conducting of marketing surveys abroad and making the industries more competitive miss the one basic cure of aggressive salesmanship. There is ample evidence to show that it is the lack of a concerted policy in salesmanship which has been responsible for the failure to produce

The countrywise preliminary figures for foreign business investment in the private sector are not available for 1960, but the firm figures available for 1959 indicate that the United Kingdom alone accounted for nearly two-thirds of the total business investments. Out of the total investment of Rs. 611 crores at the end of 1959, the U.K. alone was responsible for Rs. 400 crores. The I.B.R.D. and the United States came next virtually as equals with Rs. 83 crores and Rs. 82 crores respectively. The inflow of business capital when analysed according to industries showed a high preference for manufacturing industries, though petroleum alone accounted for nearly one-fifth of the total. A large number of miscellaneous industries employed nearly one-third of the total investment.

The rate of foreign investment both for the public and the private sectors was more than Rs. 350 crores per annum during the last 3 years of the Second Plan. In the Third Plan, it is likely to be a little higher than Rs. 500 crores per annum. The loans promised by the Aid-India Club for the first two years of the Third Plan and the anticipations in respect of the last three years of the Plan indicate that external assistance of the order of Rs. 2,600 crores envisaged for the Third Plan will be available. The basic fact which needs to be stressed is that the repayment of these debts is likely to be a big drain on India's future foreign exchange earnings. It is reasonable to expect that the repayment of the loans for the Third Plan will be spread over a long period to avoid a sudden and severe strain on India's balance of external payments. Nevertheless, it is here that fresh thinking needs to be undertaken now so as to prepare the country for the contingency of outflow of the capital of this spectacular size. The strategy must be planned from now on inasmuch as increasing the capacity of the economy to develop the potential to earn foreign exchange is an arduous and time-consuming task. The industrial structure of the country must be moulded afresh so as to make it export-oriented. In a subsequent article, this aspect of the problem has been discussed. In the self-sustaining economy a high priority will have to be given to the accelerated expansion of the export surplus.

helpful results in the case of both traditional and non-traditional commodities. It is defeatism to think that India's traditional exports cannot be pushed higher. In fact, even today they can capture new markets if salesmanship of the right type and order could be mobilised. The sale of tea is a case in point. It was assumed erroneously by the Tea Board that in a country like Italy there is no scope for sales; but it has been demonstrated that, with aggressive salesmanship, Ceylon has succeeded in exploiting that market. Today, no one in Italy talks of "Indian tea". It is "Ceylon tea" everywhere.

The art of salesmanship has been very well cultivated by certain other nations, particularly, Japan. All over the world, the Japanese firms have earned a unique reputation for their dogged perseverance in pursuing the sale of their products. In every major city in the world, the Japanese salesmen are to be found knocking at the doors of prospective clients till they capture orders for their firms.

The Indian industrialists have succeeded in making their entry into certain markets, but they have committed the costly blunder of not following up their sales to consolidate and expand those markets. This has been a grievous failure. In the field of the light engineering goods, Indian industrialists were able to carve out a place in the international market because of the competitive character of their goods, but a poor follow-up technique has caused a loss of the market as readily as it was acquired.

But enterprising salesmanship can produce enduring results only if the products offered in the export markets are of acceptable quality, justifying the prices demanded. Indian goods can enter and consolidate their position in the international markets on the score of competitive prices and superior quality. This is the burden of various official and non-official marketing surveys in the European countries in respect of the products

The Muslim Convention

THE present is a delicate phase in the political life of the country fraught with the danger of a recrudescence of communalism. The potential threat which it holds to the state has brought a sense of urgency in making an agonizing appraisal of the forces that have been responsible for it. The appointment of the A-ICC's Committee on National Integration and the prolonged discussions that followed its report are clear pointers to the gravity of the situation. It was inevitable that the Muslim community should feel the necessity to give a vent to its feelings.

But the Muslim convention held on June 10 and 11 can hardly be explained exclusively in terms of this phenomenon. The developments at Jabalpur and elsewhere combined to create a sense of serious apprehension in the minds of the members of this community. They obviously provided the immediate occasion for holding the convention. But there were other important factors responsible for it. The Jamiat-i-Islami saw in this situation an opportunity to make a bid to capture mass support among the Muslim community. It is common knowledge that the idea of the convention was mooted by this organisation. The Jamiat-ul-Ulema with its known secular complexion could hardly allow its case to go by default. It was virtually hustled into endorsing the idea of the convention and considerable activity went behind the curtain before an agreement was reached to send invitations to the delegates in the individual names of the leaders and not on behalf of the two parties.

The outcome has not been as embarrassing as it was apprehended. Most of the delegates, who took prominent part in the open sessions of the convention, exercised realism, moderation and restraint. There was no doubt some display of irresponsible attitudes as disclosed in the charge levelled against the Government of keeping the Muslim community economically backward under planned development. Such outburst of temper is perhaps excusable where multitudinous delegates participate in the deliberations. But it hardly represented the deeper mood of the community.

Feelings which disturbed the minds of the leaders who had assembled were freely ventilated and grievances found a prominent place. In essence, a fairer deal was demanded in the matter of education, employment in public ser-

offered to highly sophisticated consumers in these markets. While a number of individuals and delegations from this country have visited the foreign markets during the past few years, they have not, it seems, imbibed the vital lesson of attention to quality. It is unfortunate that a domestic market insulated from external competition and subject to tight supplies should divert attention partly from the markets abroad. This attitude is detrimental to the long-term stability of our export trade.

In our frantic search for an effective export drive we have got lost in too many committees, councils and delegations and tended to pay insufficient attention to business-like remedies. The establishment of export houses is a case in point. A stronger instance is the proposal of linking imports with exports. It implies an element of compulsion to export and austerity in consumption. But this price is not high for the results it will procure.

vices and in business and industry. They betray some confusion of kind. It is not at all clear how it lies within the power of the Government to entertain the grievance in respect of better placement of the members of the community in trade, commerce, and industry. These are essentially matters in which individuals have to raise themselves by their boot-straps. Likewise full and equal access to opportunities for education is available to all irrespective of any affiliations. If the present level of education of any community is not up to the national average, it is obviously a handicap handed down by the historical past.

It would appear that the demand for greater opportunities for education and larger scope for employment in the public services, presumably on the basis of reservation, has been encouraged by the policy which is being pursued by some of the State Governments in relation to what are presumed to be backward classes. If there are specific cases of discrimination shown against this community, the State Governments certainly owe a duty to investigate them and grant redress where it is due. But it cannot be ignored that the policy of reservation is repugnant to the ideal of a secular state and the transition during which it is to enure ought to be terminated in regard to all the classes within the shortest possible period of time. The crutches of concession produce a sense of diffidence and privilege, from whatever source it may be derived, creates vested interests which seek to perpetuate it.

But in its broad approach the convention took a helpful attitude in giving the right lead to the Muslim community to align itself with the forces of secularism. It denounced the communalism of all organisations of any complexion. The main resolution which the convention adopted made a fervent plea for national integration calling upon the members of the community to pull their weight in the hard struggle for its consummation. National integration is as much an emotional problem as it is a social and economic challenge. The pre-requisite of its achievement is an orientation in the outlook of all the communities in the population. The appeal made at the convention for more vigorous identification of Muslims with parties based on political and economic ideologies shows the correct way out of the present state of confusion of mind.

THE WEEK'S NOTES

Port Labour

STRIKE WITHDRAWN

THE PROJECTED strike of the port and dock workers on a nation-wide basis, which was to commence on June 15, has been withdrawn. This is a sequel to the negotiations carried on between Mr. Raj Bahadur, Minister of State for Transport, and the trade union leaders. The basis of the compromise is the acceptance of the report of the Jeejeebhoy Committee's recommendations in its report, recently released. It was in pursuance of the agreement reached by the labour leaders with the Prime Minister in 1958. If the trade unions showed unseemly haste in issuing the strike notice without exploring any other means of settlement, the Government can hardly escape blame for letting the relations deteriorate by the leisurely manner in which it was dealing with the Jeejeebhoy Committee's report after it was tendered to it. Apparently, the extreme step taken by the Union hustled the Government into releasing the report.

From the published summary, it is obvious that the Committee has spared no pains in doing full justice to its very onerous and complicated task. The Jeejeebhoy Committee has evolved a comprehensive scheme for the emoluments of port and dock labour on an all-India basis. This is not to say that there is no room left for regional modifications. Within a narrow range differences in wages, justified by regional or local conditions, are bound to result. But the outstanding contribution of the Committee is that regional disparities, which are grossly in evidence today, have been reduced to the bare minimum. Because of this objective, the distribution of benefits from the Committee's recommendations will produce varying impacts on the workers' pay-pocket at different ports. Calcutta port stands to gain utmost, while Madras and Visakhapatnam come next. On the lowest rung of beneficiaries come the workers from Bombay Port. This rectification was long overdue.

There can be no going back now on the report of the Jeejeebhoy Committee by any of the parties. Press reports indicate that a section of the trade union leadership maintains the view that the issue of basing the revised pay scales on the recommendations made by the Second Pay Commission is still open because there are divergent views about it. The divergence, if any, exists between the different unions. The Bombay Port Trust Union is opposed to the application of the Pay Commission's formula. But the Government has made its position clear that autonomous corporations or enterprises must be governed by their own pay scales.

By the very complicated and comprehensive nature of the revision of scales, precise calculations of the new emoluments will require time. But the history of the dispute utters a warning that inordinate delay in implementing the recommendations may unsettle the happy relations now established.

Geneva

ANOTHER DEADLOCK DISSOLVED

THE FIVE-DAY long deadlock at the Geneva Conference on Laos has been dissolved and the work of the conference has been resumed. The capture of Padong by the Pathet Lao forces was by any test a major violation of the cease-fire agreement and the

Western allies could not be expected to pursue the peace talks under the indirect threat of war. Effective cease-fire is an absolute pre-condition of the uninterrupted course of negotiations at Geneva, but the problem of securing such a cease-fire seems difficult.

The violation of cease-fire was indulged in by the Pathet Lao for no other purpose than that of bringing high pressure for the formation of a coalition government in Laos. It is to repeat the obvious to state that a coalition holds the key to a real solution of establishing a neutral Laos. But a coalition would hardly be a real solution, if the parties to it do not demonstrate their bona fides to observe solemn agreements. The Pathet Lao's seizure of Padong raises an important question: What sanction is there that it will respect the neutrality of the country after the coalition is formed? An international guarantee for this purpose is imperative. The Geneva conference has to hammer out a solution to this end. It would, however, be naive to suppose that the conference will have smooth sailing in the pursuit of this goal and a few more deadlocks like the last one may not be ruled out. On the very first day of the resumed session, Mr. Gromyko declared his government's opposition to vesting the International Control and Supervisory Commission with greater powers for effective functioning on the ground that it did not want to turn the Commission into a super power to guard Loatian neutrality and independence.

Kerala Speakership

CONVERSION OF CONVENIENCE

LIKE MARRIAGE, conversion of political faith has its variety. Sometimes conversion may be genuine, based on a conscientious change in conviction; but on occasions it may also be for sheer convenience. Mr. Mohammed Koya, who was elected Speaker of the Kerala Assembly on June 9, was the leader of the Muslim League Legislature Party, and he, of all the persons, was the least expected to undergo a quick metamorphosis in faith. But as soon as the Congress High Command gave the green signal to the State Congress Legislature Party to support an independent candidate of the minority community, Mr. Koya announced his change of faith — as much in the interest of his own former party as to oblige the Congress Party.

Out of 127 seats in the Kerala Legislative Assembly — with one more rendered vacant at present by the death of the former Muslim League Speaker, Mr. Seethi Saheb — the Congress holds 64, the Praja Socialist Party 17, the Muslim League 10, making a total of 91 for the coalition parties (now euphemistically called the "alliance"), while the Communist Party holds 29, the Revolutionary Socialist Party 1 and Independents 5. Looking at this balance in the strength of the parties, one may wonder whether some sort of understanding with the Muslim League is at all indispensable for the Congress at the present time. But obviously it has to keep the unpredictable stability of party alignments in the State in view. There is an immediate consideration also. The municipal and panchayat elections in Kerala which are to be held shortly seem to have weighed with the Congress in not alienating the Muslim League — and the general election is not far off. The Congress Party may create an illusion that it has observed the Durgapur directive

not to have any truck with communalist parties, but it will be for itself only. In this sorry drama, the Muslim League Party has emerged with enhanced reputation for a spirit of accommodation. Last time it gave up its claim to a ministerial seat and rested content with the Speakership of the House. Now it has shown accommodation by allowing the conversion of its leader on the plea, which its spokesmen have taken the precaution to publicise, that this price cannot be grudged in the interest of the democratic alliance.

All India Radio

THE TWENTY-FIFTH MILESTONE

A LITTLE more than half the career of the All-India Radio belongs to the post-Independence period and this in reality is the major period of its development with vitality. On the eve of Independence, the AIR operated only with 6 radio stations, but today their number has rapidly grown to 28 with 60 transmitters. As the project of installing 57 more transmitters will be completed in the near future, the AIR will serve seven-tenths of the country's population. The range of its news broadcasts in the regional languages at home covers 97 bulletins and the foreign broadcasts have now reached the figure of 16. This story of development in figures does not complete the full picture of the AIR's real achievement as it celebrates its silver jubilee. Its cultural programmes have attempted to forge some sort of unity in music, art, drama, and so on. In the domain of music, it has attained good results. It has introduced the Karnatak music to the North and the Hindustani music to the South.

But there is something to be recounted on the other side of the balance-sheet. The attempt to bring unity in diversity has proceeded in somewhat artificial directions and one cannot fail to see in it a lack of organic growth. There is the important issue of the quality of the programmes. It may even be questioned with sincerity whether the quality does not reflect the choice of some of the commentators and artists and others invited to broadcast. This weakness is not lessening, but it may threaten to increase. It would appear that one major handicap from which the AIR suffers is its basic character as an appendage to the Government. Whether it is in the field of reporting the activities of the party in office, or in the presentation of the news or other programmes where non-official commentators are concerned, there is a deep lurking fear that the views may be attributed to the Government, since they are allowed to be expressed over the AIR. The AIR has to make up a tremendous lee-way to develop its news service with initiative and enterprise to establish its independent personality. Summaries of ministerial speeches and their activities are broadcast not necessarily within the limits merited by their importance. Healthy publicity of the five-year plan projects has become a vital function of the AIR, but the adoption of the line of convenience has produced a tendency to harp on the plan targets with relatively less attention focused on progress or otherwise. The demand for the conversion of the AIR into an autonomous corporation has ceased to be a hardy annual during the discussion on the budgetary demands for lack of responsive consideration. But has it ceased to be a genuine issue?

Punjab

AGGRESSIVE DEFENCE

MR. PRATAP SINGH KAIRON'S unexpected action in rounding up fifty Akali leaders in different parts of the Punjab speaks for great indiscretion. In his Press

conference he failed to give any reasonable explanation of the circumstances which forced his hands to take this drastic step. When the opposite party is poised for an attack, it may be an appropriate strategy to launch anticipatory action by way of an aggressive defence. But there is no evidence that the Akali Dal was in a position to organise its forces for direct action or even a morcha. Mr. Kairon's assertion to the effect that internal dissensions render the Akali Party incapable of undertaking an organized move fits ill with the precipitate step he has taken. In the aftermath of the fiasco of the last Akali morcha, its ranks have still not been able to overcome their sense of frustration with their leadership. The present is one of the phases in which the hold of the Akali leaders on their followers is weak.

This may perhaps explain why Master Tara Singh hit upon the emergency strategy of fast unto death. It is some satisfaction, however, that it has been scheduled to start after a long time on August 15. A fast may very likely cause an emotional wave of agitation, but the Government can hardly allow itself to be coerced by it. Precisely for this reason, Mr. Kairon ought to have stayed his hands. He should have taken the angry, but empty, speeches made by some of the Akali leaders for what they are worth. But by taking the unwarranted and hasty step of large-scale arrests, he has provided them with the slogan of unprovoked suppression as a rallying cry.

Germany

QUEERING THE PITCH FOR TENSION

THE INSCRUTABLE character of Soviet intentions in its diplomatic moves was vindicated at Vienna. The memorandum on Germany and West Berlin, handed over to Mr. Kennedy by Mr. Khrushchev at Vienna, along with a separate memorandum on a treaty for a ban on nuclear tests, leaves little doubt that Mr. Khrushchev wanted to revive the issue of German re-unification and the status of West Berlin to create further tension and, if possible, to give a jolt to Western solidarity. There is hardly any other inferable intention behind the memorandum since Mr. Khrushchev had ceased to talk about German re-unification for quite a long time now.

There is little that is new in the proposals contained in the memorandum. Mr. Khrushchev has made it clear that, if East and West Germany do not come to an agreement on re-unification, the Soviet Union would reserve its discretion to enter into a unilateral peace treaty with East Germany. This would be preparatory to perpetuating the division of Germany. As for West Berlin, the suggestion in the memorandum for stationing of the "symbolic contingents" of the four big powers to safeguard the free status of West Berlin is tantamount to asking the Western powers to abdicate their obligations in West Berlin and to vacate their rights—obligations and rights which are grounded on solemn international agreement. West German reaction to these proposals was quite obvious and Dr. Adenauer quickly issued the official rejection of the plan. The implications of the Soviet proposal are that once a separate treaty is signed by it with East Germany, the Western powers would be driven to approaching the East German authorities for continuance of access to their protective troops in West Berlin. The question of communications with West Berlin would thus be left to the arbitrary decision of East Germany. The proposals are not calculated to help a solution of the problem.

The World Abroad

INVESTMENT IN HUMAN BEINGS

By
ODYSSEUS

IN MEDIAEVAL TIMES to be the messenger of a general was a tricky job. If you reported a victory to the emperor, he would reward you with whatever loose jewels or gold mohurs that he had handy. But if you bore news of defeat, the emperor was likely to vent his anger on you by having you executed on the spot.

I was reminded of this when I finished reading "Indian Economic Policy and Development" (Allen & Unwin, London, 1961, 16sh.) by Professor P. T. Bauer of London University. This book offers a strong and detailed indictment not only of India's planning targets but of the methods employed. Professor Bauer observes that advocates of foreign aid to developing countries have "until recently" considered it axiomatic that aid should be given regardless of the policies pursued by the recipient government. Professor Bauer says bluntly that any suggestion that foreign aid should be granted to underwrite Indian economic planning should be rejected — not because of the cost to the U.S.A. and to the West but because of the cost to India. Because such aid would push India further towards a completely socialised, totalitarian, economy, in which the range of choice of individuals is severely limited, both as consumers or producers, and in which the state is all powerful; and this political result is being promoted by an economic policy the most important parts of which do not promote either a rise in living standards or progressive modifications of an obsolete social structure, but retard them.

After some hesitation, I decided that I would be failing in my obligations to you if I did not report the Professor's arguments in some detail, because they are not put forward by some obscure crank but by a leading economist, whose views are influential. My role is that of the messenger who reports, because the Professor makes out a case, which must either be answered — or accepted.

WHAT IS "INVESTMENT"?

The Professor begins by pointing out that the widespread idea that development depends essentially on investment is responsible for enormous waste in all developing countries. By wrongly justifying all expenditure called "investment", it encourages spending regardless both of cost in terms of alternative uses of resources, and of the repercussions of their transfer. Indeed, in current talk, all expenditure, other than on current consumption or government services, is called "investment" and regarded as productive of income. This encourages (a) wasteful expenditure, and (b) a wide range of controls in the belief that they are necessary to permit a particular level of investment expenditure. These controls are likely to hinder (a) the economic allocation of resources and (b) their growth.

An even more important consequence of this obsession with investment expenditure is that it leads to the neglect of other factors which promote development, such as the expansion of resources other than capital, the spread of the exchange economy, of education, primary and technical, of the movement of persons between districts and regions, and the emergence of

the attitudes of mind needed to make a modern economy work.

The Professor is thinking here of the caste system. He readily concedes that, historically, caste served valuable social and political purposes. But it is incompatible with a modern exchange economy. It wastes talent by preventing large numbers from pursuing more productive work than that in which they are engaged; it restricts occupational mobility; it sows the spread of new ideas and methods. By restricting the tasks which individuals or groups may perform, it results in an enforced uneconomic division of labour, and in unnecessary or enforced duplication of equipment, including even simple tools, when these can't be used by members of different castes. In particular, the members of the Scheduled Castes are officially estimated at 51,000,000, but unofficial estimates, such as those of Professor R. Mukherjee, suggest that the total is nearer 70,000,000. The disabilities of such a substantial proportion of the population constitute an important economic burden.

Professor Bauer says that the Central Government is trying to relax the hold of caste by propaganda, as well as by special educational facilities for the Scheduled Castes, and by the construction of some wells for them. "But", he asserts, "the effort . . . is very limited". Moreover, the operation of various economic controls, especially the licensing of industrial and commercial activities and the restrictions on the movement of agricultural products and on the activities of traders, obstruct circulation between districts and regions and between occupations, which slows up the disintegration of the caste system, and of the uneconomic attitudes of mind that go with it. Various restrictions on emigrations also diminish opportunities for individuals to move away from some of caste's most powerful strongholds, especially in south India.

SLAUGHTER OF CATTLE

Professor Bauer notes that recent legislation has prohibited the killing of cattle in various States, including Uttar Pradesh, Madhya Pradesh, Mysore and Rajasthan. Elsewhere there are often municipal ordinances prohibiting slaughter. The Uttar Pradesh law, he says, also prohibits the sale, or transport for sale, of all beef products. Besides its immediate effects in decreasing India's already scanty food supply, the attitude promoted by these new laws restricts the scope of animal husbandry, decreases the supply of milk, and obstructs progress in agriculture. The net result is 180,000,000, or one quarter of the world's total — which compete with the people for food.

Professor Bauer estimates the number of beggars in India as one million. He points out that their uneven incidence among different ethnic groups suggests that this large number is not solely a result of India's poverty. There are no beggars among the Parsees and few among the Sikhs. The beggars represent a mediaeval attitude incompatible with a modern economy and are a burden upon it. The absence of any social stigma in begging and the popularity of religious mendicants,

cants, says the Professor, are linked with the contemplative, non-experimental, and fatalistic outlook of large sectors of India's population, and this also slows economic advance.

The Professor lists other social customs, such as the joint family system, which obliges even modestly prosperous people to share their income with even distant relatives, and severe restrictions on the activities and opportunities of women. He emphasises that his object in so doing is merely to catalogue the many factors — other than a lack of investment capital — which impede India's economic advance. He points out that, given the opportunities, Indians are just as capable of energy and enterprise as any people in the world, as is proved by the enormous commercial and industrial success of many millions of Indians who have emigrated to other countries, where such qualities as industry, thrift, endurance, and the ability to exploit economic opportunity, are not frustrated by unprogressive social structures. The outstanding success of Indians abroad, he says, "suggests both their capacity for economic advance, and also the stifling effects of their home environment."

It is equally his contention that the governments could do much to promote attitudes that help material progress, loosen the bonds of custom, and to widen the alternatives open to people by the spread of education and the improvement of communications.

It is equally his contention that the Government's Five-Year Plans, far from promoting material progress, widening social horizons, and opening up more and more opportunities for the individual to exploit, are actually serving to consolidate the forces of inertia. He condemns the planners' constant over-emphasis on investment in physical plant, and the neglect of the development of human capital, both by formal education and by modifying the traditional attitudes which restrict the activities, energies, and individual enterprise of the people.

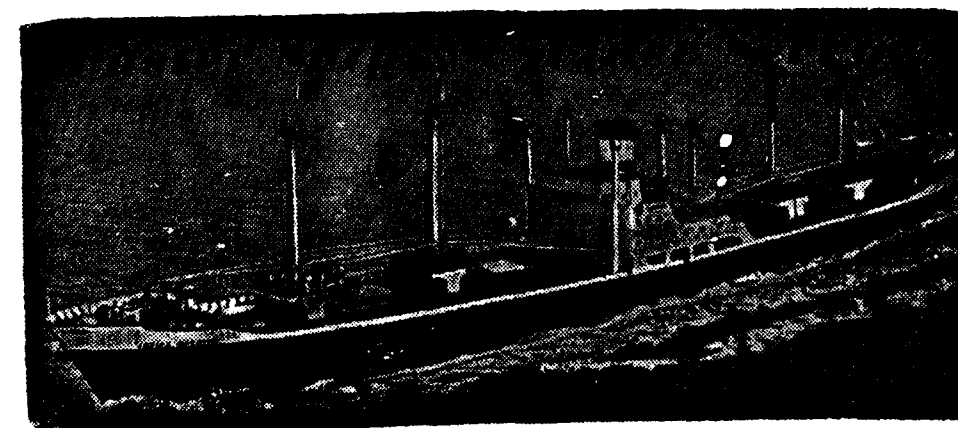
The massive investment in establishing capacity in the heavy industries is, says the Professor, unlikely to promote development commensurate with its cost.

One reason for this is neglect of education. The development expenditure on education in the Second Plan is between one-third and two-fifths of that on the large and medium industries in the public sector. Development expenditure on elementary education is about half the cost of the three public sector steel plants; it is less than the corresponding figure in the First Plan, despite the rise in prices, the increase in population, and doubling of total planned outlay. The small expenditure on education affects not only its amount but its quality. About one-third of elementary school teachers are completely untrained, and school teachers have very low incomes and status. In contrast to its enthusiastic references to heavy industry, the Second Five-Year Plan (page 505) says that the pace of improvement in education is to depend partly on "local contributions" and "local community efforts". Under the Plan's targets by 1960-61 only 22.5 per cent of children between the ages of 11 and 14 were to receive free, compulsory, primary education. (One wonders how far this target has been achieved).

Professor Bauer would like to see a bigger educational effort linked with measures to increase productivity, especially of agriculture, because he considers that education is essential to attack the anti-economic aspects of the social structure. He also notes that India's ability to use the vast and potentially invaluable fund of Western technological and administrative knowledge, vitally important for economic advance, is substantially reduced by prevailing attitudes, especially in the rural areas.

With education, the Professor links roads as vital to social and economic advance. India's roads are inadequate in extent and in quality, and investment in their improvement is urgently necessary to widen the human contacts of hundreds of millions of villagers. I agree with the Professor that this would help to spread the exchange economy, and I add that it would also help to counter the separatist tendencies that exist in India.

Next week, I will report some of Professor Bauer's criticisms of India's actual planning. Meanwhile, don't shoot the messenger.



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The European Scene

HOW TO READ THE FINANCIAL JOURNALS

From Our Special West European Correspondent

PARIS, June 10.

ONE of the perplexities of the West European business man today is the veritable avalanche of economic information that comes pouring over his desk. Financial journalism was always well developed on the Continent, where every capital has more economic dailies and weeklies than London (most of them of little value whereas none can boast single publications of the prestige and reliability of the 'Economist' or the 'Financial Times'). The Common Market has swollen this flood, and the harassed business man finds himself confronted with a rising tide of literature in four or five languages. He experiences, in the face of it, both irritation and awe because he knows that somewhere in that pile of print there is information that is absolutely vital to him, and yet he cannot hope to read half of it. The British business man is slightly better off, in that his sources of information are fewer, more dependable and more succinct, but even he could not hope to get his work done if he had to read through most of the first-class information available, plus the specialised papers that relate to his own trade, plus the foreign material (British business trades more widely than any other, and thus has more markets to watch than the "insular" North Americans or Continentals).

The Indian business man, to his loss, seems to be better off still, in that the quantity of information at his disposal is relatively modest. This is not the fault of the financial press, which probably provides most of what is available, but of the unorganised, poorly integrated and undeveloped state of the Indian economy. Even so, the volume of material now at the disposal of the Indian business man (and it is increasing regularly) is more than he can cope with unless he knows how to get the best out of it. The old system of giving the morning paper and one or two financial weeklies to a babu with instructions to underline in red ink every reference to the sort of goods the firm makes, no longer suffices because he might faithfully underscore every mention of "jute" or "diesel motors" but he would probably skip stories about money supply, plan allotments, new advances in bulk handling and the monthly foreign trade figures.

In sum, the problem of getting the most use out of the mass of business literature at hand confronts, in varying degrees, business men everywhere. I suppose the only background that could really guarantee that a business man read his financial press to the best advantage would include a degree course in economics, a year in a bank, a stockbroker's office and on the staff of a business paper, some special training on the compilation of index numbers, plus many years' experience in his own line of business. This being impossible, there must be a reader guide. Someone has written a book called "How to Read a Financial Paper," which should be compulsory for any business man who thinks such a book unnecessary. Some organs of the financial press over here have lately been looking into the question, with the aim of improving the service they provide and of assisting their readers. The leading Italian business daily conducted a readership survey to find out how people made use of its columns, and a French economic weekly has just held a round table of bankers, business men and officials to decide just what information an entrepreneur should take note of in his reading. In attempting a

synthesis, I realise I shall make the two contrary errors of telling some people what they already know, while recommending attention to indicators that do not exist in India. My excuse is that the business man must have some sort of systematic approach to that pile of print he finds on his desk, and all good systems include both the banal and the impossible, the obvious and the ideal: you start with a system and go on from there.

I have known operators in the Calcutta stock market whose system for reading the business papers was simple: you scanned the weekly Reserve Bank statement for the note supply, arguing crudely that a bigger circulation meant inflation and thus higher prices for almost everything; you kept tab of the monthly jute goods statistics and the reports of the iron and steel companies; for the rest, you relied on gossip. This is all right as far as it goes (though I hope illusions on the first point have now been removed) but it does not go far enough. Instead, the studies referred to suggest a ten-point programme for reading the business news — to which I shall add another.

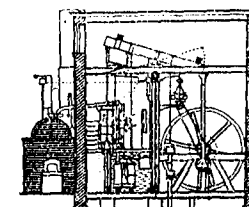
The first is definitely forecasts by the Government or Planning Commission of movements in the gross domestic product over the coming year and over the remainder of the plan period, plus whatever clues they give about the likely evolution of industrial production, investments, consumption and exports. Experience has shown that these figures are not gospel truth, even in West Europe where national plans (for all that they have less coercive force than other plans) have on the whole made sound predictions. But then no one indicator, even if of perfect accuracy, is enough by itself to determine action in business; the art is to frame an opinion after studying a handful of indicators, which may contradict each other over the short run. Of that handful, the global predictions of government and its planners are definitely the most important. In many industries, no man has the right to frame an investment programme or a sales campaign unless he has taken account of official forecasts of the movement of the GNP in the relevant period, plus, if available, the other forecasts mentioned above.

The second piece of information concerns the state of business confidence. In every country some institution makes a periodic survey of the expectations of business men about (a) the evolution of the whole economy and (b) the evolution of their own branch, over the next quarter, or some such period. These are most valuable when completed by indications about the volume of investment contemplated in that period and about the likely course of demand, as well as output. Here again, such forecasts are not foolproof: a perfect sample of business men can be wrong about their affairs in the next quarter. But they are infinitely more reliable than the informal and haphazard sentiment-testing that business people indulge in all the time: "I met so-and-so last night and he thinks such and such".

The next three points all relate to the demand for labour. Statistics are published over here for the length of the average work-week, both for all industry and for special branches. Failing consolidated statistics, all the information available is valuable because variation in the last few hours of the work-week (e.g. from 48 to 46 hours) is the most important single

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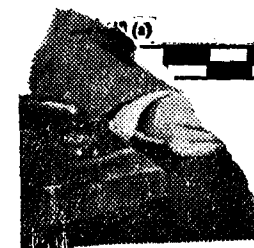
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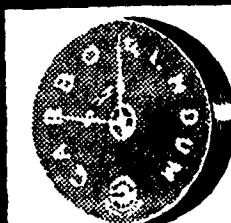
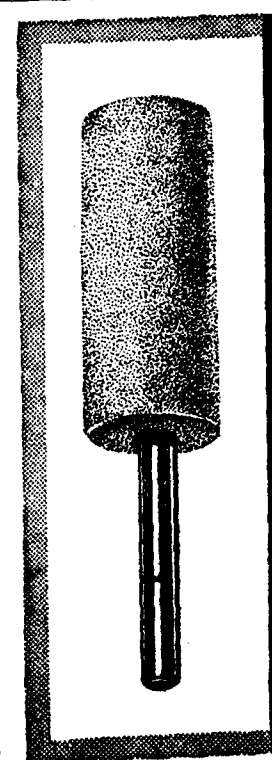
By GUY SIMS FITCH

WASHINGTON, June 6.

NOW that the United States economy has begun moving up strongly again, that old word inflation also is beginning to be heard in the land. Not that many experts really believe that inflationary forces, which could accompany a sharp rise in demand for goods and services, are an imminent threat. But they are not ignoring the possibility. This is all to the good, since, in the words of the old adage, forewarned is forearmed. Thus, in President Kennedy's recent message to Congress on meeting urgent national needs, one finds both an assurance and a caution about inflationary dangers. Assurance lies in the current availability of industrial capacity, manpower and material resources. It offers the promise of further significant increases in economic activity and demand, without setting in motion serious inflationary forces. Caution lies in the possibility that unjustified price and wage increases during economic expansion could release those forces. Such increases, the President noted, would handicap not only full recovery at home, but also the U.S. ability to compete abroad. This latter point obviously refers to the need for maintaining the high level of U.S. exports, a strengthened balance of payments and gold position and international confidence in the U.S. dollar.

Much has sometimes been made of the fact that the U.S. dollar has been losing buying power at an average annual rate of about 2.1 per cent during the past decade or so. Now comes a study by the first National Bank of New York which shows that in actuality the U.S. dollar has fared rather well. This is particularly true in comparison with other currencies. Of 43 currencies examined, the dollar ranks seventh in its annual depreciation. Of the industrialized nations, only Belgium and Switzerland have shown better records. About on a par with the United States is West Germany with all others following behind, some by rather wide margins. Clearly then, inflation has not been unique to or particularly pressing in the United States. This is especially noteworthy since

United States activities in support of the security and prosperity of the free world have tended to exert pressure on the economy and on the dollar's buying power. In addition, the rather sophisticated mixture of measures to keep business dips under control and yet further economic expansion has tended to support not only economic activity but also to push living costs up. The basic question, to many economists, thus is not whether living costs have risen but whether the rise has been moderate and how it has affected the welfare of the American people. In the light of the first National City Bank Study, one can safely say that the shrinkage in the dollar's buying power certainly has been moderate. As to economic well-being, the average American has experienced a steady rise in the purchasing power of his earnings. Over the years, increase in all types of income, but most particularly in wages and salaries, has far exceeded the loss in the dollar's value. A study by the International Association of Machinists (IAM), one of the nation's leading labour organizations, shows, for instance, that since 1938 the cost of living has more than doubled, but that at the same time factory wages have gone up from an average of 63 per cent an hour in 1938 to \$2.32 an hour in 1961. What is more, in terms of the working time it takes to earn the necessities and luxuries of life, the factory worker has made spectacular progress. Of 27 items studied by the IAM, only two—hospitalization insurance and a new automobile—cost more in working time today than in 1948. The bulk of all other goods and services—from a quart of milk to a five-room house—has become less expensive in terms of working hours. In all this, an enlightened government policy has had its influence. Through experience and widening knowledge, the U.S. Government has learned to sharpen its administrative tools so that it can stimulate economic growth while keeping inflation under reasonably close control. This certainly is one of the major objectives of the Kennedy Administration. Given the past record and the present intent, inflation should have little influence in a U.S. economy geared to continued growth.



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WORLDGRAM

India

Pectin and Tartarate from Tamarind Fruit Pulp:

A process on pectin and tartarate from tamarind fruit pulp has recently been developed at the Central Food Technological Research Institute, Mysore. Tartaric acid and its salts like potassium sodium tartarate are extensively in use in various food, pharmaceutical and chemical industries. Pectin is used for the manufacture of fruit products like jams, jellies, preserves and marmalades. Indigenous manufacture of tartaric acid, its salts, and pectin is expected to effect considerable saving in foreign exchange. Both liquid and powder pectin samples were tried in jam batches of raspberry, strawberry, grapes etc. The pectin was found to be suitable for the purpose. Major raw material required for the process is tamarind fruit pulp which is available in the country. Other raw materials, alcohol potassium carbonate, hydrochloric acid and sulphuric acid are also readily available in India. Plant and machinery required for the process consists of centrifuges, double effect evaporator, filter press, drier, ball mill, vibrating screen, distillation column, boiler, wooden vats and storage tanks. Total capital outlay for a plant producing 310 lbs. of Rochelle salt and 50 lbs. of pectin per day is estimated at about Rs. 5 lakhs. Parties interested in undertaking the commercial development of the process may correspond with the Secretary, National Research Development Corporation of India, Mandi House, Lytton Road, New Delhi-1.

Production of Machine Tools: Indian Machine Tool Manufacturers Association reports that the total approximate production of various machine tools by their sixteen leading member-firms during the month of April 1961 was as follows:

Description of Machine Tools Manufactured.	Quantity Nos.	Value Rs.
Lathes	180	22,50,880
Shaping Machines	21	1,80,165
Drilling Machines	26	1,37,960
Planing Machines	3	46,755
Grinding Machines	2	6,025
Regulators	1,151	1,78,005
Blowpipes	549	1,04,125
Eccentric Press	3	53,010
Slotting Machine	1	51,000
Press Break	1	46,425
Lathe Chucks	212	40,532
Lathe Centres	262	5,560
Polishing Lathes	2	4,790
Bandsaw Machine	1	3,600
Circular Saw Benches	5	2,750
"A" Press	2	2,200
Tool Grinder	1	1,500
Hacksaw Machines	13	42,100

France

Buyers of French Products by Geographical Regions:

The leading buyers of French products during the first three months of 1961 were as follows by geographical regions, with figures in millions of new francs (and with the corresponding figures for 1960 in paranthesis).

Franc zone	2,467	(2,772)
Foreign countries	6,320	(6,157)
Common Market members	2,910	(2,492)

Other European countries in the O.E.E.C.	1,587	(1,438)
Other European countries	359	(392)
Africa	201	(216)
Asia	442	(473)
America	777	(1,077)
Oceania	42	(51)

The leading buyers outside of the franc zone were the following countries:

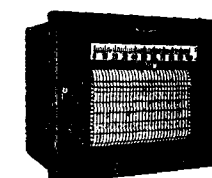
Federal Germany	1,252	(1,172)
Benelux	780	(620)
Italy	577	(493)
Great Britain	472	(447)
Switzerland	412	(356)
United States	382	(678)
The Netherlands	300	(206)
Spain	146	(89)
U.S.S.R.	128	(150)
Sweden	123	(166)

Foreign Trade in 1960: In 1960, French foreign trade reached 24 milliard NF in imports and 23.7 milliard NF in exports, thus covering 99 per cent of its purchases by sales. However, allowing for the customs calculations, which include insurance and transportation costs for imports but not for exports, the balance actually shows a net surplus and a percentage of cover of 105 to 110. In 1959, imports and exports were already practically balanced with 19.06 milliard NF of imports and 18.95 of exports. The same favourable situation therefore existed as in 1960, but in the latter year the total amount of trade was definitely higher, having increased by approximately 25 per cent.

Oil and Natural Gas Production: The French petroleum industry produced 10.4 million metric tons of crude oil in 1960, as against 3.7 million in 1959 and 2.4 million in 1958. In 1960, the Lacq and Saint-Marcel natural gas deposits produced 158,916 million cu. ft. (4.5 milliard cubic metres) of natural gas, as against 91,818 million cu. ft. (2.6 milliard cubic meters) in 1959. 98,881 cu. ft. (2.6 milliard cubic meters) were marketed, as against 45,909 million cu. ft. (1.3 milliard cubic meters). Sulphur production rose from 426,000 to 785,000 metric tons. The distribution of natural gas from Hassi R'Mel is expected to begin in the near future.

Yugoslavia

Construction of a Railway Project: The "Energo-projekt" enterprise of Belgrade will prepare plans and complete blueprints for a lengthy cable suspension railway in Pakistan. This enterprise has also been entrusted with the supervision of construction of this project, situated near Karachi. The Yugoslav enterprise will also design an electric control board and give full assistance in putting the railway into operation. So far the Energo-projekt has successfully carried out a series of works in Pakistan such as the design for the Goval river hydro-system which settles the problem of irrigating some 60,000 hectares of land, the Kalni lake hydro system and the Murray hydro project.



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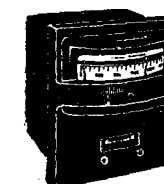


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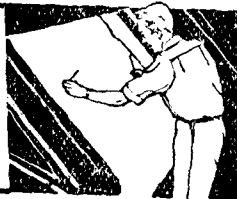
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The Yugoslav enterprise drew up a design for the Gubzharnval hydro-power plant and carried out a number of other design, study and irrigation and land reclamation works in Pakistan.

United Kingdom

Link between Indian and U.K. Industrial Groups: Bookers, a leading British industrial group have announced the incorporation of a company in India in partnership with the Sawhney organisation. This new company—with a capital of £450,000 of which the Booker group will hold 50 per cent—will be called the Triveni Engineering Works Ltd. Chairman of the Board will be Mr. Balmokand Shah Sawhney, who is also chairman of most of the Sawhney companies. Among the other members of the Board will be Mr. Mehar Chand Mahajan, a retired Chief Justice of the Supreme Court of India. The new company will set up a heavy engineering works to manufacture sugar machinery under licence from George Fletcher & Company Ltd., of Derby, England and Duncan Stewart and Company Ltd. of Glasgow, Scotland — both members of the Bookers Engineering Holdings group. Arrangements have also been made to manufacture industrial process turbines under licence from Peter Brotherhood Ltd. Plans are also being completed to manufacture other engineering products.

*

Plastics Production: British plastics manufacturers expect to produce more than one million tons of plastics annually by 1970. Most of this output will be converted into a wider range of consumer goods—from kitchen sinks and car bodies to toys, textiles, typewriter ribbons, pillows and, perhaps prefabricated houses. Plant extensions have been announced in the rapidly expanding fields of polythelene polypropylene and polyvinyl chloride. Considerable gains on the 1960 figures are expected next year, and manufacturers are optimistic about the future. Nearly 500 plastics firms will be showing their products at the International Plastics Exhibition at London's Olympia from June 21 to July 1.

*

Central Gold Reserves of Sterling Area: The central gold and convertible-currency reserves of the Sterling Area fell by £16,000,000 during May and stood at £1,037 million on May 31. Conditions in the foreign exchange markets during May have been very similar to those in April, it is pointed out in London and there was some pressure on sterling throughout the whole of the month. As a result, there was, in all probability, a fairly continuous withdrawal from the United Kingdom of international funds (of the "hot money" type). The effects of this withdrawal would probably account for the greater part of the fall in the reserves during May. During May the amount of assistance given to the United Kingdom by other central banks earlier in the year under the "basic arrangements" was repaid. Under the agreement, various European central banks agreed, as it were, to stockpile each other's currencies if necessary as a temporary measure of mutual support. This is some evidence of the increasing strength in the basic position of the United Kingdom's gold and convertible-currency reserves.

*

Increased Activity by the Commonwealth Development Finance Company: According to the annual report of the Commonwealth Development Finance

Company, the company had its most active year since its inception 8 years ago. The report outlines the increased activity of the company, which has led to a greater volume of investment. As a result, commitments have been accepted totalling £3,680,000 involving participation in nine new schemes, with a total capital cost of £20 million. Current commitments, including some for earlier years, are spread widely over the Commonwealth, with emphasis on Africa and Asia. Investments in India include those in Eastern India Distilleries and Sugar Factories, the Industrial Credit and Investment Corporation of India, and Indian Oxygen Ltd.

Poland

Five-Year Plan of Chemical Industry: Over 150 new chemical plants are to go into production in Poland this year. The value of the increase of the production capacity of these new installations and plants is assessed at 5800 million zlotys which equals the total value of the annual production of the chemical industry in the first year after the last war. Still bigger tasks are awaiting the chemical industry in the remaining period of the Five-Year Plan 1961-65. The industry will spend for investments upto the end of 1965 about 42,000 million zlotys, while 40,000 million zlotys, were spent in that industry for investment outlays in the whole of the past 15 year period. Fourteen new combines and large factories are to be built. A major part of the existing establishments will be considerably expanded. A recent meeting of the collegium of the Ministry of Chemical Industry examined the preparations of that industry for the implementation of these tasks, as well as the results achieved this year. Twenty new production establishments were handed over for exploitation in the first quarter of 1961, with a resulting increase of the production capacity of nearly 900 million zlotys.

Iran

Oil Industry: Iran is now the sixth largest oil producer and the fourth largest exporter in the world. The income derived from the oil industry forms the largest source of the country's foreign exchange earning. On paper it is sufficiently impressive but in terms of its contribution toward's the countries economic expansion and improvement of living standards, it is invaluable. Oil revenues of fiscal year 1960 were estimated to be in the order of £100 million.

United Nations

UNICEF Aid for Bombay Milk Scheme: The Bombay municipal milk scheme, one of the largest in the world, may get a new allocation of \$665,000 (Rs. 31 lakhs) from the U.N. Children's Fund (UNICEF). UNICEF had earlier allocated \$1 million for the Worli dairy, which is scheduled to begin operating next November. The present request, if approved, will enable the plant to increase its output from 150,000 litres to 300,000 litres a day. The Worli plant will work hand in hand with the famous Aarey Milk Colony. Together, they will provide milk for 3 million of Greater Bombay's population (now over 4 million). Under agreement with UNICEF, the Bombay authorities will distribute free milk to children and subsidized milk to poor families over five years to the value of \$2,500,000 (about Rs. 12 crores). The new allocation will bring the Fund's total contribution to India to \$30 million (over Rs. 14 crores).

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NEWS IN BRIEF

INDIAN

The total electricity produced by public utility power stations in India in February 1961 was 1,377.5 million KWH of which 1,151.9 million KWH were sold to ultimate consumers.

The India-Czechoslovak Air Agreement signed at Prague on Sept. 19, 1960 has come into force as a result of the Exchange of Instruments of Ratification indicating the approval of the Agreement by each country in accordance with its legal procedures.

At present AIR has 60 transmitters, 28 radio stations with 35 studios and four auxiliary studio centres. 28 receiving centres and an educational television centre at New Delhi.

The Central Institute of Community Development, which was started to conduct orientation courses, has branched out into new fields in respect of study and research thereby foreshadowing its future growth as a National Institute of Community Development.

The Textile Commissioner in a Press Note has said that allocation to mills of American cotton stapling one inch and below under P.L. 480 are compulsory and no exemption from them will be considered.

The working of the Textile Machinery Corporation Ltd. for the year 1960 has resulted in a profit of Rs. 36.37 lakhs against Rs. 61.85 lakhs in the preceding year.

The use of Indian graphite for the manufacture of graphite brushes, crucibles, dry cells and pencils would now be possible as a result of a process for upgrading the indigenous ore developed at the National Physical Laboratory in New Delhi, says an official Press release.

It is reported export of bicycles is to be increased ten fold from 10,000 last year to 1,00,000 this year. The present output of bicycles in the country is 1.2 million.

An All-India Institute of Soil Pedology (soil science) is proposed to be set up during the Third Plan period. The Institute is likely to be located at Nagpur. The Government of India has sanctioned Rs. 60 lakhs for this purpose.

The Government of India has decided to join the International Sugar Agreement. The instruments of accession will be deposited with the British Government shortly.

FOREIGN

Albert E. Reed and Co. has established a new company, Reed Holding A.G. in Switzerland to facilitate expansion in the European Common Market and the European Free Trade Association.

The U.S. balance of payments deficit is expected to narrow to about \$1,500 million this year, compared with \$3,800 million in both 1960 and 1959, according to Mr. Gudeman, an Under-Secretary in the U.S. Commerce Department.

A surtax of five centimes a litre (4d a gallon) will be levied on petrol in Switzerland from January 1, 1962, to help the federal road programme.

It was revealed recently by the Japanese Ministry of Trade that it had decided to authorise the import of four large capacity thermal power generators with capacities ranging from 350,000 to 375,000 kilowatts from the U.S.

It is reported the South African commercial banks are co-operating with the authorities to halt the outflow of capital in line with the official policy of not restricting the repatriation of non-resident's money.

France has concluded her largest ever contract with China, the sale of 200,000 tons of barley worth about NF50 million.

The Government of Pakistan has decided to experiment from October this year in underwriting risks in the export trade not covered by insurance companies.

Iran has banned the import of luxury non-essential goods in an attempt to fight the increasingly adverse foreign trade balance. Last year imports were six times as large as exports.

Two special reports on the potential for establishing an iron and steel industry in Nigeria and on possible West African markets for such an industry are now available.

Malayan tin exports in May totalled 6,792 tons, down 522 tons, according to Straits Trading Company. Exports to the U.S. were 3,214 tons, compared with 21,611 tons in April.

Ghana is extending by two months the deadline for taking over the export of all Ghanaian timber by the recently established State-owned Timber Marketing Board, the Trade Ministry has announced.



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TRADE MARK SAN. 279

*Special Article***THE U.K. AND THE COMMON MARKET**

By WILLIAM REES-MOGG

THE British Government through no great fault of its own is now in a position of very considerable difficulty about its European and Commonwealth policy. The Government's aim has always been to try to fulfil all its various roles. It wants to be a good European power, it wants to be a good Commonwealth power and it wants to play a responsible part in world affairs. The connection with the Commonwealth and particularly perhaps with India gives Britain a view of the world scene which at its best is broad and sympathetic in character and is not confined to the narrow interests of Britain as an off-shore island of Europe.

A multi-lateral international view cannot, however, be maintained unilaterally. When one looks at Britain's various partners one sees that their attitudes are tending to become more closely defined and to some extent more rigid.

The European Common Market should not be criticised too harshly for taking a narrow European view. Their willingness to reduce the external tariff is a sign of good neighbourliness. At the same time it is only natural that they should be excited by the idea of Europe and by their success in creating a greater degree of unity than Europe has ever had before. Nevertheless, their attitude towards British membership, while it varies from country to country, seems to suggest that they expect Britain to sign away the interests of the Commonwealth, and then negotiate to protect them only after they have been signed away.

It is clear that France has throughout been opposed to British membership of the European Economic Community under any circumstances. However, the French formula that Britain must agree to sign the Treaty of Rome as it stands is gaining ground among all the European powers. Until Britain accepted the common external tariff this was supposed to be the condition of joining Europe. Blind signature of the Treaty of Rome goes much further.

President Kennedy seems to have told Mr. Macmillan that he also thinks that Britain can reasonably be asked to sign into Europe without prior negotiation. Inevitably the rigidity of this attitude has provoked those Commonwealth countries which are most concerned about the effect of Britain joining the Common Market on their own interests. In particular, Mr. Diefenbaker has said that there ought to be another Commonwealth Prime Ministers' Conference before any further British decision on the Common Market is taken. In fact, however, just as the European attitude has moved towards the view that Britain should enter the Common Market without making terms before doing so, so has the attitude of the Commonwealth countries shifted towards a rejection of British entry into the Common Market on any terms that are in practice likely to be available.

Much of the present difficulty lies in a double misconception. Europe has little understanding of the

Commonwealth and the Commonwealth has no great understanding of Europe. The British position between the two is supposed to be that of a bridge. In fact, it is at present more like that of a piece of elastic attached to two objects which are moving away from each other. Sooner or later the elastic is likely to break.

The Commonwealth has so far failed to understand that the attraction of Europe is the centripetal quality of its organisation and that the weakness of the Commonwealth itself is that the aftermath of the process of independence has left it with an inherently centrifugal organisation. Those Commonwealth powers which do not want Britain to enter Europe are still not prepared for the decision which would make such a policy unnecessary. There never has been and there is not now a genuine Commonwealth alternative to a European trading policy for Britain.

Such an alternative should not be impossible to achieve. Even without South Africa the combined economic strength of the British Commonwealth remains very considerable. Indeed the jealousy which partly inspires the attitude both of the United States and of some European powers is a tribute to the value of the Commonwealth and to its power. As an unorganised group this is, however, largely an unused force.

A far closer policy of economic co-ordination would be possible. If it were achieved then there would be a real choice both for Britain herself and for the other Commonwealth countries. A position of strength could either be used in order to maintain the independence of the Commonwealth from other groups or to negotiate settlements with other groups on level terms. The Commonwealth and Europe, properly combined, would be a formidable and hopeful grouping of powers.

The condition of re-organising the Commonwealth must be a deliberate policy of economic co-ordination and of the expansion of inter-Commonwealth trade. This is not only a matter of expanding trade between Britain and other countries in the Commonwealth but of expanding trade between different countries of the Commonwealth. The old Ottawa system was a wheel with spokes but without a rim. What is needed is a Commonwealth economic community to which all the Commonwealth countries equally belong and which provides for trade between all of them.

Such a policy is conceivable but it is really only conceivable if the countries concerned want it. If Mr. Diefenbaker wants to keep Britain out of Europe then he must be willing to accept the only valid alternative policy. At the present moment the intransigence of France may keep Britain out of Europe anyway; in the long run the Commonwealth will only survive as a strong body if its members can make the imaginative jump from the desire for independence to the need for closer integration within a few short years of independence having been achieved.

THE BUSINESS WORLD

Port Labour Strike Staved Off

By
CROESUS

THANKS to the tactful handling by Mr. Raj Bahadur, the Union Minister for Shipping, what might have been a strike involving 75,000 workers employed by the major port trusts in the country has been averted. The strike was actually called off, by the labour unions that had served the strike notice on the first of June, on the 11th instant, that is, four days before the deadline date for the commencement of what was originally threatened would be an indefinite strike. Although it may seem as being wise after the event, that the strike would not eventuate was the opinion held by many of those who have followed the strike threat developments since the beginning of this month. In the first place, although the strike notice seemed to have the backing of all port and dock workers, there were sections, in particular workers' unions, controlled by the INTUC, which were not in favour of the strike right from the beginning. Secondly, the whole approach of the leaders of the labour unions which sponsored the strike was not such as to evoke public sympathy or support. For ostensibly, the strike began as a protest against the Jeejeebhoy Committee Report even before the Report was released by the Government. Not very long thereafter, the labour leaders began to say that they were committed to accept the Jeejeebhoy Committee Report in any case and that their objection was on the score of more fundamental issues. Thirdly, they went on importing fresh issues as the negotiations with the trustees of the Bombay Port proceeded. Fourthly, the timing of the strike notice was most unfortunate, and this naturally shifted the sympathies of the public on to the side of the authorities.

The strike leadership, however, must be given credit for having sensed the position precisely in good time and adjusted its strategy suitably. It was significant that, within a week of their strike notice, the labour leaders began saying that the "strike was the last resort the employees would take to get their demands accepted" and that "they were always prepared for talks in order to avoid a showdown." Fortunately, the same spirit of accommodation was also forthcoming from the Government side, and the fortuitous presence of the Union Minister for Shipping and the chairmen of all the port trusts in Bombay further facilitated matters by rendering possible consultations on the spot on the several points at issue. Any way, all is well that ends well.

As a result of the threatened strike, the workers have scored some points. An important gain for them relates to their grievance that, on the implementation of the Jeejeebhoy Committee's Report, certain sections of employees, particularly in the Bombay Port, who were already in receipt of wage scales higher than those

recommended by the Jeejeebhoy Committee would be left without any benefit. The Minister for Shipping readily agreed that such cases called for sympathetic consideration when the pay scales came to be revised on the basis of the Second Pay Commission's Report. Mr. Raj Bahadur even went so far as to recommend special consideration of this matter to the port authorities with a view to evolving a suitable formula for reaching the objective of spreading the benefits of the Government's orders on the Second Pay Commission's Report to all categories. Another point gained by the workers was with regard to the immediate increase of not less than Rs. 5 per month to the stevedore workers in their dearness allowance. As regards the other points that were urged by the workers also, the Minister assured sympathetic consideration by the authorities.

But, at the same time, he took a firm stand on the major demand of the workers for the revision of wages and conditions of service independently of the Second Pay Commission's Report. On this question, there was a sharp division of opinion as between the Union leaders and the Government, including the port trust authorities. The view-point of the workers on this issue was forcefully presented by Dr. Shanti Patel. He cleverly pressed into service a statement made by the Union Finance Minister in the Lok Sabha when he presented the Report of the Pay Commission. The Minister had then stated, 'inter alia', that the employees of public sector undertakings were not Government employees and that their wages and salaries should normally bear some relation to wage levels prevailing in those areas. It was contended by the union leaders that port trusts came under public sector undertakings and, accordingly, the workers in port trusts had a right to demand a revision of pay scales on a basis different from that applicable to Government employees. Both the spokesmen of the Bombay Port Trust and the Union Minister for Shipping did not agree with this view and contended that conditions of service and scales of pay in the port trusts followed the same pattern as those in government establishments. It was indeed ingenious of Dr. Patel to have brought in the question of the autonomy of public sector undertakings in support of the workers' stand. But it is a moot point whether port trusts can be classified, strictly speaking, as public sector undertakings or even as public corporations. They share some features in common with the Government, the local bodies and commercial enterprises alike. Thus, they derive their income mainly from the sale of services like local bodies and commercial undertakings and even some State Governments. Again, both in origin and according to law, port trusts constitute local authority. At the same time, it should not be forgotten that ports are centrally administered subjects under the Constitu-

tion. It is, therefore, difficult to categorically classify port trusts either as public sector undertakings like public corporations or as local bodies like municipalities

Another controversial issue that was raised in the course of the negotiations was the question of treating the affairs of each port on a regional basis. While one must sympathise with the workers in Bombay, many of whom may not stand to benefit from the recommendations of the Jeejeebhoy Committee inasmuch as their wage scales are relatively higher, even as they are, than those of their confreres in Calcutta and Madras, the proposal for regional handling is fraught with serious implications which may not be liked even by the workers themselves. For instance, if this formula is accepted and logically extended, Central Government employees, who now get the same scales of pay and allowances wherever they may be posted, would get scales of pay and allowances applicable to different

regions, say to Government employees of that region, and this would create an avoidable hornet's nest. Wisely, therefore, they have resisted this suggestion.

Finally, it is a pity that a suggestion that was mooted by the labour leaders themselves, namely a long-term agreement to ensure industrial peace, was not wholly accepted. It is to be hoped, however, that the joint declaration of the authorities and the participating unions — that ways and means should be devised to avoid precipitate action in future in the larger interests of the country — will be a precursor to the conclusion of a firm long-term agreement to ban strikes, especially on flimsy grounds, so as to ensure smooth economic development. The people of this country will have themselves to blame if such is not done, especially when the entire climate of world opinion is so favourably disposed towards the successful implementation of our Five-Year Plans.

Business Notes

Economic Power

WHERE ENSHRINED?

THE PROPOSED changes in the Memorandum of Association of the State Trading Corporation have, not unnaturally, led to considerable apprehension among the business community. If these are approved, business circles fear, the STC would turn out to be a mammoth organisation with enormous powers over trade and commerce. As Mr. Vallabhdas V. Mariwalla, President of the Indian Merchants' Chamber, Bombay, told the first quarterly general meeting of that body last week, "the apprehensions of the business community that the STC, contrary to the original assurances of Government, would be not a supplementary organisation, but a supplanting one, are verily proving true."

Basing himself on this outstanding example of the present development trend in our economy, the IMC President dilated on the much-debated question of concentration of economic power and proceeded to sound a timely note of caution, namely that there is greater danger to democracy by concentration of power in the hands of public sector organisations like the STC than in the hands of the private sector. At the same time he repudiated the view, still being held in the country's planning circles, that there is concentration of economic power in the hands of a few and that, therefore, there is need for preventing the development of monopolistic tendencies. As a matter of fact, this seems to be an obsession with some people in the Planning Commission, he said, and wondered whether, in the context of the operation and impact of the Industrial Development (Regulation) Act and also the new licensing policy, any such development was at all possible. On the contrary, the existence of too many of these regulations has not only curbed the formation of cartels and monopolies, but has made even future formation impossible. Instancing industries like paper, cotton textiles, sugar, and chemicals, the IMC President declared that there was not a single group which controlled more than 3 to 4 per cent of the national output of these commodities. Even in the case of larger industrial units that existed, the operation of the new licensing policy, he pointed out, had resulted in the reduction of their share in the national product. For instance, A.C.C.'s share in the country's cement output had gone down from 64 per cent to 30.4 per cent and of

Wimco in the production of matches from 100 per cent to 60 per cent. An analysis of the shareholdings since 1952 also indicated, he said, that there has not been much concentration even in shareholdings. Accordingly, Mr. Mariwalla concluded that the talk of curbing the growth of monopolies and cartels had, if at all, a political value, but no substantial value.

While deprecating the formation of monopolies in the private sector, the authorities have been allowing vast bureaucratic organisations to be set up which enjoy a relatively large degree of economic power, Mr. Mariwalla complained. Instead of realising the objectives of a socialist order, he observed, these created problems of a far greater magnitude. In fact, he went on to say, the concentration of economic power in the political and bureaucratic organisations would be nothing short of curtailment of democracy.

Kalol

A NEW OILFIELD

ON SUNDAY last, the small town of Kalol, nearly 15 miles north of Ahmedabad and 80 miles from Cambay, shot into prominence when the Union Minister for Mines and Fuel, Mr. K. D. Malaviya, made a dramatic announcement about oil having been struck there. The Oil and Natural Gas Commission had, indeed, been singularly fortunate in striking oil in Cambay, Ankleshwar and Sibsagar areas at no appreciable cost. Luck has favoured it once again and oil has flowed out of the very first exploratory well drilled in Kalol area.

The Kalol oilfield, according to Mr. Malaviya, is as rich as that of Ankleshwar. But how he has reached that conclusion is not known; he has preferred to keep back this information. To estimate the oil reserves of an area on the performance of one single well is perhaps a hazard which only Mr. Malaviya can go in for. In the absence of further details and in view of the effervescent statements made earlier by him about striking of oil at Cambay (scepticism is understood to have been expressed in expert circles about this oilfield being economically exploitable) and of natural gas at Jawalamukhi, one would be inclined to consider this statement of the Mines and Fuel Minister as a too effulgent one.

Having struck oil over a fairly vast area in Gujarat, it is imperative that these oilfields, particularly the

Ankleshwar oilfield, should be expeditiously developed not only to reduce the drain on the country's foreign exchange resources, but also to provide valuable material for producing energy to meet the growing demands of this region, emanating from expansion of industry and transport. This requires improving of the ONGC operations in this area, which in the opinion of some experts are pretty slow and also expensive. To take about a fortnight to drill a well to a depth of 2,500 to 3,500 ft. is an operation which obviously needs to be speeded up. That will not only reduce the cost on drilling, which is said to be about twice as much as warranted, but will also expedite exploitation of the oil reserves.

It is gratifying that the Government has already started drawing up plans for setting up a 2-million-ton refinery near Baroda to process the crude that will be available from Gujarat area. But will this project, in its preparatory stages, face the same difficulties and hurdles as many other projects—not excluding the Nummati and Barauni refineries projects—have encountered in the past? Though not strictly relevant, one may point out that even the U.N. Fertilizer Mission has criticised the inordinate delays in processing of project reports in India. It is time that these delays are avoided so that maximum advantage can be derived from the available resources. A year's delay in setting up a two-million-ton refinery will cost the country crores of rupees in foreign exchange which it can ill-afford.

Foreign Trade

EXPORT PROMOTION

AT THE 27th annual general meeting of the Maharashtra Chamber of Commerce and Industry, Mr. S. L. Kirloskar, while dealing with many problems confronting the industrial development of Maharashtra, dwelt at length on the country's export trade. He emphasised that the procedure of paying drawback on excise and import duty, granting of raw materials against exports, the setting up of Export Promotion Councils etc., to boost exports was not enough and something radical was needed to have a permanent foothold in the markets abroad. Mr. Kirloskar opined that among the export incentives, the remission of taxes on exporter's profits or turnover as is prevalent in countries like Germany, Japan and Ireland should be preferred to other methods of export incentives such as retention of exchange earnings, incentive import licences etc., because this involved no loss of foreign exchange. He further argued that if a percentage of export proceeds was allowed to be deducted from taxable income, this indirectly would mean a subsidy to the exporters to a certain extent, without involving any international complications relating to subsidies.

The other measures outlined by Mr. Kirloskar to boost exports were the imposing of a condition, wherever possible, to export certain percentage of their production while granting licences for expansion of the existing industries; exploration of foreign markets for our exports of both traditional and non-traditional goods through marketing research, allowing traders or manufacturers in certain industries to participate independently in barter deals with foreign counterparts, 25 per cent reduction in the premium rate charged by the Export Risk Insurance Corporation as has been done in the U.K.; issuing of incentive import licences in proportion to the additional efforts made by exporters to increase their exports and foreign exchange retention to the exporter on a general basis so that the

exporter can utilise a part of his earnings even for buying imports which could be sold at a substantial profit in the country; and providing of cheap credit by the Reserve Bank of India and other banks.

The appointment of Mudaliar Committee was welcomed by Mr. Kirloskar due to the fact that nothing concrete had so far been done to review and investigate the overall import and export policies as such. The terms of reference of the Mudaliar Committee are wide enough, and it is hoped, that its investigations will, perhaps, help to set the house in order.

Small-scale Industries

PROVISION OF RAW MATERIAL DEPOTS

THE MAHARASHTRA Government has recommended to the Raw Material Sub-Committee of the Union Government that raw material depots should be opened at suitable centres in the States to solve the problem of raw materials supplied to small-scale producers. In a memorandum to the Sub-Committee, the Directorate of Industries of Maharashtra State pointed out that the work of running these depots could be entrusted to registered co-operative organisations or small scale industries at district and State levels. Where such organisations did not exist, the same could be created. These organisations could place a consolidated indent for raw materials on behalf of the consumers in their respective areas, make financial and other arrangements to import raw materials and distribute them to the units on the recommendations of the State Directorate for Industries. It was suggested that the raw materials imported by the State Trading Corporation could be supplied to the State Directorate every 6 months on receipt of a consolidated list of the units indicating the half yearly requirements of individual units in respect of each imported item.

It has been observed that the shortage of raw materials posed a serious problem for the producers and attained greater dimensions for the small-scale producers who did not have significant holding capacity and could not maintain stocks of these raw materials. They had to depend on purchases from time to time and whenever there was a gap, the output suffered. The maintenance of these depots would be further helpful to the small-scale producers in procuring raw materials of the required specifications. This scheme if carried out, would help in the growth of small-scale industries which were already on the increase. As was pointed out by the State Directorate of Industries, allotment for indigeous raw materials and certificates for imported raw materials had increased from 755 in 1953 to 8,087 in 1960-61. There was, therefore, considerable scope for assistance to the small-scale producers through the establishment of raw material depots.

Aluminium

HIND ALUMINIUM'S EXPANSION PROGRAMME

HINDUSTAN ALUMINIUM CORPORATION LTD. proposes to expand its production capacity from 20,000 to 50,000 tons of aluminium ingots for which it has sought the permission of the Government of India. Mr. M. P. Birla, who presided over the second annual general meeting of the company, disclosed that the financial needs for this expansion programme would largely be met through loans and borrowings and the



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company had no plans, at present, to raise fresh equity capital. The move to expand the production capacity was a sequel to the Government's policy to raise the overall Third Plan target for aluminium production from 85,000 tons to 1,25,000 tons a year. Aluminium is gradually replacing copper in industry in various ways and India is short of copper. Mr. Charles E. Thompson, alternate director in place of Mr. Edgar F. Kaiser, the foreign collaborators of the company, only confirmed these views when he pointed out that in the light of the growing industrial pace of the country, the future of the aluminium industry was very bright. He was of the opinion that India would have to double its production capacity at regular intervals. Indian bauxite, he said, compared favourably with that mined in Jamaica from which U.S. drew her main supplies. It was easier to produce aluminium from Indian bauxite.

Mr. Birla informed the shareholders that the aluminium plant would start functioning in January 1962, and the alumina plant in April 1962. Meanwhile 75 per cent to 80 per cent of the plant and equipment had already been shipped and the bulk of it had arrived at the site. About 50 to 60 per cent of premises had been completed and the remaining work would be completed in the next four or five months. The power house at Rihand Dam, the site of the factory in Mirzapur district, will be ready in about two to three months.

Iron & Steel

ACME'S SHARE OFFER

ACME PIG IRON AND CENTRIFUGAL PIPE WORKS LTD. has obtained an industrial licence from the Government for the establishment of a new undertaking to produce refined grades of pig iron, steel castings and billets of special composition. The company was

incorporated in 1959 to undertake the manufacture of special and refined grades of low phosphor and low sulphur pig iron for the production of high grade quality castings for the automobiles, machine tool industries, railways and other industries producing quality engineering goods. The scheme is proposed to be implemented in two stages. The first stage will cover the manufacture of refined grades of pig iron and the second stage will cover the manufacture of steel castings and billets by the Duplex process. An agreement has been entered into with Messrs. Campagne Generale Des Conduites D'Eau, Belgium, for securing the required technical know-how for the erection and starting of the plant at Khopoli, in Maharashtra. The plant will have a capacity of 30,000 tons and is expected to be commissioned by the end of the current year.

The authorised capital of the company is Rs. 50 lakhs, divided into 30,000 equity shares of Rs. 100 each and 20,000 shares of unspecified class of Rs. 100 each. The issued capital is Rs. 20 lakhs consisting of 20,000 equity shares. Half of this capital has been subscribed by the directors, their friends and associates. The remaining half (Rs. 10 lakhs) has been offered, at par, to the public for subscription. The subscription list opens on June 19, and will close at the discretion of the directors but not earlier than June 24.

The materials for the manufacture of refined grades of pig iron, viz. mild steel scrap, ferro-silicon, ferro-manganese, coke, limestone etc. are easily available in the country in sufficient quantities. In normal circumstances, it is expected that the company will be able to pay reasonable dividend to its shareholders. In view of all this and good market for the company's products in the expanding economy of the country, the issue is likely to receive ready response from the investing public.

A Letter to the Editor

THE S.T.C. X-RAYED

Dear Sir,

Your review (June 2) of the report of the Economist Intelligence Unit (London) does not do justice to the report as far as the manganese situation is concerned. You have stated :

"The Intelligence Unit has come to the conclusion that no blame could be attached to the STC for the decline in India's share in the world manganese ore exports since it was the outcome of a situation beyond its control."

The following extracts will show that the Intelligence Unit's view is clearly that although Indian manganese exports during the previous years were bound to decline due to major external factors, intervention and mismanagement by the STC was also a significant contributory factor to this decline.

Several excerpts could be quoted from the Intelligence Unit's report in this connection, but the following extracts should suffice :

"US importers of manganese ore are generally agreed that India was, because of the factors outlined above, bound to lose ground in the American market. They are equally unanimous in their view that the STC has, since its inception, made bad worse. The dissatisfaction felt by US purchasers with the Corpo-

ration's practices is definitely a contributory factor in the decline in US imports of Indian manganese ore during recent years" (P. 32).

"The Corporation is almost invariably bureaucratic and dilatory, waiting for trade to come to it instead of seeking it out, and has on occasion been both arrogant and apparently suspicious and resentful of its customers. But there is more to it than this. The STC has been strikingly unreliable in its deliveries, failing to ship ore as promised, shipping it where and when it pleased, holding up loading for no adequate reason. It has insisted on terms in excess of normal commercial terms in such matters as credits, port charges, etc. It is suspected of attempting to play off one firm against another, dealers against users, and has been known to treat its contractual obligations lightly if an opportunity arose to squeeze an extra advantage out of a deal already negotiated." (P. 33).

"The deterioration of India's trade is thus the inevitable result of circumstances beyond the STC's control, but the Corporation has further damaged India's position by serious mismanagement. Its reputation among American and Japanese importers is deplorable." (P. 60 — Conclusion 6).

BOMBAY,
 June 13, 1961.

Yours faithfully,
 A CORRESPONDENT

FROM THE CAPITAL'S CORRIDORS

GOODS TRAFFIC: RAILWAYS' TASK

THE Indian railways, it is understood, will have to carry an additional 15 million tons of goods traffic during the current year. This is expected to include 6 million tons of coal, one million tons of export ores, 3.75 million tons of raw materials required for the steel plants, 1.25 million tons of finished goods from steel plants and 3 million tons of other general goods mainly concerning the expanded industrial output.

To achieve this objective, the railways have started further improving the turn-round of wagons and putting all available stock (wagons and engines) to the maximum use. Besides this, efforts are being made to eliminate all avoidable detention of wagons at transshipment points or at destination stations. Arrangements are also being made to put into service from July 1, 200 additional wagons for moving coal from Bihar and Bengal coalfields to above-Moghalsarai destinations. This programme has been prepared consequent upon the completion of certain works undertaken in the recent past to expand the line capacity above Moghalsarai. To step up production of wagons, railways are expected to receive one lakh tons of steel from abroad.

The present movement difficulties on certain busy sections, like the Gaya-Dhanbad section, are expected to ease next month on completion of electrification programmes of these sections. The easing of the situation on these sections will help the railways to divert some of their steam locos to other zones where they are very badly needed.

A decision is reported to have been taken at a meeting of the Chief Operating Superintendents of all the railways, held recently at Bangalore under the Chairmanship of Mr. Kripal Singh, Member Transportation, Railway Board, to carry iron ore and manganese ore to ports of export on a high priority basis. A decision is also understood to have been taken to move expeditiously some articles of traditional exports, e.g. tea, cotton textiles, etc., to port towns with a view to helping exports and earning the much-needed foreign exchange. Mr. Kripal Singh is further reported to have asked all the zonal railways to load one ton extra in every wagon so that the overall railway capacity is increased by 4 per cent. He has been assured of full co-operation from the various chambers of commerce and industry in this respect.

The railways propose to continue during the Third Plan period according high priority to movement of goods, particularly raw materials for the basic and heavy industries and commodities of export. It is proposed to carry during the Third Plan period 245 million tons of traffic per annum, as against 154 million tons estimated to have been carried during the Second Plan period. In terms of ton-miles, the railways will be handling nearly 92,000 million ton-miles of goods traffic per annum during the Third Plan period as against 54,000 million ton-miles carried during the Second Plan period and 36,000 million ton-miles carried in the First Plan. This ambitious target of movement of goods is envisaged to be achieved through electrification and dieselisation of certain sections of the railways, through construction of some line capacity works, through modernisation processes such as interlocking of stations, and by acquisition of additional rolling stock.

PURCHASE OF STORES BY RAILWAYS

In order to help the development of small-scale industries in the country, the Railway Ministry, it is understood, has asked the administrators of the various zonal railways to purchase certain items of their stores only from small-scale manufacturers. A list of 27 items which can be manufactured by small-scale industries has been drawn up and circulated to purchase organisations of the railways. The list includes such goods as coir manufactures, fibres, metal polish, dustshield leather, padlocks, washing or laundry soaps etc. It is proposed to give some price preference — upto a maximum of 15 per cent — to small-scale producers in cases where these items are manufactured both by the large-scale industry and the small-scale manufacturers. Small-scale units which are recognised by the National Small Industries Corporation will be exempted from depositing earnest money while submitting their tenders. They will also not be required to deposit security money while receiving orders for supply.

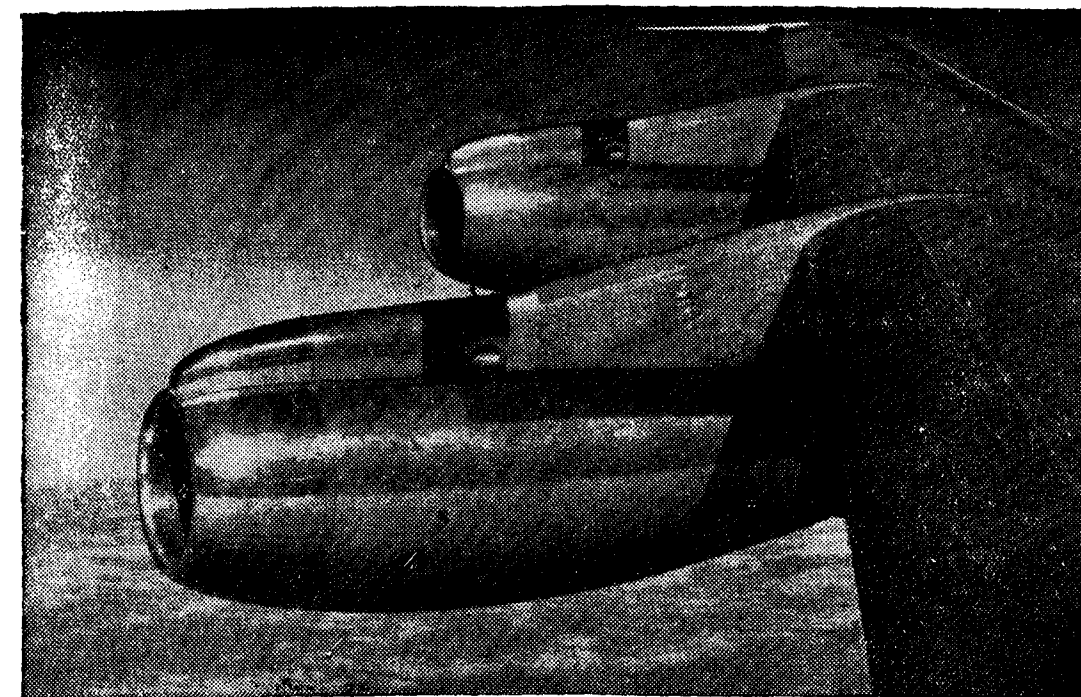
The railways purchased goods worth nearly Rs. 1.22 crores from small-scale manufacturers during 1960-61.

INDIA'S FOREIGN TRADE OVER THE PAST DECADE

According to the Planning Commission, exports from this country over the past decade have been "stagnant". The First Plan average of Rs. 609 crores might have been smaller but for the exceptionally high exports in 1951-52 on account of the war in Korea, while the Second Plan average of Rs. 624 crores would have been higher but for the recession in 1958 in U.S.A. and Europe. In volume, exports were higher in the Second Plan by 9 per cent but, on account of less favourable unit values, this increase was not reflected in larger export earnings. The table below gives India's exports during the period 1951-52 to 1960-61.

		(Rs. crores)	
Year		Exports	
1951-52	.. .. .	733	
1952-53	.. .. .	577	
1953-54	.. .. .	531	
1954-55	.. .. .	593	
1955-56	.. .. .	609	
TOTAL	.. .. .	3043	
AVERAGE	.. .. .	609	
1956-57	.. .. .	620	
1957-58	.. .. .	636	
1958-59	.. .. .	573	
1959-60	.. .. .	644	
1960-61	.. .. .	645	
TOTAL	.. .. .	3118	
AVERAGE	.. .. .	624	

In the pattern of export trade over the past decade, two main trends could be observed. Firstly, among commodities which are directly or largely based on agricultural production (which still account for the



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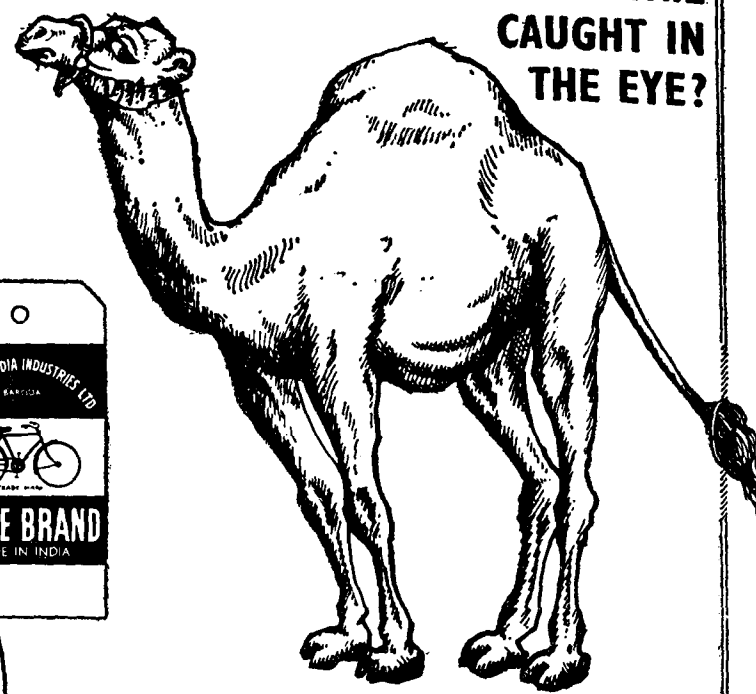


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bulk of India's exports) such as tea, cotton textiles, new manufactures and of products like iron ore. But jute manufactures, hides and skins, spices and tobacco, these were not sufficient to offset the decline in the on the whole exports did not improve. However, traditional exports. These trends are vividly reflected significant increases were achieved in the export of by the following table:

PATTERN OF EXPORTS — 1951-60

	1950-51	1955-56	1958-59	1959-60
1. Agricultural commodities and related manufactures	496.5	489.3	453.5	473.6
Cotton & jute manufactures	250.5	181.7	153.4	180.5
2. Other manufactures	58.4	61.0	53.3	105.0
New manufactured products	8.9	8.6	12.5	25.0
3. Minerals	23.4	34.4	46.2	53.0
TOTAL	578.3	584.7	553.0	631.6

At present, Western Europe accounts for nearly 39 per cent of India's export trade, the U.K. taking 28 per cent of the exports. The share of the U.K. has remained more or less constant at this level for a number of years. The share of North America declined from 27 per cent in 1952 to 17 per cent in 1956, but increased to 19 per cent in 1960. Exports to ECAFE countries have been relatively static in recent years. The increased exports to Japan are accounted for largely by iron ore exports.

The European Economic Community's share has fluctuated between 7.5 and 8.3 per cent over the past ten years. The share of the Soviet Union and other countries of Eastern Europe increased from about 1

per cent during the first half of the First Plan to more than 8 per cent towards the end of Second Plan.

Imports from Western Europe increased during the First Plan from 30 per cent to 50 per cent; the region accounted for nearly 40 per cent of India's imports at the end of the Second Plan. Imports from Eastern Europe increased from 2.2 per cent in 1952 to 4.2 per cent in 1956, but declined to 3.7 per cent in 1960. Imports from North America, which accounted for 37 per cent of the total in 1952, declined to 12.4 per cent in 1956, but increased again to 25.2 per cent in 1960, the variation being due merely to food imports. Imports from ECAFE countries have fluctuated between 12 and 14 per cent during this period.

DIRECTION OF INDIA'S FOREIGN TRADE

(Per cent share)

	Exports			Imports		
	1952	1956	1960	1952	1956	1960
1. ECAFE countries	25.7	16.3	17.0	13.6	12.4	13.1
Japan	4.1	4.9	5.5	2.4	5.2	5.4
2. West Asia	5.7	5.8	6.5	7.7	10.8	7.5
3. Africa	3.6	3.9	2.5	3.8	4.0	4.4
4. Western Europe	29.6	39.8	38.5	30.1	50.1	40.4
U.K.	20.5	29.8	27.5	18.5	25.0	20.0
E.E.C.	7.5	8.3	8.0	8.8	20.0	18.2
5. Eastern Europe & China	1.3	3.5	8.0	2.2	4.2	3.7
6. North America	21.1	17.0	18.7	37.3	12.4	25.2
U.S.A.	19.0	14.7	16.0	33.6	11.3	23.7
7. Latin America	1.4	1.0	2.5	—	0.1	0.1
8. Oceania	4.3	4.4	3.1	2.0	1.7	2.3
9. Others	7.3	8.3	3.2	3.3	4.3	3.3
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

THE TASK AHEAD

If a substantial increase in exports is to be achieved, action has to be taken along several directions, in particular the following:

(a) Domestic consumption must be held within reasonable limits with a view to creating the surpluses for exports. Side by side with this, inflationary pressures associated with development have to be kept within bounds.

(b) In view of the increasing profits which can be earned in the domestic market once an economy begins to develop, steps to increase the comparative profitability of exports are essential. This will necessitate certain fiscal measures from time to time.

(c) In their cost structure and productivity, the principal industries and, in particular, the export industries must become competitive as early as possible. A systematic programme to this end has to be pursued within each industry. This is an essential condition

for diversifying exports and for steadily increasing the share of new manufactures and minerals in the export trade. The industrial licensing policies should also be oriented towards export promotion.

(d) Steps must be taken to mobilise public opinion in favour of exports and acceptance of the burdens involved, to enlist the co-operation of the industry and the trade in the national effort, to improve Government's organisation for market research and intelligence and commercial representation abroad, and to enlarge facilities for credit, insurance, etc.

The Planning Commission thinks that if exports over the Third Plan period do not increase significantly beyond the figure of Rs. 3,450 crores indicated in the Draft Outline, even if the external aid which has been assumed were forthcoming, there would be quite serious shortfalls in the Plan. Accordingly, on the basis of studies which have been undertaken, and assuming a large-scale effort to increase exports and reasonable

conditions of demand abroad, exports over the Third Plan period have been taken at Rs. 3,700 crores. The effort must indeed be on a larger scale. An important reason for stressing measures for increasing exports during the Third Plan is that this is the period in which exports should be built up in order to meet the much larger requirements anticipated for the Fourth Plan. Considering the requirements on account of repayment obligations of loans contracted and maintenance and development imports, it is estimated that by the end of the Fourth Plan, the level of exports would have to rise to about Rs. 1,300 to Rs. 1,400 crores per annum, i.e., to at least twice the present level. This is itself one of the essential conditions for ensuring that India's economy becomes self-reliant and self-sustained by the Fifth Plan.

It is against this background that the objective of achieving export earnings of not less than Rs. 3,700-3,800 crores over the Third Plan has been set. If exports rise to the extent envisaged, the annual level of exports over the Third Plan should rise by about Rs. 200 crores by the end of the Third Plan, and the average exports for the Third Plan period should be about Rs. 150 crores above the average of the Second Plan.

THE ALLOY STEEL PROJECT

Some more facts are now available about the Alloy Steel Plant proposed to set up during the current Plan period. The plant will be located about mid-way between the Durgapur Steel Plant and the West Bengal Government's Coke Oven Plant. It will have initially a capacity to produce 80,000 tons of ingots per annum. Based on the analysis of 1965 requirements, the following production of finished steel is planned for this plant by the end of the Third Plan period.

INITIAL PRODUCT-MIX (Finished Steel)

(Tons per year)

Steel	Sections	Billets	Sheets	Forgings	Total
Tool	8,000	2,100	2,300	600	13,000
Constructional	12,000	3,000	1,000	1,500	17,500
Stainless and heat-resisting	2,500	500	14,000	—	17,000
Die blocks	—	—	—	500	500
TOTAL	22,500	5,600	17,300	2,600	48,000

Provision has been made in the layout of the plant for its expansion to a capacity of 3,00,000 tons per annum or more.

The total capital cost of the project is estimated at Rs. 38.4 crores, based on current international prices and Indian construction costs. This does not include the cost of engineering services and custom duties. Also not included in this estimate is the expenditure to be incurred on provision of facilities outside the plant boundary, cost of land, cost of construction equipment, escalation of prices etc.

The cost estimate, however, provides for a number of special features which in the long run would improve the efficiency of the plant, lower production costs and the investment on expansion. As customary in all modern steel plant designs, considerable excess capacity has been provided in the high cost primary mills so that their throughput can be raised to 3,00,000 tons ingots by operating additional shifts when required in the near future. Similarly, the area of land to be developed and design of utilities and roads and rail networks would enable expansion of the plant and diversification of its activities. The first phase expansion of

the plant to 1,60,000 tons capacity would, thus, require an additional investment of only about Rs. 15 crores.

The foreign exchange component of the initial outlay of Rs. 38.4 crores will be nearly Rs. 19 crores.

Preliminary estimates of production costs have been made for nine typical types of steel. The works production cost (excluding fixed charges) ranges from Rs. 1,200 per ton for constructional steel bars to Rs. 4,000 per ton for stainless sheets and Rs. 8,000 per ton for high-speed steel bars.

NON-FERROUS METALS IN THE THIRD PLAN

In the field of non-ferrous metals, aluminium is expected to continue to retain its dominant position during the Third Plan period. A target of 87,500 tons annual output by 1965-66 has been fixed for this industry. It is envisaged to be achieved in the following manner:

- (1) Expansion of the capacity of the Indian Aluminium Company's Hirakud plant by 10,000 tons per annum and of its Alwaye plant by 5,000 tons per annum.
- (2) Establishment of a smelter at Rihand having a capacity of 20,000 tons per annum.
- (3) Establishment of a smelter at Koyna having a capacity of 20,000 tons per annum.
- (4) Establishment of a smelter near Salem having a capacity of 10,000 tons per annum.
- (5) Expansion of the plant of the Aluminium Corporation of India by 5,000 tons per annum.

All these projects are in the private sector and have already been cleared by the Government for implementation.

In view of the rising demand for electrolytic copper and relatively meagre possibilities of substantially increasing its domestic production during the Third Plan period, the Planning Commission thinks further expansion of the capacity for aluminium production desirable. The amount of such expansion would mainly have to be determined by the pace at which it is considered feasible from the technological angle to substitute aluminium for copper over the next five years, though the possibility of exporting aluminium would also be a relevant consideration. The additional foreign exchange needed for developing further capacity would be quite considerable if, as seems almost certain, arrangements would also have to be made for the connected power facilities. The attractiveness of new proposals for further expansion of aluminium production would depend largely upon the extent to which they can provide for these additional foreign exchange requirements.

Production of electrolytic copper in India is expected to commence in the near future with the commissioning of the Indian Copper Corporation's plant at Ghatsila. A firm time schedule for the installation of the copper smelter associated with the scheme for the exploitation of the Khetri and Daribo copper deposits is still to be worked out. The likely contribution from this smelter in the Third Plan period cannot, therefore, be accurately forecast at this stage.

Production of zinc is expected to start by the middle of the Third Plan period with the commissioning of the zinc smelter based on zinc concentrates from the Zawar Mines, Rajasthan.

FOREIGN AID

Although the terms on which the Aid-India Club members will be making available to this country their future credits remain undisclosed, indications are that these credits will be repayable in about 40 years and that they will carry interest at the rate of 2.5 per cent

per annum. No repayment will be required to be made during the first five years from the date on which a particular credit is drawn upon.

The three Western European countries which are members of the Club may find it difficult to grant credit at such low rate of interest. To obviate this difficulty one method talked about here is that they may make an outright grant to India corresponding to the difference between the rate of interest at which money would have been borrowed by them and the rate at which it is lent to India.

MANUFACTURE OF AUTOMOBILE TYRES AND TUBES

Taking into consideration the expansion envisaged in road transport under the Third Five-Year Plan, it

is estimated that requirements of automobile tyres and tubes by 1965-66 will be of the order of 4.5 million numbers each. A capacity of 2.94 million numbers of tyres and 2.998 million numbers of tubes has already been licensed. There is, thus, scope for installing additional capacity in this industry.

Four new manufacturers of automobile tyres and tubes are expected to start production in the near future. Some of the existing units have also intimated to the Government their intention to increase their capacity.

The following table gives the existing installed capacity for the manufacture of automobile tyres and tubes, the additional capacity that has already been licensed and further expansion envisaged by the existing units.

PRODUCTION OF AUTOMOBILE TYRES AND TUBES

(In unit numbers)

Name of the Unit	Existing annual capacity on 3-shift basis	Additional capacity licensed & under implementation	Further expansion capacity envisaged/under implementation	Total of 2, 3 and 4
(1)	(2)	(3)	(4)	(5)
1. Dunlops, Shahganj	6,51,600	49,000	—	7,00,600
2. Dunlops, Ambattur	1,34,400	54,200	2,00,000	3,88,600
3. Firestones, Bombay.	6,72,000	—	—	6,72,000
4. CEAT, Bombay.	1,50,600 (I stage)	3,00,000 (II, III stages)	—	4,50,600
5. Premier Tyres, Ernakulam.	—	2,40,000	3,60,000	6,00,000
6. Goodyears, Ballabgarh.	—	2,10,000	5,40,000	7,50,000
7. General Tyres, Calcutta.	—	1,80,000	1,80,000	3,60,000
8. Madras Rubber.	—	3,00,000	—	3,00,000
9. Universal Tyres.	—	—	5,04,000	5,04,000
10. P. J. Zacharia, Kohayam.	—	—	3,00,000	3,00,000
11. Synthetics & Chemicals, Bombay.	—	—	3,00,000	3,00,000
12. Surrendra (Overseas) Ltd., Calcutta.	—	—	90,000	90,000
TOTAL	16,08,600	13,33,200	24,74,000	54,15,800

The foreign collaborator of Universal Tyres Ltd. is Semperit of Austria. The company proposes to pay for part of the foreign exchange expenditure in Indian rupees. To meet the rest of the foreign exchange expenditure, a loan from Export-Import Bank will be sought. P. John Zacharia has arranged foreign collaboration with the United States Rubber Company of New York. Synthetics and Chemicals will be securing financial and technical collaboration from Firestones of U.S.A.

HEAVY POWER EQUIPMENT AND HIGH PRESSURE BOILERS PLANTS

Agreement has been signed between the Heavy Electricals (India) Ltd. and Messrs. Technoexport of Czechoslovakia for the preparation of detailed project reports for the Heavy Power Equipment and the High Pressure Boilers Plants proposed to be set up during the Third Plan period.

Under the first phase of development, the Heavy Power Equipment Plant will manufacture 12,000 KW. and 25,000 KW. steam turbines and generators capable of producing 620,000 KW. of electrical power. The High Pressure Boilers Plant will turn out every year 12 boilers to suit 50,000 KW. turbines. These projects will also cover the production of various types of ancillary equipment.

The total cost of the two plants, according to rough estimates, is placed between Rs. 35 and Rs. 37 crores,

exclusive of the expenditure to be incurred on building of townships near the plants. The value of the products to be turned out annually by both these plants in the first stage is likely to be of the order of Rs. 20 crores.

The two projects are covered by the economic collaboration agreement signed between India and Czechoslovakia on November 24, 1959, under which the Czechoslovak Government agreed to give to this country a credit of Rs. 23.1 crores.

HEAVY MACHINE TOOL PLANT

An agreement has also been signed between the Heavy Engineering Corporation and Messrs. Technoexport of Prague for the preparation of a detailed project report for the Heavy Machine Tool Plant to be set up at Hatia, Ranchi. The agreement provides, among other things, for the visit of Indian engineers to Czechoslovakia to take part in the preparation of the project report. The project report is expected to be ready by the first week of December this year.

The Heavy Machine Tool Plant is the third project proposed to be set up near Ranchi by the Heavy Engineering Corporation. The other two projects are the Heavy Machine Building Plant and the Foundry/Forge Plant. The Heavy Machine Tool Plant is being designed to produce 10,000 tons of different types of heavy machine tools per annum. For the first time in India,

this plant will be turning out machine tools weighing as much as 180 tons each.

The project is estimated to cost nearly Rs. 15 crores, excluding the cost of construction of quarters for the staff. A 60-acre piece of land has already been selected for locating the project. When in full production, the annual output of the plant will be worth nearly Rs. 8 crores. Trial production is expected to begin in 1965-66.

ROURKELA STEEL PLANT'S EXPANSION

The project report on the expansion of the Rourkela Steel Plant is understood to have been finalised after scrutiny by the International Construction Company, the Union Government's consultants for the project. Tenders for the supply of equipment for the expansion programme are expected to be called shortly. The bulk of the equipment will be secured from West Germany and Austria, the latter supplying LD process equipment. On account of certain difficulties in the delivery of some items of equipment from these two countries, such items are likely to be obtained from the United Kingdom or the United States.

The project report for the expansion of the Durgapur Steel Plant is expected to be ready shortly. Tenders for the supply of equipment for this plant will be invited when the project report has been considered by the Government.

The capacity of the Rourkela Steel Plant is envisaged to be increased by 0.8 million tons per annum and that of the Durgapur Plant by 0.6 million tons.

PETROLEUM NAPHTHA PROJECT

The Government, it is understood, has approved the Esso Standard Oil Company's Petroleum Naphtha Project. A factory is proposed to be set up adjacent to the company's Bombay refinery to undertake the manufacture of ethylene, propylene, butylene, butadiene, benzene and some other liquid products. A new company will be floated to undertake the project. Indians will be offered 40 per cent of the equity capital of this venture.

TWO MORE NEW ISSUES

Two more companies have been granted consent

by the Controller of Capital Issues for raising capital. The details are as follows:

(1) **The Uttar Pradesh Hotels and Restaurants**, a public limited company, has been granted permission to issue capital worth Rs. 40 lakhs—Rs. 32.5 lakhs in equity shares and Rs. 7.5 lakhs in preference shares—for cash at par. This issue will be in addition to the capital of Rs. 7.5 lakh in equity shares and Rs. 2.5 lakhs in preference shares already issued under the Exemption Order.

(2) **Messrs. Wellman India (Private) Ltd.**, a new company proposed to be incorporated in Maharashtra, has been accorded consent to issue capital worth Rs. 22 lakhs in ordinary shares of Rs. 10 each at par. Of these, shares to the extent of Rs. 10.78 lakhs (49 per cent) will be offered to Mr. Arthur G. Wellman of the United States for considerations other than cash and against supply of machinery. The balance of the capital (Rs. 11.22 lakhs) will be offered to Indian nationals for cash. The proceeds of the issue will be used for the manufacture of synthetic fibre tops.

The consent order in both the cases is valid for 12 months.

BRIEFS

An aluminium plant, having an annual capacity of 25,000 tons, is proposed to be set up in Madhya Pradesh. Negotiations are at present being carried on to secure technical help for this project from Yugoslavia.

There are plans to set up a phosphorus plant at Mangalore. Technical co-operation for this project is being secured from East Germany.

An agreement has been reached with Davy Ashmore to set up a plant to manufacture vessel plates and heavy structurals. The pact is expected to be formally signed in the near future.

The Indian railways loaded on an average nearly 6,000 wagons with coal per day during the month of April, 1961, as compared to about 5,900 wagons during the corresponding period in 1960. The average loading in Bengal and Bihar coalfields registered an increase of nearly 13 per cent over the loading in the corresponding period in 1960.

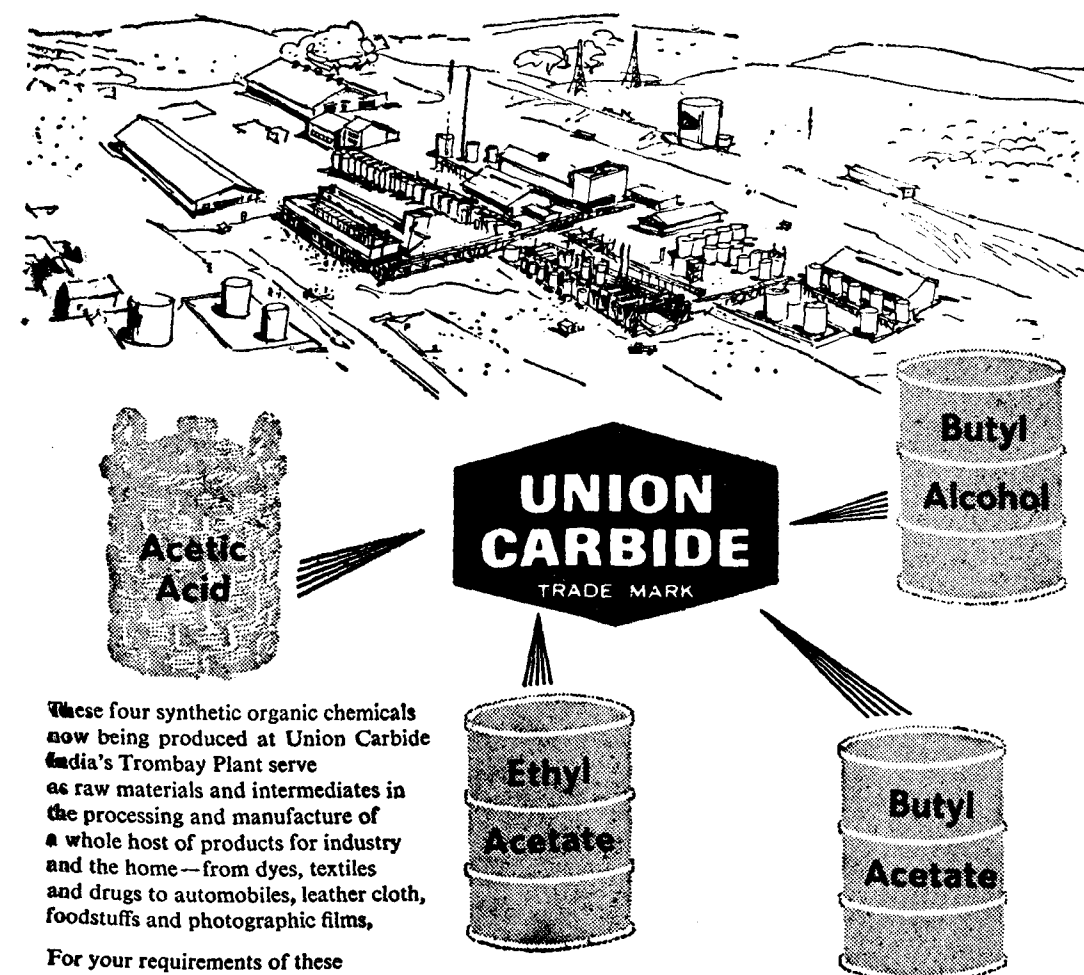
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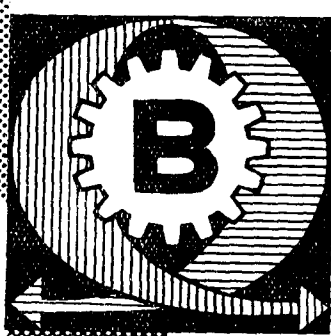
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COMPANY AFFAIRS

SWADESHI COTTON

The directors of Swadeshi Cotton Mills Company Limited, Kanpur, in their annual report for the year 1960 have pointed out that the conditions facing the textile industry during the first half of the year under review were materially different from those in the second half of the year. While the movement of cloth in the first half of the year was quite satisfactory the movement in the second half was extremely slow. In the second half of the year the Government announced that a reduction in cloth prices was called for. This naturally caused uncertainty in the market with consequent adverse effect on the movement of cloth. As a result of the negotiations between the Government and the Indian Cotton Mills Federation, the prices began to be stamped on cloth from September, 1960. Thereafter the Government asked for further reduction in cloth prices. Owing to these uncertainties, movement of cloth during the later part of the year was much below the normal. The stocks at the end of the year were, therefore, higher than were originally expected. The movement of yarn, however, was more or less regular.

The year under review was marked by an extremely difficult cotton supply position. The quantity and quality of the crop were seriously affected by untimely rains during September — November, 1959. In keeping with their policy of modernising the Capital Equipment of the Company, the directors have made additions to the fixed assets of the Company of a total value of Rs. 56.40 lakhs out of which a sum of Rs. 53.79 lakhs represents additions to plant and machinery alone. This policy is being continued in the current year as well.

The working of various units of the Company has generally shown better results. Sales during the year increased to Rs. 10.86 crores against Rs. 10.53 crores in the previous year. After making usual adjustments there was a profit of Rs. 1.08 crores. A sum of Rs. 50.13 lakhs has been separated towards depreciation for the year under review as well as for the previous years. Provision for taxation absorbs Rs. 25 lakhs and that for development rebate Rs. 9.55 lakhs. An interim dividend on preference shares of Rs. 100 each was paid at the rate of 7.8 per cent subject to deduction of income tax and on preferred ordinary shares of Rs. 10 each at 5.2 per cent subject to deduction of income tax. Now the directors have proposed the payment of dividend on preference shares at the rate of 0.77 per cent subject to deduction of income tax, on preferred ordinary shares of Rs. 10 each at 5.51 per cent subject to tax and on ordinary shares of Rs. 10 each at 5 per cent, subject to taxation.

UNITED PROVINCES SUGAR

In the report for the year to September 30, 1960 auditors of the United Provinces Sugar Company Limited, have pointed out that no provision was made for the liability in respect of cane purchased during the years 1958-59 and 1959-60 based on the formula prescribed by the Government. The directors have said that such provision could not be made because the Government has now referred the matter to the Tariff Commission and the final report is awaited. The crushing during the year started on November 9, 1959 and finished on May 30, 1960, with a total crush of 48,74,283 maunds of cane at recovery being 9.45 per cent, which is considered satisfactory. Of the total cane crushed 3.94 lakh maunds were supplied from Company's farms. Cane price was increased from Rs. 1.44 nP. per maund to Rs. 1.62 nP. per maund at the factory gate and from Rs. 1.31 nP to Rs. 1.50 nP at outstation.

During the year under review net profit of the Company after providing for depreciation and other usual charges comes to Rs. 7.66 lakhs. The directors have recommended the payment of a dividend at the rate of 15 per cent for the year under review subject to deduction of taxation which will absorb Rs. 2.40 lakhs. A sum of Rs. 2 lakhs is transferred to development reserve, and Rs. 76,000 to development rebate reserve.

INDIAN STANDARD WAGON

During the year to March 31, 1961 the directors of the Indian Standard Wagon Company Limited have pointed out that the output of the Company remained restricted due to an inadequate quantity of matched steel received by the Company both from indigenous and overseas sources. The directors had anticipated that by 1961 there would be marked improvement, but they were still not very hopeful, though there was no reason for any concern. At times considerable quantities of steel were supplied and remained in the works, but this could not be utilised for want of the matching steel.

The result for the year under review appears to be less favourable than last year but having regard to the fact that last year there was credited to profit and loss account the sum of Rs. 10.93 lakhs in respect of previous year, the results are about the same. The apparent anomaly in as much as there is an increase in the provision for income-tax is because profit sharing bonus in the case of this Company is only allowed on the payment basis. Unfortunately, in October, 1960 the Labour Union refused to accept the bonus offered.

The profit for the year to 31st March, 1961 after providing for taxation, depreciation and all other charges and transferring to various reserves, amounts to Rs. 13.36 lakhs to which is added the balance brought forward from the previous year, making available an amount of Rs. 13.85 lakhs. The directors have recommended the payment of dividend at the rate of 28.5 per cent on ordinary shares subject to deduction of tax.

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COMMODITY NEWS AND NOTES

ANNUAL WOOL TRADE OF INDIA

Seaborne imports of raw wool recovered somewhat in the fourth quarter of 1960 to 442,000 lbs. This brought the total for the year 1960 to 3.5 million lbs. or 37 per cent more than in 1959, receipts from Australia rising by 28 per cent to 2.2 million lbs. Imports of wool tops fell by 22 per cent between the two latest quarters to 3.2 million lbs., bringing the total for 1960 to 14.9 million lbs. or 2 per cent less than in 1959. Imports from U.K. were 11 per cent lower at 8.0 million lbs. but those from Australia rose by 11 per cent to 5.0 million lbs. Yarn imports more than doubled during the fourth quarter, although they were well below the level of a year ago. The total for the year came to only 2,10,000 lbs. or 68 per cent less than in 1959. Imports of wool fabrics during the year under review rose by 20 per cent to 1,83,000 lbs.

LEAD AND ZINC CONSUMPTION IN U.K.

Consumption of lead in U.K. in all forms during April was 30,805 tons, a fall of 6 per cent compared with March's 32,601 tons, says the British Bureau of Non-Ferrous Metal Statistics. For zinc the figures were 27,271 tons consumed in April, down 14 per cent from the March level of 31,844 tons. Total consumption of lead in the first four months of this year amounted to 124,981 tons, 219 tons less than in the corresponding period of 1960. Stocks of refined lead were up by 628 tons; they totalled 66,311 tons on April 30, compared with 65,683 tons at the end of March.

WORLD PRODUCTION OF JUTE

The world production of jute, which is concentrated to the extent of 95 per cent in India and Pakistan,

according to the reports of the U.S. Department of Agriculture, amounted to a total of 1,968,000 tons in 1960 as compared with 1,880,000 tons in 1959. Pakistan's share of this was 1,020,000 tons, in the previous year 973,000 tons and that of India 853,000 tons with 8,25,000 tons in the previous year. The world consumption of jute increased year by year in spite of the strong competition of fibres similar to jute and the uses of other expedients for the storage and transport of goods. At the end of the financial year 1959-60, stocks were as good as cleared. This fact and the fear of a smaller crop have forced the price of jute to rise steeply.

U.S. STEEL PRICES

It is gathered from the magazine Iron Age that President Kennedy's economic advisers are making a study of steel prices to determine if price increases can be justified. But just how far the counsel of advisers will go in studying steel prices is not yet determined. The President is expected to have the findings in his hands by the autumn. This would be at about the time the steel industry's wages go up by 7 to 10 cents an hour. The findings of the study could easily lead to Administration pressure on the industry to stave-off an increase and, based on past practice, advisory economists can be expected to lean towards evidence against higher steel prices. At the same time, price cutting in stainless steel has also dampened any chance of a steel price rise in the near future. Continuation of price cuts, coupled with the fact that steel mills and steel service centres both continue to overlook some "extras" or special charges, is hardly the atmosphere for steel price increases, the magazine Iron Age maintains. In addition, many large steel users say they would resist higher prices.

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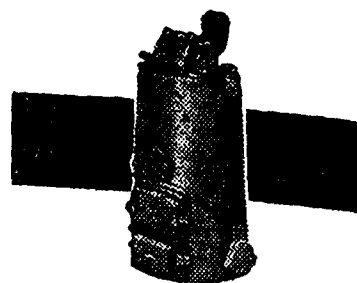
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Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Food articles & Tobacco	Liquor & Tobacco	Fuel Power Light and Lubricants	Industrial Raw materials	Manufactures			All Comme- dities
						Inter- mediate Products	Finished Products	Total	
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1
1960-61	..	120.0	110.0	119.6	145.4	130.5	122.8	123.9	124.8
February	1960	118.0	96.0	117.3	131.6	120.5	115.6	116.3	119.5
March	"	117.0	96.4	117.8	131.9	121.3	116.1	116.6	118.9
April	"	118.6	103.1	118.1	134.2	123.2	116.9	117.8	120.4
February	1961	116.3	111.2	119.8	159.4	134.2	128.4	129.2	126.7
March	"	117.6	114.2	121.3	159.1	137.2	128.1	129.4	127.5
April	"	117.5	112.0	122.3	152.9	136.0	125.3	126.8	125.7
22-4-1961	..	116.8	111.1	122.4	152.2	136.1	125.1	126.7	125.2
29-4-1961	..	118.0	111.1	122.3	151.9	136.2	125.2	126.7	125.8
6-5-1961	..	117.4	110.3	122.3	152.7	136.7	124.4	126.2	125.3
13-5-1961	..	117.6	108.4	122.3	153.7	136.9	124.7	126.5	125.7
20-5-1961	..	117.4	98.9	122.4	153.2	136.7	124.1	125.9	125.2

*Revised.

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

Period	Bombay		Delhi	Ben- gal	U.P.	Central Provinces		Madras June 1936=100	Ludhiana†	Jamshedpur†	All India†
	Bombay	Bombay June 1934=100				Nagpur	Jubbulpur				
1939 (Aug. -Dec.)	103	—	—	—	—	105	104	106	—	—	—
1954	342	359	244	138	327	408	373	139	341	143	140
1955	322	338	217	130	321	371	364	133	321	134	135
1956	336	352	244	142	347	424	397	151	358	152	146
1957	352	368	259	150	364	448	422	162	374	157	157
1958	376	394	274	150	384	468	447	165	401	157	169
1959	393	412	308	158	384	469	498	163	429	166	173*
1960	401*	420*	296	158*	397*	476*	512*	165	462*	167	166
June	403	422	297	154	399	460	510	165*	462	167	164*
July	404	423	302	160	406	484*	515	165*	467	169	164*
August	402	421	304	160	410	484*	515	163	470	169	168*
September	399	418	302	161	403	489	520	163	472	167	168*
October	402	421	304	162	396	488	517	163	477	171	164*
November	404	423	300	159	392	489	509	163	484*	171	168*
December	400	419	297	160	385	478*	507	163	488*	169	167*
1961 January	400	419	296	161	385	480	—	165	470*	171	166*
February	—	420	—	163	—	487	491	165	474*	172	164*
March	—	423	—	164	—	483	488	—	479*	—	—
April	—	—	—	165	—	—	—	—	482*	—	—

†Base 1944=100. *Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT)
WEEK ENDED

	2-6-1961			26-5-1961			19-5-1961			12-5-1961		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	119.90	118.45	119.23	120.25	188.85	119.73	119.55	118.25	118.90	122.00	119.20	119.94
Silver (per kilogram)	201.40	198.30	199.33	200.60	197.85	199.43	200.00	197.00	198.61	199.15	197.85	198.76

RESERVE BANK OF INDIA ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Bank	Total Notes Issued	Gold & Bullion	Foreign Securities (c)	Total of (b+c)	(b+c) as Percent- age of (a)	Rupee Coin	Rupee Securities	Total Assets
1955-56	1,339,39	17,08	1,356,47	40,02	656,52	696,53	51.35	106,87	533,06	1,356,47
1956-57	1,475,77	18,75	1,494,52	40,02	545,61	585,63	39.95	115,93	755,22	1,494,52
				(117,76)		(663,37)	(44.37)			
1957-58*	1,529,36	23,18	1,552,53	117,76	329,65	447,41	28.79	1,30,06	975,06	1,552,53
1958-59*	1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
1959-60*	1,730,90	19,86	1,750,77	117,76	167,62	285,38	16.30	131,50	1,333,83	1,750,77
Average of Fridays										
March 1960	1,836,41	16,63	1,853,04	117,76	163,01	280,77	15.15	124,00	1,448,28	1,853,04
April	1,887,42	17,25	1,904,67	117,76	163,01	280,77	14.74	127,16	1,496,74	1,904,67
May	1,886,74	20,78	1,907,52	117,76	163,01	280,77	14.72	125,34	1,501,41	1,907,52
March 1961	1,970,51	14,91	1,985,42	117,76	127,01	244,77	12.33	119,42	1,621,24	1,985,42
April	2,017,13	18,87	2,036,01	117,76	118,01	235,77	11.58	121,90	1,678,33	2,036,01
May	1,989,60	16,63	2,006,23	117,76	113,01	230,77	11.50	118,51	1,656,95	2,006,23
Week-Ending										
21-4-1961	2,007,65	22,28	2,029,93	117,76	118,01	235,77	11.61	122,10	1,672,01	2,029,93
28-4-1961	1,982,43	32,55	2,014,98	117,76	113,01	230,77	11.45	122,24	1,661,98	2,014,98
5-5-1961	2,002,38	9,38	2,011,76	117,76	113,01	230,77	11.47	119,02	1,661,97	2,011,76
12-5-1961	2,007,26	13,38	2,020,64	117,76	113,01	230,77	11.42	117,93	1,671,94	2,020,64
19-5-1961	1,985,50	15,44	2,000,94	117,76	113,01	230,77	11.53	118,23	1,651,94	2,000,94
26-5-1961	1,963,24	28,32	1,991,56	117,76	113,01	230,77	11.59	118,85	1,641,94	1,991,56

BANKING DEPARTMENT

(Rs. Lakhs)

Period	Deposits					Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad§	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Gov- ernment	Other Gov- ernments	Banks	Others	Total									
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
1955-56*	60,11	19,85	53,77	18,31	152,04	35,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
1956-57*	57,52	14,10	52,46	19,73	143,81	91,21	245,02	18,91	5,69	64,77	4,89	85,34	51,82	13,60
1957-58*	54,61	11,28	81,00	111,38	258,27	84,36	407,63	23,30	4,81	40,47	32,90	77,91	213,92	14,32
1958-59*	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,18	25,57	28,23	65,83	284,49	11,73
1959-60*	55,50	23,24	79,61	123,48	281,83	83,18	450,01	19,94	15,54	28,97	25,53	88,92	258,90	12,22
Avr. of Fridays														
March 1960	54,19	41,86	83,07	96,73	275,86	110,21	471,06	16,71	18,36	33,02	25,06	143,45	220,44	14,03
April	62,66	21,36	90,66	100,04	274,72	119,50	479,23	17,33	47,71	21,96	41,01	117,33	219,04	14,86
May	55,55	27,20	96,35	98,14	277,23	108,96	471,19	20,85	27,39	12,66	49,43	115,02	230,51	15,34
March 1961	61,08	20,34	72,56	91,25	246,03	125,10	456,13	15,00	33,81	26,22	44,51	168,25	148,97	19,38
April	59,70	8,73	77,38	101,68	247,48	134,15	467,38	18,99	55,31	10,60	84,08	135,28	142,78	20,37
May	61,61	16,21	78,38	116,50	272,69	145,08	501,78	16,73	41,65	21,40	83,99	125,26	191,55	21,22
Week-Ending														
28-4-1961	51,63	18,31	78,16	115,15	263,25	138,74	486,99	32,66	40,76	10,32	84,00	125,47	172,91	20,88
5-5-1961	53,13	13,07	81,80	114,16	264,15	135,86	485,01	9,48	44,39	17,68	86,30	128,49	177,58	21,10
12-5-1961	56,53	14,20	78,28	114,31	263,32	144,75	493,07	13,47	43,00	21,94	87,89	133,80	171,78	21,19
19-5-1961	68,01	15,22	76,43	114,29	273,95	153,16	508,11	15,54	42,09	22,86	81,04	121,92	203,42	21,24
26-5-1961	68,75	20,35	77,02	123,24	289,35	146,55	520,91	28,41	37,10	23,11	80,72	116,81	213,42	21,34

* Average of Fridays. **Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. †Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. §Includes cash and short-term securities.

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			Cash (Note + Coins)	Balances with Reserve Bank (5+6) as percent- age of (4)	Advan- ces (8)	Bills Discount- ed (9)	(8+9) as per- centage of (4)	Invest- ments in Govt. Secur- ities in India (11)
	Demand	Time	Total (2+3)						
1953-54	526,75	328,26	855,00	31,97	44,48	8.98	442,79	51,40	321,29
1954-55	559,62	351,86	911,55	32,66	53,91	9.50	468,39	84,66	339,74
1955-56	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	370,71
1956-57	653,34	453,92	1,107,26	36,94	50,23	7.96	626,08	155,56†	359,35
1957-58	723,89	619,19	1,343,08	39,34	77,55	8.72	723,79	167,32†	385,54
1958-59	735,93	860,33	1,596,26	40,30	83,99	7.74	766,56	133,27†	565,14
1959-60	745,83	1086,79	1,832,62	44,84	75,81	6.58	842,75	144,49†	725,20
1960-61*	794,49	1155,87	1,950,36	47,04	93,09	7.17	995,75	162,94	688,52
Average of Fridays									
December 1960	794,20	1128,10	1,922,30	45,61	91,21	7.12	991,46	155,21†	662,44
January 1961	793,54	1103,32	1,896,85	44,79	78,39	6.49	1042,22	169,59	621,24
February 1961	803,25	1092,13	1,895,38	45,46	71,07	6.15	1071,18	183,27	598,27
March 1961	820,31	1074,28	1,894,59	45,14	70,03	6.07	1107,98	197,93	566,54
April 1961	854,21	1093,17	1,947,38	47,78	74,18	6.27	1111,89	205,35	553,13
May 1961	845,27	1108,21	1,953,48	48,43	73,26	6.23	1085,24	194,17	548,23
Week Ending									
28-4-1961	861,50	1096,84	1,958,34	47,69	73,89	6.21	1107,80	201,11	562,46
5-5-1961	859,20	1097,67	1,956,87	48,74	75,85	6.37	1110,18	200,10	547,14
12-5-1961	844,23	1109,68	1,953,91	49,73	72,15	6.24	1108,73	198,16	552,65
19-5-1961	838,76	1110,55	1,949,31	48,00	71,08	6.11	1103,58	190,22	543,31
26-5-1961	838,89	1114,94	1,953,83	47,25	73,94	6.20	1018,48	188,18	549,83

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Lakhs of rupees)

Last Friday	Deposit money with the public					
	Money supply with the public	Total currency with the public	Total	Demand liabi- lities of banks	Other depo- sits with Reserve Bank†	Total variations in money supply
(1)	(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1953-54	1,793,97	1,229,43	564,54	549,83	14,71	+ 29,26
1954-55	1,920,63	1,311,77	608,86	599,16	9,71	+ 126,65
1955-56	2,184,32	1,505,09	679,23	667,22	12,01	+ 263,69
1956-57	2,312,89	1,556,50	756,39	744,74	11,65	+ 128,57
1957-58	2,388,83	1,606,60	782,22	762,36	19,87	+ 75,94
1958-59	2,498,76	1,724,53	774,23	754,98	19,25	+ 109,92
1959-60	2,703,13	1,862,72	840,41	818,62	21,79	+ 204,38
October 1960	2,660,69	1,823,80	836,89	812,18	24,71	+ 30,08
November	2,668,68	1,843,44	825,24	804,15	21,09	+ 7,99
December	2,737,29	1,898,73	838,56	813,05	25,50	+ 68,60
January 1961	2,792,66*	1,944,99*	847,67	821,72	25,94	+ 55,38*
February	2,815,17*	1,966,85*	848,32*	827,78*	20,54	+ 23,79*
March	2,908,07*	2,028,18*	879,89*	860,93*	18,96	+ 91,70*
April	2,940,58*	2,025,87*	914,71*	868,56*	46,15	+ 38,57*

* Provisional.

† Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank.

STATEWISE PROGRESS OF CO-OPERATIVE SOCIETIES IN 1959-60

(Amounts in Rs. crores)

State	No. of Societies	Member-ship of Societies* (lakhs)	Working Capital					Working Capital		
			Share Capital (Paid-up)	Reserves & other Funds	Deposits	Loans	Debentures	Total	Per Society (Rs. 000)	Per Member* (Rs.)
Andhra Pradesh	23,635	30.44	17.21	8.65	13.54	64.41	6.70	110.52	46.8	363.1
Assam	6,197	4.35	2.05	0.42	4.34	6.54	..	13.35	21.5	306.9
Bihar	27,468	13.95	4.20	1.68	8.48	8.29	..	22.64	8.2	162.3
Gujarat	13,108	15.71	19.49	9.23	30.62	60.52	5.90	125.77	96.0	800.6
Jammu & Kashmir	2,107	2.81	0.57	0.35	0.51	2.89	..	4.31	20.5	152.3
Kerala	6,502	15.40	4.53	2.16	4.82	10.07	0.47	22.04	33.9	143.1
Madhya Pradesh	25,106	11.01	8.61	3.47	11.47	33.82	0.39	57.77	23.0	524.7
Madras	16,793	36.07	17.25	11.53	24.96	67.54	6.85	128.12	76.3	355.2
Maharashtra	28,972	35.14	42.34	16.72	64.04	111.46	3.19	237.75	82.1	676.7
Mysore	13,698	21.24	14.57	5.88	18.40	42.65	3.04	84.54	61.7	398.0
Orissa	10,833	10.78	3.68	1.06	5.31	10.01	0.53	20.60	19.0	191.1
Punjab	29,847	17.74	12.91	3.29	13.09	29.81	..	59.11	19.8	333.2
Rajasthan	14,657	7.19	4.60	0.70	3.65	15.38	..	24.33	16.6	338.4
Uttar Pradesh	70,503	60.32	23.06	10.58	18.59	57.70	..	109.94	15.6	182.3
West Bengal	20,056	17.72	8.12	5.54	26.94	9.93	..	50.53	25.2	285.2
Delhi	1,905	1.50	1.30	0.30	1.99	4.35	..	7.93	41.6	528.7
Himachal Pradesh	936	0.73	0.36	0.19	0.68	0.57	..	1.80	19.2	246.6
All-India**—										
1959-60	3,13,499	3,03.13	1,85.38	81.94	251.89	537.20	27.07	10,83.47	34.6	357.4
All-India**—										
1958-59	2,83,971	2,47.61	1,48.92	71.25	223.22	411.73	24.46	8,79.59	31.0	355.2

** Including Manipur, Tripura, Pondicherry, and Andaman and Nicobar Islands.
 * Membership figures relate to primary societies only.

THE CO-OPERATIVE MOVEMENT IN INDIA : 1959-60

(Amount in Rs. crores)

	Number	Member- ship (‘000’s)	Working Capital	Loans Advanced	Value of Goods	
					Received or Produced	Sold
Credit Societies						
(a) Short-term						
State Co-operatives	22	31	174.74	196.92	—	—
Central Co-operative Banks	400	369	247.40	297.14	—	—
Primary Credit Societies						
Agricultural	203,172	14423	223.70	169.09	43.31	33.30
Grain Banks	9,554	1213	4.41	1.47	—	—
Non-Agricultural	11,371	4231	137.40	117.40	7.02	5.63
(b) Long-Term						
Central Land Mortgage Banks	16	217	37.38	8.52	—	—
Primary Land Mortgage Banks	408	550	20.39	5.10	—	—
Non - Credit Societies	88,556	102,37	238.05	44.21	222.72	349.52
All Societies	313,499	312,71	1083.47	325.32*	273.05	388.45

* Relates to primary societies.

LOAN TRANSACTIONS OF PRIMARY CO-OPERATIVE SOCIETIES IN 1959-60

(Amount in thousands of Rupees)

State	No. of Members (in thousands)	Loans Advanced	Loans Repaid	Loans Outstanding	Of which Over Due	Amount Advanced Per Member Working Capital
Andhra Pradesh	30.44	25,38,35	20,34,70	34,70,33	4,89,98	83
Assam	4.35	1,87,51	1,06,49	2,55,15	95,20	43
Bihar	13.95	5,79,44	4,89,69	6,62,14	1,41,87	42
Gujarat	15.71	37,51,19	31,44,49	32,93,49	5,77,16	239
Jammu & Kashmir	2.83	1,00,49	89,96	1,32,65	31,61	36
Kerala	15.39	6,97,72	5,74,61	6,83,75	1,29,62	45
Madhya Pradesh	11.01	16,07,83	12,64,50	18,25,82	3,53,91	146
Madras	36.07	39,56,72	29,56,49	4,422,26	3,19,73	110
Maharashtra	35.14	69,96,20	56,45,42	67,94,04	11,33,34	199
Mysore	21.24	28,12,47	22,64,00	26,92,57	6,02,11	132
Orissa	10.78	4,09,34	2,93,79	6,09,39	1,31,56	38
Punjab	17.74	14,12,97	11,37,69	16,70,88	4,51,16	80
Rajasthan	7.19	6,86,26	4,35,72	6,13,84	1,04,04	93
Uttar Pradesh	60.32	42,52,05	31,72,86	32,01,82	2,59,98	70
West Bengal	17.72	22,88,94	19,14,60	30,28,54	2,25,24	129
Andaman & Nicobar Islands	2	52	10	23	1	26
Delhi	1.50	2,03,94	1,54,58	2,37,98	20,29	136
Himachal Pradesh	73	14,95	13,15	25,88	8,50	20
Manipur	23	8,88	3,10	6,96	30	39
Pondicherry	20	34,41	16,89	28,70	1,13	172
Tripura	56	11,79	8,68	14,54	1,18	21
1959-60	3,03,13	3,25,31,98	2,57,21,51	3,36,70,96	50,77,92	107
1958-59	2,47,61	2,60,19,48	2,13,77,85	2,65,93,56	36,92,57	105
1957-58	2,14,35	2,02,24,84	1,54,05,50	2,17,57,47	32,03,19	94

AGRICULTURAL CREDIT SOCIETIES

(Amount in Rupees)

Item	1957-58	1958-59	1959-60
Membership per society	61	65	71
Working capital per society	8,031	9,346	11,011
Share Capital :			
i) Per society	1,695	2,033	2,312
ii) Per member	27	31	32
Deposits :			
i) Per society	513	540	585
ii) Per member	8	8	9
Loans advanced :			
Per member	94	105	117

PRIMARY MARKETING SOCIETIES

(Amount in Rs. crores)

Item	1957-58	1958-59	1959-60
Number	1,899	2,380	2,501
Membership	5,41,289	9,68,239	11,83,907
Share capital	2.22	3.69	4.94
Reserves	1.60	2.25	2.60
Borrowings	5.35	8.53	11.04
Working capital	9.17	14.47	18.58
Loans advanced	9.32	12.20	15.87
Purchases	10.61	15.60	30.27
Sales :			
as owners	4.76	9.83	21.12
as agents	11.33	16.88	25.52

INDIAN UNION

DESTINATION-WISE EXPORTS OF MANGANESE ORE: 1955-60

(Qty. in '000 tons)
(Value in lakhs of Rs.)

Country	1955		1957		1958		1959		1960	
	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
Czechoslovakia ..	1	2	10	22	23	40	20	28	43	59
East Germany ..	—	—	9	20	—	—	3	5	18	26
Yugoslavia ..	—	—	6	14	11	22	8	12	19	28
U.K. ..	108	143	121	285	77	156	94	161	131	193
U.S.A. ..	613	744	788	1,451	378	730	380	573	441	606
Italy ..	39	48	64	152	19	45	2	3	33	21
Netherlands ..	53	54	106	189	58	100	44	66	15	13
Belgium ..	93	85	88	144	60	56	12	11	34	31
France ..	150	164	241	457	100	156	135	146	119	121
Japan ..	96	109	102	205	94	107	175	180	202	145
West Germany ..	39	48	67	110	46	62	25	27	30	27
Other Countries ..	40	39	15	35	42	41	11	22	56	120
TOTAL ..	1,232	1,435	1,617	3,084	917	1,515	909	1,234	1,141	1,400

* Relates to primary societies.

DESTINATION-WISE EXPORTS OF IRON ORE: 1955 - 60

(Qty. in '000 tons)
(Value in lakhs of Rs.)

Country	1955		1957		1958		1959		1960	
	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
Czechoslovakia ..	185	82	477	253	428	223	473	230	791	371
East Germany ..	—	—	13	7	7	4	44	24	101	52
Hungary ..	—	—	22	12	—	—	—	—	48	26
Poland ..	48	23	138	70	39	21	57	31	62	33
Rumania ..	—	—	—	—	8	4	22	16	58	32
Yugoslavia ..	—	—	93	53	42	23	87	45	127	63
Japan ..	873	378	1,347	704	1,232	657	1,662	876	1,944	1,021
West Germany ..	78	35	8	4	4	2	27	14	92	49
Other Countries ..	104	44	118	73	106	65	99	57	151	82
TOTAL ..	1,288	562	2,216	1,176	1,866	999	2,471	1,293	3,374	1,729



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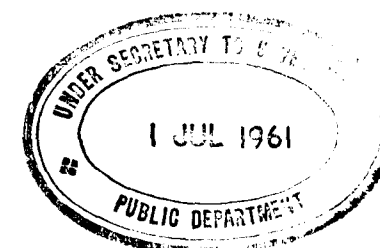
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The Eastern Economist

JUNE 23, 1961.

Seventh in the Common Market?

ON June 13, Mr. Harold Macmillan, Britain's Prime Minister, informed a tense House of Commons that Mr. Duncan Sandys would be deputed on a special mission to visit the Commonwealth countries for consultative talks on Britain's entry into the European Common Market. Mr. Sandys' one-man mission was later expanded into a three-man mission by the addition of two of his senior Cabinet colleagues. Their visits are to commence early next month. In 1956, Mr. Harold Macmillan, Britain's Chancellor of the Exchequer, put for the consideration of the Commonwealth countries the proposition of their participation in the original plan for the creation of the European free trade area, to be coextensive with the OEEC, in case Britain decided to join it. Much water has flowed under the bridge since then. The original proposal did not materialise, but the OEEC was split up into two regional trade divisions—the European Common Market and the European Free Trade Association, which followed after an interval as a weaker defensive organization. But doubts continued to be entertained about the feasibility of the Common Market emerging as a forceful organisation.

All these clouds of scepticism about the success of the Common Market, however, have been totally dispelled and the alliance has raced ahead with a confidence and dynamic vigour which have taken even its optimistic advocates by surprise. Tariff reductions have been advanced and, partly, their benefit has been extended to the outer tariffs as a gesture that it is outward-looking. The European Economic Community is gaining in industrial strength at a rate which would have been regarded before as incredible. Britain, by contrast, is finding her industry in a state of virtual stagnation and the gulf dividing her from the Common Market is getting rapidly wider than the geographical measure of the English Channel.

The economic case for Britain to join the Common Market is becoming increasingly irrefutable. But the European Economic Community's goal of integration transcends the economic domain. It is here that emotion threatens to get the better of reason. It

would be an oversimplification of the issue to state that the conflict in Britain over joining the Common Market is a conflict between emotion and reason. But as a broad assessment there is considerable validity in it. There can hardly be much doubt where Britain's choice will eventually lie—the ayes will have it.

In 1956 Mr. Macmillan found it the most convenient course to hold joint consultations at the Commonwealth Finance Ministers' Conference. This was perfectly understandable since the discussion was to be in broad theoretical terms. On the present occasion, however, Mr. Macmillan is reluctant to accede to the desire of Mr. Diefenbaker that the issue be considered at an emergency session of the Commonwealth Prime Ministers. An open discussion at a comprehensive forum may tend to concentrate effort on a common front, which, by its very nature, ought to accommodate the maximum possible demands for safeguards. Quite likely, the deeper implications of Britain's entry may be thrashed out at such a conference and there may be undisclosed apprehension entertained by Mr. Macmillan that the political aspect is also uppermost in the mind of Mr. Diefenbaker. In any event, such comprehensive deliberations are being eschewed as prejudicial to the British case at the present moment. Unanimity is lacking among the Common Market Six on the nature of Britain's participation and the attitude of France in insisting on implicit endorsement of the Treaty of Rome by her is no secret.

Separate discussions by Mr. Sandys and his two colleagues with the individual members of the Commonwealth may help to sift their claims and agree upon minimum conditions of each after the members are apprised of the limit of concessions to which the Common Market Six are prepared to go. This is a reasonable conjecture on the assumption that Mr. Macmillan is in a position to brief his colleagues from personal knowledge. But he has not taken the public into confidence on this specific issue and he may be right in adopting this course to avoid embarrassment in later negotiations. But the chances also are that, in the absence of any such brief from their chief, the visiting Ministers may have to accept from the

individual Prime Ministers an assortment of demands for safeguards.

Britain cannot treat lightly her ultimate and enduring economic link with the Continent, but, at the same time, howsoever tenuous the Commonwealth link may seem to be, she finds herself politically and economically under an obligation to maintain it. The direct implication of the Commonwealth link, in the context of her participation in the Common Market, is the preservation of at least the minimum of the preferential tariffs with reference to each member of the Commonwealth, to avert the likely risk of disruption of the structure of their export trade with Britain, involving dislocations in their economies. Where the preferential import tariffs on strategic Commonwealth goods entering the British market would be lower than the internal tariffs of the

Common Market, reservation for such preferential rates of duty would be essential.

It cannot be pretended that the Treaty of Rome is a puristic document aiming at free trade direct. The exclusion of the domestic policies of the Six, governing agricultural protectionism, from the application of uniform internal tariffs is a glaring reservation. Besides, there are negotiated exceptions with regard to individual items for some countries. This recognition of the principle of reservation is the basis for the expectation that the essential preferential import duties for individual Commonwealth countries will be safeguarded. In the case of India duty-free entry into Britain of her tea and a prescribed quota for grey cloth, duty-free, illustrate the typical reservations which are vitally necessary for the preservation of her export trade. In addition, safeguards for some items of exports of the Commonwealth countries to the Continental Six may be indispensable.

Men Without Jobs

ONCE again attention has been focused on the tormenting problem of unemployment—and quite rightly Mr. Nanda, the Union Minister for Planning, Labour and Employment, has made an anxious reference to it. The backlog of the unemployed in India at the beginning of the Second Plan was estimated to be a little more than 5 million. According to the preliminary estimates based on the latest census, the unemployed at the end of the Second Plan are estimated to be around 9 million. Even if the Planning Commission underestimated the volume of unemployment at the beginning of the Second Plan, the fact remains that the Second Five-Year Plan did not succeed in reducing the pressure of unemployment. On the other hand, the number of men without work nearly doubled and has rightly caused great concern.

What has been the aim of India's five-year plans in regard to the creation of new jobs? The First Five-Year Plan outlined a programme which envisaged "maximum production, full employment, attainment of economic equality and social justice" as the four basic objectives. The Second Five-Year Plan placed "the increase in national income" in the front rank, followed by rapid industrialisation with particular emphasis on the basic and heavy industries. Expansion in employment opportunities occupied only the third place. It was, however, clear even at that stage that the backlog of the unemployed would slightly increase instead of diminishing during the Second Plan. In 1957-58, when the Plan had to be slashed because of the paucity of foreign exchange resources, the estimate of new jobs likely to be created was reduced substantially from 8 million to 6.5 million. It was obvious even at that time that the backlog of the unemployed at the end of the Plan might be between 7 and 8 million. But the census has turned the apple cart and has enhanced the number to 9 million, indicating that a highly explosive situation existed in the country. Mr. G. L. Nanda, the Union Minister for Planning and Labour and Employment harped on the same theme at Kanpur on June 18, when he said that "the increasing population was a big and expanding challenge and if no suitable solution was found, the internal peace of the country would continue to be disturbed. So long as there was a single person unemployed, all talk of social justice was useless because the unemployed received nothing and remained an outcast."

The draft outline of the Third Plan published by the Planning Commission in June 1960 again under-estimated the new entrants by about 2 million. Whereas the Plan indicated that the total increase in the new entrants in the employment market might be of the order of 15 million, it is now estimated that their number would swell to 17 million. Coupled with the backlog of the 9 million unemployed from the Second Plan, the Third Plan is required to provide jobs for 26 million. This is indeed a stupendous task and has unquestionably confounded the planners.

A large number of solutions has been offered, mostly short-term, but it seems that even the Planning Commission does not have faith in their capacity to produce the desired results. Take, for instance, the provision of Rs. 150 crores for rural work in those areas which have heavy concentrations of the men without jobs. This is obviously a short-term plug to close a big hole. Similarly, the proposition to increase the construction activities in the country all-round is another solution of the same kind which suffers from very serious limitations, especially in regard to the availability of raw materials for executing the projects.

Whatever stop-gap solutions are applied, they may provide only temporary relief. Attention needs to be diverted to long-term solutions. First in this category lies a programme of family planning which alone can reduce the pressure of population and unemployment. It is a lamentable fact that the family planning programme during the last decade has fared miserably and with the present allocations in the Third Plan, the battle for creation of employment may not be won. Before the "magic pill" is discovered by the U.S. scientists—and India's ex-ambassador Mr. Chagla is reported to have made a strong plea for it in one of his speeches in the U.S.A.—it is necessary that all the available technical knowledge on the subject should be pressed into service for curtailing the rate of rise in the population. If necessary, the financial allocation in the Third Plan may be enhanced.

The second long-term solution relates to the priorities of investment in the Third Plan wherein the emphasis on heavy industries needs to be redressed. This is a fact which is too well known

to the Planning Commission. In the Fifth Chapter of the Second Five-Year Plan, the Planning Commission has stated: "In the light of the emphasis placed on heavy industries, the scope for a varying pattern of investment is only marginal in character and any further adjustment of priorities may not yield much larger results in terms of employment." It is common knowledge that heavy industries absorb a stupendous amount of capital and do not offer employment opportunities commensurate with the size of the investment. The same amount of capital invested in medium and small industries is likely to generate more than double the volume of employment created by heavy industries. *The Eastern Economist* has repeatedly urged rectification of the emphasis on heavy industries. Reports have already appeared in the Press that the final decision has been made to include the Bokaro plant in the Third

Plan. Could it not be deferred in favour of labour-intensive industries which would be effective in relieving the pressure on the employment market?

But it is obvious that inside the Planning Commission the advocates of central emphasis on heavy industries have carried the day in their ideological zest, utterly unmindful of the "explosive situation" created by mounting unemployment. Will the Planning Commission show the courage to face the problem in a spirit of realism and alter the scale of priorities in industry on the basis of their employment generating capacity in order to strike a rational balance between the need to achieve self-sustaining growth in the economy on the one hand and the need to mitigate the explosive character of the situation on the other?

The Flare-up in Assam

THERE is a cruel irony in the situation in which the ugly forces in defiance of law and order have reared their head in the Cachar district. The Sangram Parishad had suspended its agitation in favour of securing legal recognition for Bengali as a parallel official language with Assamese throughout the State. It could very well have seen reason not only to suspend but to call off this prolonged agitation. But though its action came somewhat too late, it helped to create an atmosphere conducive to the return of peace in the Cachar district. It is most tragic that in these circumstances the flare-up should have occurred and violence resulting in seven persons being killed and several injured should have taken place. The Shanti Parishad, which has been responsible for organising the mob of villagers 10,000 strong for the march on Hailakandi, has been set up as a counter-blast to the Sangram Parishad. But by resorting to rank lawlessness it has made a complete mockery of its name. If this is the Shanti Parishad's idea of bringing about peace, it is evidence of a crust of linguistic intolerance still holding its own in this troubled State.

The Assam Government deserves credit for the promptitude and firmness with which it acted in suppressing violence and restoring peace and order. Troops were called without loss of time and curfew was clamped on the affected area swiftly. This stern action prevented any possible spread of a wave of violence and bloodshed of which Assam has still a fresh memory.

But it is surprising that the State Government was taken unawares by this recrudescence of terror in a town in the Cachar district where it was expected to keep close vigilance. A march by as big a crowd as 10,000 strong cannot be a sporadic event. From all indications, it was a premeditated and organised attempt at using violence against the Bengali-speaking population of the town. The motive which impelled the organisers to mobilise force was resistance to the amendment to the Assam Official Language Act to which the State Government stands committed. No other motive seems conceivable in this case. If so, it speaks for the great inadequacy in the State Government's machinery of procuring intelligence at a time when there is every reason to be on the alert and not the least justification for giving quarter to complacency.

This incident reveals a serious gap in the precautionary measures which the State Government as well as the Central Government seem to have decided upon in the light of last year's protracted language riots. To strengthen the intelligence units was an important precaution dictated by the exigency created by their aftermath. It was necessary to set up a network of telecommunications between the capital, the district headquarters and the important cities in areas which were the strongholds of linguistic agitators. The proposition is worth considering whether the State Government should not accept the Centre's intelligence service until it is able to set up its own of the requisite efficiency. No chances ought to be taken until normalcy is fully restored.

A theory has been advanced that the mob which marched against the Bengali population at Hailakandi consisted largely of illegal immigrants pouring into Assam from East Pakistan. This seems a far-fetched theory because the immigrants are quite unlikely to possess the resources necessary to organise violence on such a scale. If any of them were procured as hirelings, it only speaks for the planning which went behind this march of law-breakers. Assam is tormented by a multitude of problems among which two require careful attention in the short run. They are the resettlement of returning Bengali evacuees during last year's riots and effective measures to prevent the infiltration of illegal entrants from East Pakistan. Any attempt at this critical stage in the life of the State to give a communal complexion to this flare-up (and there are some indications of it) will hamper the delicate and difficult task of the enforcement of the rule of law.

It is the first and elementary duty of every Government to give protection to the life and property of the minority. But recurrence of incidents of the type that took place at Hailakandi will be damaging to faith in the Government's capacity to discharge it. There is also urgent need for the different sections of the population of Assam to cultivate a spirit of goodwill and tolerance in linguistic matters. But the guardians of law and order cannot wait for this transformation to take place and restore respect for law. Above all, the first demonstration of firmness which the Government ought to make is to implement the Shastri formula and amend the Assam Official Language Act at the earliest opportunity.

A DELHI DIARY

POZNAN: COME TO THE FAIR

AFTER more than a month's absence, for which I must apologise profusely, I can still only appear by remote control. I am proud, however, to be able to write on the date of the inauguration of Poland's great international Fair, June 11. I trust my readers will accept in place of accustomed fare some brief remarks on what it is to come to Poznan and get the first mighty impact of the industrial advances that Poland has made in the last five years. A little less than half of the Poznan Fair is occupied by Polish Exhibits or stalls which to me were far more interesting than those of the USA, USSR, UK, Germany and China combined. Perhaps this is the industrial translation of that profound remark of Robert Louis Stevenson that it is better to travel hopefully than to arrive!

HOW NOT TO ARRIVE

The word 'arrive' raises a less comfortable train of thought in my mind and I might as well get it out at once. Unwisely, I chose Berlin as my point of entry; I am told those gifted with vision choose Vienna which has so far graduated out of Cold War tensions that it threatens to be the new Summit Conference choice of the world. From Berlin there are chapters of discomfort. One cannot go from Tempelhof, the Western Berlin airfield into Eastern Europe. One has to get transported from there to East Berlin. This is by means of a taxi with a double fare since the taxi counts on returning empty. When depleted of West German marks, one then has to find some East German marks to pay the bus fare from the air terminal in East Berlin to the East German airport of Schönefeld. Also one has to obtain a departure and entry visa for ten Deutschmarks more, even though one does not stop in East Germany. The rate of the East German Deutschmark for this purpose is for prestige—and I suppose good economic reasons—parity though, at almost every exchange office in West Berlin, the rate is 4.87 East DM's to one West DM. The bus travels nearly empty for about ten miles to the airport; one carries one's own case there, and almost the only smile one meets is when one encounters the Polish hostess of the Polish airlines. Why, I keep asking myself, is Poland much more cheerful than East Germany?

I do not speak in a querulous mood; on another occasion I shall have something to say of Berlin, that tragic tale of two cities. But, for the present, the point that I am making is the extraordinary warmth that one feels in being in Poland. I was only one of about 200 journalists expected at the Poznan Fair, of which 67 foreign journalists had arrived all in a rush on the first day. The extraordinarily detailed manner in which every problem was individually resolved—board, lodging, transport, tours, guides—and above all tailor-made information could, I suggest with great respect be copied by Delhi at the Industrial Fair proposed this year. The people in Poznan are gay and cheerful, whether in the Fair or outside. The flags are all out and today is a Sunday but I cannot believe that any other day would be different. There is music (sometimes a little too continuously) broadcast throughout the Fair; but there is also a great Philharmonic Orchestra here supported largely by local effort and music manages to live in harmony with some of the grim factories in the area. Poznan was severely mauled in the last year of the War with the Russians and Germans battling three weeks for this key city on the road to Berlin. There is a great monument in the cemetery built on the hill from which German guns dominated the city. Behind the monument the great trench used

can still be seen. But of the War one hears practically nothing. The Poles are looking forward not back; perhaps that is really the secret of perspective in human living and an excellent prescription for us in India. When one nurtures wrongs, one loses opportunities; when one seizes opportunities, one gets, by a curious law of nature, an escape from a sense of grievance. What, in official documents, is called the "dynamic"—happy word!—of each section of the economy rests, I expect, on the "dynamic", all-embracing and enduring, of a happy outlook on the future!

POLAND'S INDUSTRIAL ALPHABET

I shall never be able to command all the magic letters of Poland's new industrial concerns. They continue to multiply and, according to Biblical prophecy, to replenish the earth. Thus POLSERVICE has just branched out of CEKOP, the extraordinary monolith which offers complete plants and arranges full power houses. Not, indeed, that CEKOP makes everything in Poland; it buys out parts for power houses, for example of about 15 per cent — perhaps turbines, perhaps other parts as circumstances direct and by no means from socialist countries only. They are buying increasingly from the U.K. now which is fourth in Poland's list as a trading partner, the first two being the U.S.S.R. and the East German Democratic Republic. But let me get back to the Polish Industrial Alphabet on which my preliminary researches were conducted. In strictly alphabetical order they are ANIMEX (for import and export of animal products), ARS POLONA (for cultural affairs, books, music, — and postage stamps!) CEKOP (the great industrial giant — to which I attach its new daughter POLSERVICE), CENTROMOR (for ships and shipbuilding), CENTROZAP (for export-import of steel products), CETEBE (for textile products) CIECH (for chemicals) and so on and so forth. I am still at 'C', I, therefore, say no more but attach names only. Here they are in alphabetical order: COPEXIM, DAL DESA, ELEKTRIM, FILM POLSKI, HORTOX, IMPEXMETAL, METAEXPORT, MINEX, MOTOIMPORT, PAGED, PETROLIMPEX, POLCOOP, POLIMEX, PRODIMEX, ROLIMPEX, RUCH, SKORIMPEX, SPOLEM, TEXTILIMPORT, UNIVERSAL, VARIMEX AND WEGLOKOKS! The last but not least means something or other about coal and exports hard coal, metallurgical coal and briquettes from hard coal. I conclude on a note of dismal prophecy. The Ministry of Fuel will soon be talking to WEGLOKOKS on the possibility of coal supplies to Western India. Happily that will not exhaust the possibilities of economic co-operation; who, having seen the Fair at Poznan, can doubt that this co-operation is only just beginning?

THE INDIAN PAVILION

The size and inadequacy of the Indian Pavilion at the Poznan Fair is (alas!) only one instance of the kind of mistake which India makes in choosing her points of display abroad. Handlooms and tea were there but the former were far less happily selected than in any room of New Delhi's Emporium. Tea, which has definite possibilities was not made on the job here than anywhere else in Europe. For expenses of display could be financed in rupees and the market can be made to expand rapidly. My friends, with great tact, always drink tea in my presence. But why, oh why, was the Swastika allowed to appear on the products of an oil mill? A Polish friend seeing this made polite enquiries as to how this had come about not one word about its inappropriateness after the battle of Poznan!

ARGUS.

THE WEEK'S NOTES

The Congo

TOWARDS CONCORD

THE AGREEMENT signed by the UN Secretary-General with Mr. Kasavubu on June 12 for economic aid to the Congo is a good augury for straightening out the tangled affairs in that country which are now happily becoming much less confused and amenable to settlement. In terms of this agreement \$10 million will be withdrawn from the small balance outstanding in the Special Congo Fund for outlay on urgent programmes of economic reconstruction. Experience hitherto has proved that much of the United Nations financial aid to the Congo has been wasted on the army and the administration without setting right their disorder and inefficiency. Now with hopes of establishing normal conditions, the aid granted is expected to be put to fruitful use. But the Special Congo Fund is rapidly dwindling. Russia has refrained from making any contribution to it and the only hope of strengthening it lies in the Western powers undertaking to replenish it. The atmosphere is improving to induce the Western powers to be liberal in their provision of aid. Nevertheless, what the Special Fund can do has its obvious limitations.

There are positive achievements to be recorded such as the establishment of the UN command over the Kamina base and, what is very significant, conclusion of an agreement on the control of the supply base at Matadi port. The UN troops are to move at Matadi without arms so that no further trouble would arise and supplies for the military personnel sent on behalf of the United Nations will flow with regularity.

Colonel Mobutu continues to be the main trouble-maker. His stunt about the "plot" to kill him (and his later addition of the names of two important Ministers as the projected victims) as well as his attempt to bring the Indian Embassy into disrepute by charging it with complicity in the plot have utterly failed. But he has demonstrated the potential to foment trouble in Leopoldville. This nuisance apart, the atmosphere is now becoming clearer for summoning the Parliament. This is certainly a major step towards rapprochement between the Centre, the Katanga regime and Mr. Gizenga's regime. The last two are not parties to the agreement forged at Coquilhatville. Nevertheless, latest indications are that the climate is now becoming propitious for reconvening the Parliament and Mr. Gizenga is said to have given his consent on condition that the legislature is convened under security measures for which the UN would be solely responsible. The latest developments in Katanga, however, give a picture of confused situation.

The PSP

THE DRAFT ELECTION MANIFESTO

WHOEVER WERE responsible for preparing the draft of the election manifesto of the Praja Socialist Party were obviously labouring under the misapprehension that condemnation of the ruling party 'ipso facto' proved the case of the P.S.P. to eradicate the ills for which the former is held entirely responsible. The Indian electorate has enough common sense and at least some political maturity to appreciate the real import of election manifestoes. The P.S.P. should have learnt the necessary moral from a series of reverses which it suffered in recent elections.

The economic programmes briefly set out in the draft manifesto are either unvarnished imitations of what the Congress Party has been proclaiming or they are platitudinous repetitions of familiar promises, or they amount to high-sounding declarations without setting out, at least in some measure, how those promises are to be substantiated. The emphasis on the concentration of economic power and the need for manipulation of industrial licensing and fiscal policies to break the concentration is not a whit different from the pronouncement made on this issue by Congress Chief Ministers at the recent meeting of the National Development Council. The P.S.P. wants association of rural population with the expanding industrialisation, but it is silent on the issue whether heavy industries ought to be built on a priority basis to achieve the self-sustaining stage in the growth of the economy without unduly protracting the period of external assistance. It does not say how the two objectives are to be harmonised. The tax policy of the Congress Government has been condemned as iniquitous and presumably the implication is that the incidence of indirect taxation is rapidly increasing. If economic expansion is to proceed at a fast rate, how would the P.S.P. draw a policy for taxation as the main plank for raising resources for development? Social security requires as its pre-condition the production of wealth, but the attempt to give lopsided precedence to it at this stage is to ignore that pre-condition.

The statements on foreign policy and defence serve only to make the confusion in the P.S.P.'s thinking on these issues worse confounded. Does the P.S.P. really mean that the Chinese and Pakistani aggression on Indian territory is to be vacated by open war? If not, how does it propose to substitute the policy of the Congress Government? Obviously, it does not suit the interest of the P.S.P. to investigate the progress or failure of agricultural co-operatives in operation. But proceeding on the assumption that co-operative agricultural communities will be a complete success, it goes on to extend the assurance that the party will aim at combining agricultural work with a preparedness for defence. What precisely this means has been left conveniently to the imagination of the electorate.

Kerala

EVACUEE RESETTLEMENT

THE GOVERNMENT OF KERALA would have been spared loss of prestige if it had not allowed itself to handle the problem of the resettlement of evacuees in the Amaravati forest reserves tactlessly. So far as the intentions of the Government are concerned, the plan for resettlement was properly conceived. But it was not properly publicised by taking the public into confidence. This tactical blunder has resulted in a windfall to the Communist Party in the State. Mr. A. K. Gopalan, Deputy Leader of the Communist Group in the Lok Sabha, resorted to a fast to espouse the cause of the evacuees. Fast as a weapon of political coercion is to be condemned no matter who practises it. But since it is practised by different political parties, including the ruling party, it was a serious blunder to arrest Mr. Gopalan for attempt to commit suicide and then to persuade him to give up the fast and release him when his condition grew critical. These blunders can only prove costly on election eve.

As many as 2,200 families which were to be uprooted from the Ayyappankoil forest area (which they had illegally occupied), for clearing it to construct the reservoir for the Iddikki Hydel Project, were to be resettled in the Amaravati reserve forest area. Only 500 were settled and a backlog of 1,700 remained to be cleared. The heavy monsoons in the coastal area accentuated the hardships of the families awaiting rehabilitation. Fuel was added to the fire by the Communist leaders by inciting the evacuees to accept nothing short of five acres of land per family. This was a fantastic claim as it is inconceivable that so much land could at all be found in this excessively populated State.

In terms of the compromise which has been arrived at between the Government and organisers of the settlers, the work of resettlement is to be expedited in an orderly manner, one acre of cultivable area is to be provided per family, a loan of Rs. 100 and a grant of Rs. 50 per family are to be provided to enable the settlers to start cultivation and in the intervening period employment is to be created by starting relief works. In addition, medical and educational facilities are also to be provided. The terms of compromise are in essence the same as the programme originally contemplated by the Government. The compromise notwithstanding, the Government needs to be vigilant in supervising the progress of resettlement, lest a handle is given to trouble-shooters to start mischief.

Southern Rhodesia

THE PROPOSED CONSTITUTION

THE WHITE PAPER issued on June 13 on the proposals for a new constitution for Southern Rhodesia has failed to win a favourable reception. It is principally the work of Sir Edgar Whitehead, the Prime Minister of Southern Rhodesia, and Mr. Duncan Sandys, the Secretary of State for Commonwealth Relations. The pre-condition of its acceptance is approval by the electorate on a referendum, which, in this case means approval predominantly by the white population of this self-governing territory. But acceptance of the constitution at the referendum cannot be taken for granted and, in the event of its rejection, Sir Edgar's United Federal Party will have no choice but to resign. The Dominion Party which has a likely chance to succeed in that event will make a change for the worse. Sir Edgar has evidently staked much on the referendum, but there is a distinct reluctance to go as far as the situation demands in the light of the deadlock that was created in the aftermath of the Monckton Report.

The real opposition to the proposals in the White Paper comes from the majority African population and it is an opposition which will need to be reckoned with. For the first time after the constitutional reform of 1923 granting internal self-government, Africans are given representation on the legislature. They are to send 15 elected members to the House. But the British representation has been increased from 30 to 50, with the result, that, in the House of 65, the Africans will be under a permanent handicap of remaining in an ineffective minority of 15. The franchise is based on high standards of qualification and there is force in the criticism that they withhold the right to vote from a large section of the African population.

There is the declaration of rights, a further guarantee that no written law will sanctify discrimination on

the ground of race, colour, or creed. A constitutional supervisory council of 12 is to guard against any discrimination and there is the right of appeal in succession right up to the Privy Council. But the legislature can override the Council in appropriate cases and, furthermore, discriminatory laws may be enacted if they are justified on the ground that they are in the interest of the country. Only a two-thirds majority of the House can block action to override the decisions of the Council. But since Africans will be in a minority of 15 which is short of one-third by 7, this majority of two-thirds may not be difficult to be obtained. The White Paper has a slender chance to resolve the deadlock and, if offer of partnership to Africans is underscored as its central virtue, that partnership has been bitterly criticised by African opinion as subordinate partnership.

Legislative Proceedings

PROTECTION TO THE PRESS

THE PRINCIPLE of absolute immunity to the Press in the matter of publication of proceedings of legislatures has not found acceptance. But there cannot be any two opinions that the Press should be free from the fear of legal action so long as it makes substantially accurate reports of the proceedings of the legislatures. This is a public service which it ought to perform in a democracy, but the extent of its ability to perform it is conditioned by the protection granted by law. When this point was urged before the Press Commission, it recorded its considered view that the balance of advantage lay in extending to the Press the safeguard of legal protection. The Parliamentary Proceedings (Protection of Publication) Act 1956 was the first piece of legislation which conferred on the Press the privilege of qualified immunity. The qualifications levied were that it cannot extend to cases where the publication is made with malice or where it is not for the public good. No exception could be taken or was taken to the two restrictions. Among the States, Orissa was the first to follow suit. Its legislation also kept the qualifications to the reasonable limits.

The Maharashtra Government is introducing in its forthcoming session the Maharashtra State Legislature (Protection of Publication) Bill which purports to confer the privilege on the Press. The State Government was moved to act in this matter by a private member's Bill introduced in the last session, but withdrawn on the Government's assurance to bring a comprehensive measure for this purpose. Surprisingly enough the assurance has been observed in letter but violated in spirit. The so-called immunity of the Press from legal proceedings has been hedged with a number of restrictions. The protection to the Press does not extend to the reporting of such matter as is ordered to be expunged by the Chairman of the Legislative Council or the Speaker of the Legislative Assembly. Any reporting which involves criminal defamation, incitement to any offence under the law, contempt of court or which affects the maintenance of law and order or which is repugnant to public morals or decency — these complete the list of restrictions elaborately enumerated in the Statement of Objects and Reasons, which proudly claims that the Bill closely follows the pattern of the Parliamentary Act of 1956. Comment is unnecessary where protection is reduced to its travesty. Nothing will be lost if this official Bill is withdrawn and the status quo maintained.

The World Abroad

CONTROLS SLOW INDIA'S PROGRESS

By
ODYSSEUS

PROFESSOR P. T. BAUER, of London University, in his important new book, "Indian Economic Policy and Development" (Allen & Unwin. London. 1961. 16s.) offers criticisms of Indian planning, which I am reporting in some detail, because the Professor's standing among Western economists is such that if official India does not accept his criticisms, they had better get a reply out quickly.

Professor Bauer observes that private enterprise is "more closely" controlled by the government than in most other developing countries outside the Communist orbit. The government controls capital issues, allocation of raw materials, imports, exports, and foreign exchange transaction with all foreign countries, even those with the sterling area. These controls reflect, says the Professor, both the government's reaction to the shortage of resources—which is the result of the over-ambitiousness of their Plan—and also the government's intention to determine the economic pattern. They encourage some industries, discourage others. In general, the controls obstruct the most efficient (a) use, and (b) growth, of resources; they cannot take account of differences in the circumstances, opportunities, and resources of different firms. They, therefore, inhibit the growth of the more efficient and protect the less efficient. Because of India's diversity of social and economic resources, blanket measures increase the economic waste caused by these controls. The restrictions on the supply of consumer goods retard the progress of production for the market by decreasing inducements to produce for cash sale.

These measures are usual accompaniments of attempts to repress inflation, or to secure to the government the resources required for particular aims, and of the desire to determine officially the economic pattern. In India, there are, in addition, other more drastic official controls over private enterprise. The government has power, notably, to license the establishment, extension, change of location, or the production of a new article, of all substantial enterprises. It can prescribe prices, methods, the volume of production, and the channels of distribution, can prohibit an enterprise from reducing its output or its capacity, can remove directors and executives and replace them by its own appointees without right of compensation. I need not elaborate the scope of the Industries Development and Regulation Act, the Essential Commodities Act, nor the Supply and Prices of Goods Act, with which you are familiar. The present point is—how do they strike outside observers?

WHAT FOREIGNERS THINK

Sir Theodore Gregory in "India on the Eve of the Third Five-Year Plan" (Associated Chambers of Commerce of India. 1961. Price Rs. 5) says that, at the moment, the threat of large-scale nationalisation, implicit in these Acts, is not taken too seriously by business men, but, he says, it is important to underline the words "at the moment". A shift of opinion to the left would at once revive fears of nationalisation, even if the present over-all distribution of power among the political parties were unchanged. If, however, at the next election there were a large gain in Communist representation, still more if the Communists secured a

majority, the situation would be serious. "What is to be feared at the moment," says Sir Theodore, "is not the threat of a further general nationalisation, but the doctrinaire use of existing powers by the state." If the government wanted to harass an individual, or if it were generally suspicious of industrialists, these Acts offer wide scope for interference. It is important to ask, says Sir Theodore, whether such legislation is not in itself more dangerous to the national economy by creating apprehension than the evils that it is supposed to check. Sir Theodore goes on to refer to the time, expense, and delays, caused by the need to refer to a multitude of authorities for all kinds of permits.

Another sympathetic observer, Mr. Paul Bureau, editor of "The Statist" of London, described these Acts as giving the government power of life and death over any individual enterprise. Indians told him that the law was, of course, only meant to be used against rascals, not honest men. "That may be true," said Mr. Bureau, "but it is there as part of the law and could be used by another administration to stifle the life out of any organisation that they dislike."

Professor Bauer makes the point that such close controls over private enterprise are not necessary for the extension of the public sector. If unnecessary, why are they there? Their effect has often been to increase the profits of existing enterprises by shielding them from competition by new entrants and they have created controlled sellers markets, and market-sharing agreements. Indeed, they have strengthened previously existing private market-sharing schemes—or have made them unnecessary! In certain sectors, the operation of controls has secured large windfall profits to the recipients of controlled supplies, as the market prices of these resources were often far higher than those at which they were allocated. Thus controls have been welcome to existing firms. These points should incidentally, be remembered by those interested in promoting anti-monopoly legislation in India. It would be ironical if firms were prosecuted for market-sharing practices created by previous legislation.

However, even to firms which benefit by them, these laws are mixed blessings. Along with the rest of the economy, these firms suffer by the retardation of economic progress. Moreover, the close control of all their activities, including production methods, raw materials purchase, and output disposal, helps to spread the idea that private firms are functionless automatons, and this makes more plausible political demands for their expropriation. The controls also facilitate the replacement of individual firms by state organisations. Business men may welcome controls which protect them from competition, but they should realise that these controls prepare the ground for their displacement. ("Will you walk into my parlour?" said the spider to the fly).

Socialists profess solicitude for small business men, but Professor Bauer points out that India's extensive controls, and the universal licensing of the establishment, extension, and modification of workshops, and trading enterprises bear especially heavily on medium and small size enterprises. Many of these firms are

efficient low-cost producers or distributors, but their managers do not understand the intricacies of the law, cannot afford prolonged disputes, and are easily overawed by authority, so that the multiplicity of India's controls hamstring the enterprise and progress of the smaller men.

And, of course, the waste of official time, manpower, and resources, in administering the mazes of these controls and licenses is a burden on the economy the size of which no one has yet dared to estimate.

SAVINGS DIVERTED TO CONSUMPTION

India's controls, says Professor Bauer, have almost certainly affected the supply of saving and investment. The refusal to set up new enterprises or to extend existing ones may not set resources free for other uses and may eliminate savings that would otherwise have materialised. Saving is often undertaken for specific objects and if these are frustrated, the money may be diverted to consumption or to buying gold or silver. This is particularly likely in times of inflation.

India's heavy taxation also helps to protect established firms by deterring new entrants and preventing the accumulation of reserves by newer firms. But at the same time it removes much of any advantage that they may derive from the reduced competition. Taxes are now so high that they bear harshly on those established enterprises which don't find a way of evading them.

The exclusion of private enterprise from important spheres of industrial activity, and the burden of taxation, are major deterrents to the inflow of private foreign capital. "This," says Professor Bauer, "has now been reduced to a trickle, and is largely confined to those foreign enterprises which for some reason are

in a specially privileged position." What is New Delhi's comment on this?

India's comprehensive labour legislation, which provides for minimum wages, maximum hours, compensation for dismissal, compulsory arbitration, and profit sharing, is regarded as part of planning. It applies to agriculture, cotton manufacturing, motor transport, rice and oil milling, tanning and tobacco manufacture, etc., etc., and is effectively enforced in industry. For most industries, minimum wage rates are fixed for entire states, with populations up to 70,000,000. Professor Bauer observes that minimum rates raise wages above what they would otherwise be and by inflating industrial costs impede progress. His thesis is a variation of the proposition that unfair shares lead to bigger shares for all. The legal necessity to pay heavy compensation for dismissal, regardless of the reason for dismissal, inflates costs and retards progress. There are, says the Professor, several major industries, notably jute manufacture, where re-organisation and re-equipment are necessary, and would be economic but for the heavy capital cost of compensation for dismissals. Yet the Plan emphasises the need of the jute and cotton textile industries to modernise!

Labour legislation which raises costs contrasts paradoxically with the Plan's emphasis on industrial advance. It has presumably been enacted to demonstrate that India is as progressive as Western industrialised countries, but it disregards its effect on (a) industrial advance in India and (b) the fate of those who fail to secure employment at the regulated rates. "It is instructive," adds the Professor, "that the Government itself is exempted from the liability to pay compensation to personnel dismissed from enterprises that it takes over." Any comment from New Delhi?

The European Scene

TOO MUCH TO EAT

From Our Special West European Correspondent

PARIS, June 17.

THE Western world has too much food. An article on this page on March 10 sought to explain how this had come about, forecast that the food surplus would worsen over the next four years, and drew attention to the proposal for a "food bank" which would pool the West's excess and lend or give it to developing countries. It could not be foreseen in March that matters would become critical so quickly to the point where the food glut lies behind much of the news that fills the papers this week. It lies behind the stories of peasant rioting in Brittany; behind the tumultuous debate in the Commons about Britain's entry into the Common Market; behind the appeal of Mr. Diefenbaker, the Canadian Premier, for a Commonwealth conference on Britain's connection with Europe; behind the announcement that France will stall further progress with the Common Market unless the Six write the beginnings of a joint agricultural policy; and finally (though this list is not exhaustive) behind the voyage to Washington of the Common Market's agricultural expert, M. Mansholt.

Mr. Macmillan found himself at the point of intersection of these tangled threads this week in the Commons — sitting on the same bench, incidentally, where Anthony Eden made his best speech some years ago about the world food shortage! Mr. Macmillan was at the heart of the problem of the West's food surplus because he is confronted with a puzzle that seems insoluble: how to co-ordinate the interests of a large number of economies every one of which is producing too much food itself and/or lives by exporting manufactures to others that are food-surplus. His assignment is to get Britain into the Common Market, i.e. into an association of nations that is already embarrassed by a food surplus when it adds up its own output and the imports from countries that buy its traditional exports. To get in, he must take with him, naturally, the farming community of his own country which is subsidised to produce still more food and which is largely represented by his own political party. But he must also safeguard the interests of Britain's dearest friends, her own daughter-communities — Canada, Australia and New Zealand — all of whom export a food surplus. Lastly, he must do so without further increasing American anxieties about sales of wheat and tobacco in West Europe — a problem that had taken M. Mansholt to Washington in the same week. He has to solve this puzzle without damaging the interests of the Common Market's farmers, because otherwise his application will not even be considered. While he was speaking in London, France threatened to paralyse the six-nation association unless her peasants' markets were widened, so there would be no thought of expanding the association to include Britain's farmers and her overseas food suppliers, thereby adding to the food surplus.

Mr. Macmillan's quandary is not just his own, nor peculiarly a British dilemma; it is the problem of all the West, more exactly of North America, West Europe and Australasia, or virtually of all the advanced democracies apart from Japan. It comes to a head in London because Britain is the largest food importer and the trading nation with the closest connections with all the rest of the group. Taken as a whole, this group of nations has too much food and it is bound to have more and more in the years ahead because its agricul-

ture is becoming increasingly productive. It cannot sell its surplus outside the area because no one can afford to pay the prices it must ask, if its farmers are to enjoy living standards comparable with its other citizens. France, for example, just sold a little barley outside the area (it got rid of less than one-sixth of its surplus to China, Morocco and Tunisia), but only at immense commercial loss. Worse, it adds to its internal surplus by buying food from Latin America in exchange for manufactures. For a time, it seemed that the growing surplus could be marketed inside the area by dividing it up into separate compartments; the Commonwealth food trade system, centred on Britain, and the Common Market, which would exclude Commonwealth food and take France for its granary.

The rapid increase of agricultural output soon threatened this compartmentalisation. Even by staying outside the Common Market, for example, Britain could not absorb all the butter produced by her own farms, by New Zealand and Denmark. While even if West Germany gave absolute preference to French foodstuffs, the Common Market would within a few years reveal itself too small to hold the Continental excess, and French farmers would have to find regular overseas markets. Now that there is the suggestion to break down this compartmentalisation, by making Britain the connection between the Continent and the Commonwealth while continuing to trade freely with the USA, there is the prospect of pouring all the West's agricultural produce on to the one market; thereupon the seriousness of the surplus becomes more evident than before.

One is not forgetting that, as the economics textbooks tell us, a surplus (or a scarcity) exists only at a certain price: lower (or in the case of scarcity, raise) the price, and the unbalance disappears. However, for the well-fed peoples of the West it is unlikely that even large falls in food prices would lead to increased consumption; certainly not in the case of cereals. As for lower prices securing increased purchases by non-Western countries, the fall would have to be catastrophic before countries like India could consider buying western food — and even then, they would have nothing to buy it with, being short of foreign currencies and unable to boost their exports. Anyhow, prices will not fall below costs, and the high cost of producing food in the West is the result of deliberate policy, aimed at giving the farmers a share of Western prosperity. When the prices of potatoes slumped this month in France, the Breton peasants sabotaged the railways and scrawled "No Inequality" on the walls, meaning that they were not going to accept markedly inferior living standard to that of urban workers.

It might be answered that the solution is then to have fewer peasants; with less people on the land, farmers' individual revenues could be maintained and the source of the chronic food surpluses attacked directly. Actually, this is far from certain. Some Western countries have reduced their farm population to 10 per cent of the total, and cannot envisage reducing it further, and yet they still have a food surplus because of spectacular increase in agricultural productivity. Besides, for numerous social reasons, no community will consent to see its farming class wiped out; even predominantly industrial nations like Britain and West Germany deliberately keep a farm sector alive by subsidies. In France, further steady reduction of the rural

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population is likely but the migration to the cities cannot go as fast as increases in the productivity of the land, and it cannot go beyond a certain point without changing the very nature of French society in ways that no one thinks desirable.

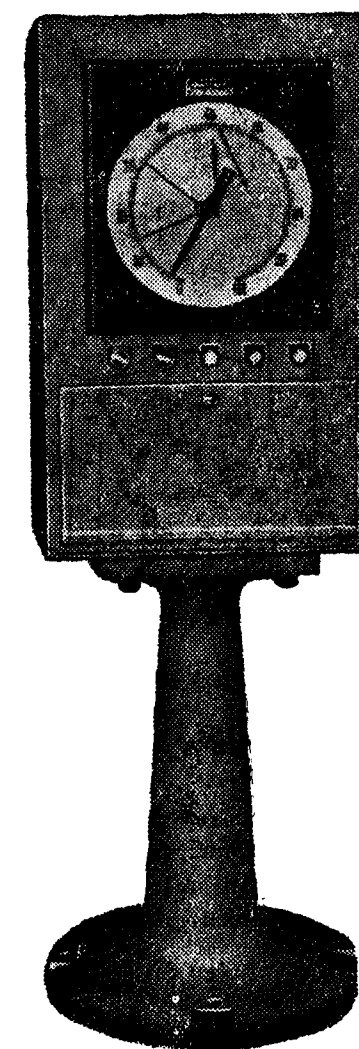
In sum, the cost of producing food in the West is, socially, a minimum cost, and at the selling prices that this entails, there will be a chronic excess supply, which will grow constantly for at least a decade yet. As far as the Continental Six are concerned, the worst consequences of this excess (such as current peasant unrest in France) can be obviated for a time if the Common Market fulfils its original function: if it adopts a joint agricultural policy that consists in using the region's own food output in preference to imports, and shuts out foreign food. The America's, north and south, would be the main losers by that arrangement; the losses of German industrial exporters, who would see their markets for manufactures contract in the Americas, might be compensated by bigger sales in France and Italy. Strict adherence to that policy (which is what Paris is demanding today, referring to the letter of the Rome Treaty) would damage Latin America, virtually preclude any compromise with Britain — and it might not even relieve the Common Market's surplus for more than a few years.

A solution that aimed at taking care of the Common Market's surplus for a longer period and at the same time sought to meet Britain's difficulties, while safeguarding the interests of her food suppliers with-

out further hurting the Americans, could only be based on taking the West's food surplus as a whole and deciding what to do with it. The question cannot be dealt with at a national level; subsidising farmers and selling their excess at a loss. The two regional solutions, the Commonwealth trade system and the Common Market, are probably inadequate in the long run and anyhow the question is now raised of their fusion. The problem is posed on the Western plane and the advanced democracies must consent to see it as a whole: they have more food than they can eat, they cannot reduce their production of food and they cannot sell the excess outside on commercial terms. Yet the "outside" consists of nations that are hungry, many of whom the West wants to assist, both on humanitarian grounds and in order to preserve them from falling into Communist control. The solution that suggests itself — a food bank to distribute Western surpluses — is not just a short-term stopgap but a progressive policy with long-term possibilities. Adequate cheap food is what many developing nations need most to ensure their industrialisation. And when they are sufficiently industrialised, they will be able to buy Western food surpluses; they will have to, in many cases, because their climate will always be unsuitable to cultivation of temperate-zone foodstuffs such as soft wheat, dairy produce, etc. The problem which takes its acutest form in Mr. Macmillan's puzzle about how to marry several surplus economies in one agricultural market can only be resolved by widening the question to the issue of the West's relations with the developing countries.

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THE PRESSURE ON THE POUND

By

PAUL BAREAU

THE pressure on the pound in the foreign market has recently gained considerable and ominous strength. It has even led to rumours of devaluation and, though these can be disregarded as utterly groundless, there is no doubt that the underlying position gives cause for some concern and demands vigorous remedial measures. Speculation against the pound has momentarily been checked by the remarks of Mr. Per Jacobsson, Managing Director of the International Monetary Fund, made in Switzerland a few days ago, at which he stressed that the present structure of international exchange rates was not in danger; but fine words butter no parsnips and it will need more than reassurances, even from so eminent an authority as this, to re-establish foreign confidence in the pound.

The forces that are pulling against it derive both from normal commercial transactions and from capital movements. This is the time of the year when sterling should be strong and the reserve of the Exchange Equalisation Account fortified for the customary seasonal pressure in the autumn. Unfortunately, the balance of payments of Britain, and of the sterling area as a whole is still in deficit. As far as Britain is concerned there has been a considerable improvement on the performance of 1960 when the current balance of payments was allowed to deteriorate to the point at which a deficit of £344 million was incurred. It takes a considerable time and effort to fill a gap of that magnitude and it is all too likely that the figures for 1961 will again show a deficit, though a much smaller one than that for 1960.

Equally serious is the fact that the sterling area as a whole remains in deficit with the non-sterling world. In past years there has normally been a happy coincidence which ensured that while some members of the sterling club were in deficit others were in surplus. Today the majority, and certainly the most important members, are all "in the red". This is true not only of Britain but of Australia, New Zealand, South Africa and — need I add — of India, Pakistan and Ceylon.

Heaped on this deficit as an adverse influence on the reserve there has been a steady and considerable outflow of foreign capital that had previously been invested on short term in the London market. This "hot money" that streamed in last year to the tune of about £600 million had veiled the ugly realities of the balance of payments. This year it has been streaming out. It has done so partly because interest rates outside Britain have become more attractive and partly because confidence in sterling and in the whole structure of exchange rates has been somewhat undermined by the revaluation of the mark and the guilder earlier this year. It should be added that a further blow to confidence in sterling has been the evidence of dithering which the British Government has provided on the crucial decision whether or not to join the European Common Market.

The effect of these adverse influences on the gold and foreign exchange reserve would have been far greater had it not been for the temporary relief provided by way of inter-central banking co-operation, which has taken the form of considerable acquisitions of sterling by the central banks of Germany, France and other countries of Europe. Had it not been for

this form of assistance, it is probable that the gold reserve instead of falling by £122 million over the past four months, would in fact have shown a decline of rather more than £300 million.

It is not only on the external front that evidence of pressure on the pound has been apparent. It is also showing ominous signs of weakening in its domestic purchasing power. After a longish period of relative stability, the cost of living is rising again at the rate of about 5 per cent a year. Some basic prices, those of bread, beer and tobacco, have recently risen. Railway fares are about to go up. The fear that this may lead to another round of wage demands is accentuated by the exceptional scarcity of skilled labour. A most significant development in the labour situation occurred last month when the total of unemployed fell to a figure that was 54,000 less than the number of unfilled vacancies notified at the Labour Exchanges. This is overfull employment with a vengeance. This "reverse gap" is the kind of symptom of overstretch in the economy which the Bank of England and the Treasury tend to regard with keen interest. It may well herald corrective measures designed at one and the same time to check inflationary pressures at home and to restore confidence in sterling.

As far as the external aspects of this position are concerned, there is no need for immediate fears. There is plenty of ammunition with which to defend the pound sterling in the exchange markets. The new mechanism of inter-central banking co-operation will continue to function. It is probable that before long Britain will draw considerable amounts in foreign currencies from its quota with the International Monetary Fund. Before long, too, the Fund itself will be reinforced as a result of the plans that are now being prepared to give it the right to borrow scarce currencies from its member countries. Barring some catastrophe, sterling seems to be safe and in a position to withstand the autumn storms that can be expected to blow with some severity this year.

These, however, are essentially superficial and short-term relief measures. More basic correctives will have to be applied. It seems unlikely that these will include the repetition of the 7 per cent Bank Rate that proved so effective in 1957. The authorities do not want to re-attract the hot money which such high rates of interest would bring with them. What is more likely is that the Chancellor of the Exchequer will at the first opportunity bring into play the new economic regulators for which he asked in the last Budget. The most important of these is the power to raise, or lower, by 10 per cent the whole range of customs and excise duties, and purchase tax. The power is not his yet because the Finance Bill has not been enacted. It will, however, pass into law next month and unless there is a sudden and as yet quite improbable improvement in the situation, Mr. Selwyn Lloyd will probably decide to increase these internal taxes by say 5 per cent. That would reduce the pressure of domestic demand and would certainly help to release resources for export. It would, needless to say, be highly unpopular and would be received with howls of dismay; but these would be nothing to the howls that would go up later if nothing were done and the pound were ultimately left to face the inevitability of another devaluation.

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*Economic Report from the U.S.***ENCOURAGEMENT OF PRIVATE ENTERPRISE**

By GUY SIMS FITCH

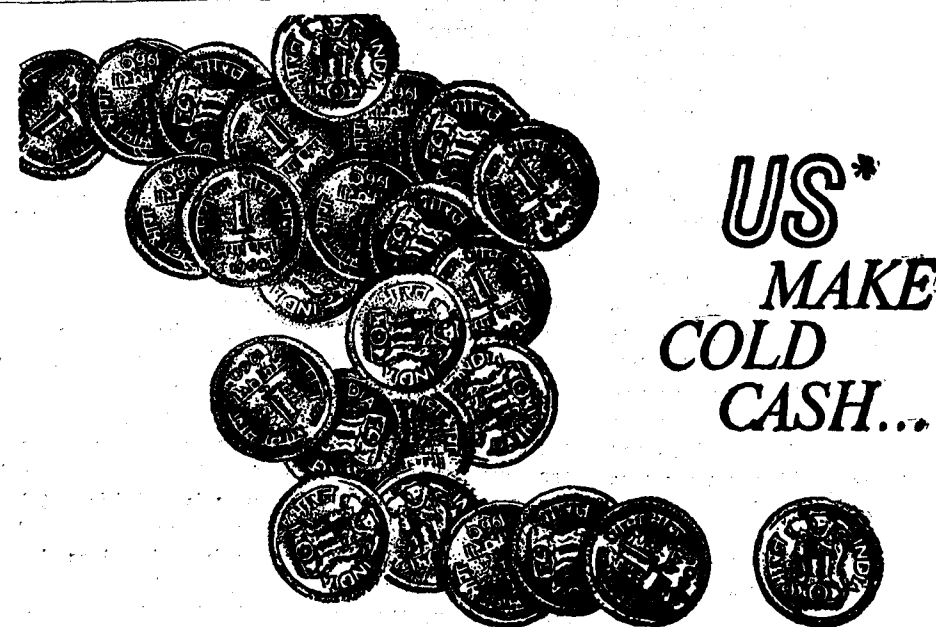
WASHINGTON, June 14.

OFTEN overlooked in President Kennedy's new foreign aid programme are those elements having to do with the encouragement of private enterprise and investment. They are embodied in two proposed types of activities; government guarantees of private investments, and feasibility studies of potentially productive private investment opportunities abroad that would contribute to the development aims of the programme. Generally, the same two types of guarantees that have been offered by the government in the past are in the President's newly proposed legislation. One has to do with specific risk guarantees, those against losses for specific purposes, which have been issued by the U.S. International Co-operation Administration (I.C.A.) for some years. The other is a more general type of all-risk guarantee, which has been available in limited form through the U.S. Development Loan Fund (D.L.F.) for the past three years.

The specific risk guarantees have applied in the past to private investment losses incurred abroad through expropriation, currency inconvertibility and war. The new programme would add losses due to civil strife connected with war, revolution and insurrection, and losses due to local government action that adversely affected the American business investment involved. The all-risk guarantee would carry the aid programme into new ground. It would go beyond existing authority, and would have the U.S. government consult with private investors in advance of an investment, and would permit the government to share any loss in the investment up to 45 per cent of the total. The government would not be liable, of course, if the loss were traceable to such factors as mismanagement or fraud. In practice, it should be noted, the U.S. Government has not as yet had to make good on any of its guarantees. As for the feasibility studies, these already are

being carried out by the I.C.A. to some extent, but the intent now is to encourage private companies to do more of this pre-investment work themselves. The Administration is requesting the modest sum of \$5 million for this purpose, through which it is hoped that greater private interest may be stimulated in investing in important development projects abroad. In drawing up these private investment aspects of the aid programme, it was deemed desirable to find new ways of getting private investment into developing areas. This was considered a significant objective not merely for the additional capital resources it would help bring to developing lands, but also for the needed managerial and technical skills that would accompany them.

A factor in this is the recognition that not very many private companies would normally be interested in investing in countries in the very early stages of development. Expansion of the private enterprise elements of the aid effort thus could be one way of inducing needed private investment, which has a good deal to contribute to economic development around the world. In fact, in some countries and in some economic sectors, private activity might well be preferable to government activity as a development stimulant. Involved is a determination under the aid programme of specific activities in specific lands which could best be promoted through private rather than government funds. This is, of course, a rather small part of the Kennedy Administration's large and comprehensive aid programme, with its primary emphasis of government funding. Nor does this mean that government aid would or could thereby be reduced. The feeling, however, is that the encouragement of private investment abroad in the ways contemplated constitutes a useful approach, one well worth exploring though still largely experimental. If successful it would help make the entire U.S. aid programme more effective.



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WORLDGRAM*India*

Central Revenues for April 1961: The revenue realised from items on which duties are levied and collected by the Central Government, in the month of April, 1961 amounted to Rs. 57.66 crores. The corresponding figures for the month of April, 1960 were Rs. 50.30 crores. Following are details of the revenue realised under various heads:

(In lakhs of rupees)

Revenue Head	April	
	1961	1960
1. Customs	14.85	11.44
2. Union Excise Duties excluding Coal Cess and Salt Cess	35.12	31.00
3. Corporation Tax	2.43	1.52
4. Income Tax	4.53	3.96
5. Estate Duty	13	15
6. Taxes on Wealth	24(P)	45
7. Expenditure Tax	2(P)	3
8. Gift Tax	5(P)	6
9. Railway Passenger Fare Tax	—	1.10
10. Opium	29	53
TOTAL	57.66	50.30

P—Provisional.

Increasing Corrosion Resistance of Steel Surfaces: The National Metallurgical Laboratory, Jamshedpur, has developed a new process for aluminising steel surfaces thus providing corrosion and heat resistance properties to such surfaces. Aluminised steel could be used to replace galvanised steel in sheet, strip, wire, tube and hardware coating plants as the import of zinc for galvanising forms a serious drain on India's foreign exchange resources. About 30,000 tons of zinc per year, representing more than half the total annual imports, are employed for galvanizing steel sheets and other ferrous products. Aluminised steel has bright prospects of replacing galvanised steel in commercial and farm buildings, rolling shutters and silo covers because aluminium coatings are much superior to zinc coatings when exposed to industrial and highly humid atmospheres. Resistance to fire damage is also better in aluminized steel as compared to galvanized steel. Most of the raw materials for aluminising steel such as hydrochloric acid, linseed oil and commercial aluminium are available in India. Parties interested in taking up the commercial development of the process are invited to correspond with the National Research Development Corporation of India, Mandi House, Lytton Road, New Delhi.

ing, has been granted consent for issue of further capital of Rs. 20 crores by the Controller of Capital Issues. The issue will be in equity shares of Rs. 1,000 each, for cash at par to be subscribed by the Central Government. The consent is valid for 12 months. The Heavy Engineering Corporation has at present a paid-up capital of Rs. 8.14 crores, all in equity shares. The Corporation will utilise the new issue for the development of the manufacture of heavy capital equipment.

Re-import of Goods Sent Abroad for Repairs: The Government of India have simplified the procedure and further liberalised the concession available for relief in customs duty payable on article re-imported to India after they have been sent abroad for repairs. The concession which was so far confined to items of machinery and scientific instruments and apparatus is now available for other equipment and articles as well. Since the identity of the articles so re-imported has to be established, the facility will not be extended to articles (e.g. sewing machine needles) where a positive identification is not possible. All such articles will be exempt from so much of the duty as is in excess of the duty leviable on the fair cost of repairs (whether such cost is actually incurred on not) insurance and freight charges both ways. Claim for such exemption must be accompanied by a certificate from the Development Wing of the Commerce and Industry Ministry to the effect that the repairs are such as cannot be carried out within the country. In their own interest, importers should apply and obtain the certificate before the goods or articles are exported for repairs. In order to claim the concession, it will no longer be necessary for importers to approach the Ministry of Finance (Department of Revenue). They may apply direct to the Collector of Customs of the port where the goods or articles in question are re-imported together with the certificate (referred to above) granted by the Development Wing. For admitting the claim for duty relief, the importer will have to satisfy the Collector of Customs that: the identity of the goods has been established, the goods have been reimported within one year of their being sent abroad for repair; the ownership of the goods during the period has not changed and the duty drawback has been given on the export of goods.

United Kingdom

British Collaboration for Making Welded Rolling Stock: Under an agreement recently signed between the Metropolitan-Cammell Carriage and Wagon Company of Birmingham, England and Southern Structurals, of Madras, the Indian firm will soon be producing welded rolling stock instead of riveted carriages. This agreement will mean an extension of the Madras plant. The British firm, under the agreement is to secure a substantial shareholding in Southern Structurals. One effect of the agreement will be to make it possible for the Indian firm to utilise the knowledge and experience of Metro-Cammell in the design and manufacture of railway rolling stock.

Heavy Engineering Corporation: The Heavy Engineering Corporation, a Government-owned undertaking,

Level of Employment: Civil employment in Britain increased by 54,000 to a total of 23,764,000 during April,

according to estimates recently published by the Ministry of Labour in London. Two-thirds of the increase was accounted for by the rise in the number of women in employment. The latest total for employment is very near the record figure reached in the autumn of 1960. A significant aspect of the latest increase is seen in London to be the fact that employment in the manufacturing industries increased by 22,000—over half of this increase occurring in the metal, engineering and vehicles groups of industry.

France

Increase in Productivity: According to a study made by the National Statistical and Economic Studies Institute, the annual output of France for the years 1949 to 1960 increased on an average of 5 per cent; exports increased 8.3 per cent; household consumption 4.4 per cent; and administrative consumption 6.9 per cent. The potential household consumption increase was considerably hindered by the increase in civilian demand and, in particular by the increase in exports. The National Statistical and Economic Studies Institute also noted that the number of active persons available to the productive economy between 1949 and 1961 remained almost the same as a result of the social flexibility of the economy. In eleven years the number of active persons decreased by 15 per cent in the domain of agriculture and increased by 5 per cent in that of industry and other services (not including household help). The number of civil servants increased by 16 per cent during the same period, with the highest rate of increase in the field of National Education (+68 per cent) followed by the postal, telegraph and telephone services (+20 per cent). These governmental increases are types of investments which will help the future growth of productivity in France.

Italy

Building of Akosombo Dam on the Volta River: President Nkrumah on the 12th of May this year informed the Parliament of Ghana that after a very careful study of the various offers for the construction of a dam on the Volta River, that of the Italian firm 'Impersit' had been accepted. This decision was very enthusiastically acclaimed by the Assembly and was given very wide publicity in the local press. Twenty-seven enterprises from different countries had tendered for the following projects: the construction of the large Akosombo dam on the Volta River, of the reef type, 113 meters in height and 640 meters long, with a capacity of 8,300,000 cu. m.; a lesser dam, reef type, having a capacity of 350,000 cu. m.; a power station for a total final installed output of 768,000 KW, the work of preparing the catchment area, forced conduits and return canal, spillways etc. entailing a total of 1,370,000 cu. m. of earth excavation, 3,400,000 cu. m. of rock excavation (quarry excluded) and 2,00,000 cu. m. of work in cement concrete; the erection of all the electro-mechanical machinery of the power station, forced conduits, the sluices etc. The duration of the work is expected to be 5 years (middle of 1961 to middle of 1966) and the cost will be about 16 million pounds.

Yugoslavia

Production of New Products: Yugoslav factories will turn out more than a thousand new products this year. Electrical manufacturing industry will start producing 22K.V. high voltage generators, develop and

enrich its production by new types of refrigerators, television sets, and other electrical appliances. The car manufacturing industry will also expand the variety of its products. This young Yugoslav industry in addition to producing passenger cars and motor cycles, will this year start serial production of vehicles such as small lorries, 4.5 ton lorries, and mopeds. The Yugoslav shipbuilding industry, which has already achieved great success in selling its products abroad, is to start producing ocean going ships. Besides, many factories, such as those of rubber and food industries will introduce automation and more up-to-date methods of packing, and will also considerably expand the variety of their products. Such expansion of production is a result of the increase in the purchasing power of Yugoslav consumers and of requirements in economy.

Germany

Electrical Engineering Industry's Record: No industrial branch in all Germany ever experienced during one year production expansion on such a scale as the electrical engineering industry did in 1960. With products of total worth of 4,870 million dollars it achieved an absolute production record last year and surpassed its own production level of the previous year by 20 per cent. Three gigantic halls at this year's Industrial Fair in Hanover gave an impressive cross section of the industry's production. The electrical boom continues. During the first three months of 1961 production exceeded that of the same period last year by 16 per cent. Automation triumphs, above all in electrical engineering. This was amply proved at the Industries Fair.

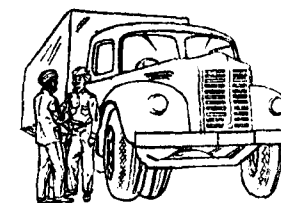
United Nations

UNESCO Report on Children's Education: Only about 60 per cent of the world's school-age children are actually in school, according to a report prepared by the United Nations Educational, Scientific, and Cultural Organisation (UNESCO) for the U.N. Children's Fund (UNICEF). Although there has been an increase in school enrollment since the end of World War II, the progress falls far short of the goal prescribed in the U.N. Universal Declaration of Human Rights. The report shows that in mid-1957, of a total world population of 2½ billion, 341,453,000 or 12.4 per cent, were enrolled in schools on all levels. However, the percentage of enrollment in North America was 23.5; Europe, 15.5; U.S.S.R., 16.0; Oceania, 19.4; while in Africa only 7.2 per cent of the population was enrolled, in Asia, 10.3 per cent, in South American, 13.1 per cent.

World Bank

Loan For Hydroelectric Projects in Ceylon: The International Bank for Reconstruction and Development has lent the equivalent of \$15,000,000 as aid in a \$32,500,000 programme for the expansion of hydroelectric installations supplying power in Ceylon. The loan will be used to add 75,000 kilowatts of capacity, and to extend the distribution of electric power in western Ceylon, the most populous and industrially active part of the country, and will make it possible to meet the rapidly increasing demands for electric power in the area during the next five years. The projects form part of the electric power system operated by the Department of Governmental Electrical Undertakings. The loan is the third the Bank has made to aid in developing the Department's system.

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NEWS IN BRIEF

INDIAN

The Iron and Steel Controller notified recently that import licences for stainless steel sheets will not be issued to utensil makers, and their requirements will be met from barter imports.

The plan to export about 1.5 lakh tons of sugar to Pakistan and some West Asian countries is nearing finalisation. Dispatches are likely to begin early next month.

It is reported besides oil, there is a possibility of finding coal deposits in the proposed site for Gujarat's capital.

The yield of groundnut crop in Madhya Pradesh for the current season has registered an increase of 29.8 per cent over that of last year, according to the final forecast of groundnut crop.

Export of black buck (white variety, dead or alive, or part thereof or product therefrom) will not be allowed, the Joint Chief Controller of Exports announced recently.

Under the State Bank of India scheme of credit facilities to small-scale industries in the country, loans totalling Rs. 9 crores had been sanctioned to 2,633 units upto the end of March this year.

The Forest Research Institute, Dehra Dun, has devised a plant for the distillation of camphor from the leaves of camphor yielding ocium by a cheap cottage-scale unit without the use of a steam boiler.

India will be among the countries taking part in the 'Jashan' Exhibition to be held in the Afghan Capital, Kabul, from August 23, 1961. The Indian Trade Pavilion at the Exhibition will display a wide range of goods which India can supply to the Afghan market.

The State Trading Corporation will be given allocations for the import of copra during the current licensing period (April-September 1961). This will be in addition to the allotments of copra which are being made to crushers and soap manufacturers.

It is reported the State-owned Hindustan Machine Tools Factory will shortly enter the overseas market.

The Government of Kerala has decided not to accept the recommendations of the Administrative Reforms Committee to abolish the State Revenue Board.

FOREIGN

The foreign exchange allowance for Turkish nationals travelling abroad has been increased to \$200 per year. Applicants will have to pay a surcharge of £T4½(357d) per dollar in addition to the official exchange rate. The proceeds will be used to set up a stabilisation fund at the central bank.

The U.S. business investment in new plant and equipment is expected to turn upward in the third quarter. This would be the first quarter to rise in more than a year, the U.S. Government said. But for 1961 as a whole, outlays of this kind were still expected to be 3 per cent below last year's level.

The heavy plant division of the Associated Electrical Industries has established a service department, with headquarters in Rugby, to co-ordinate after-sales service for all its products.

After several months of negotiations, the Bonn Government has signed an agreement for the extension to Turkey of a DM 200M credit for the implementation of specific development projects.

El Al Israel Airlines has announced a low-priced excursion fare from England to Israel. A 23-day tourist excursion fare is available at £119 14s for the summer and £110 5s in the winter—a decrease of over £22 and £31 respectively on the normal tourist fare of £141 15s.

Russia will provide Ghana with equipment, material and technical assistance under a technical aid agreement signed recently. Soviet technicians are expected to arrive next month for a survey tour under the agreement.

It is reported Ghana is to have a multi-purpose long-term investment bank, the 'Ghanian Times,' President Nkrumah's ruling party mouthpiece disclosed recently.

Metropolitan-Cammel Carriage and Wagon Company of Birmingham, and Southern Structurals, of Madras, have signed an agreement to collaborate in the building of railway wagons in India for the Indian railways.

West Germany has promised to give economic and technical assistance to Morocco, a Moroccan spokesman revealed recently.

Imperial Chemical Industries has acquired rights from a Swiss company which will enable it to manufacture exprolactam and nylon 6.

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THE BUSINESS WORLD

Maharashtra Land Ceiling Bill IMPACT ON SUGAR INDUSTRY

By CROESUS

PRESIDING over the 22nd Annual General Meeting of the Deccan Sugar Factories' Association, Bombay (DSFA), Mr. F. Edwards, President of the Association, made a fervent plea to the President of India not to give his assent to the Maharashtra Government's Agricultural Land Ceilings Bill which now awaits his assent "unless the bill is modified to exclude the cane farms of joint-stock sugar factories from its purview." In a detailed representation on the subject that has already been made to the President, Mr. Edwards said, the DSFA has pointed out that "the Act in its present form is not only detrimental to the sugar industry in the Maharashtra State, but will have consequences completely contrary to the nation's interest." However, there would still appear to be a considerable section of public opinion which does not think that there is anything wrong about the Maharashtra Land Ceiling Bill. It is just as well, therefore, that the DSFA Chief availed himself of the occasion to explain how the proposed legislation is not in the best interests of the country. What Mr. Edwards said requires to be widely read in order to appreciate the sound reasoning behind the determined protest of the Deccan Sugar Factory interests to the legislation in question. In the context of the outlook for sugar exports and the need for implementing the recommendations of the Central Wage Board for the Sugar Industry, the observations of Mr. Edwards are of particular relevance.

Maintaining that "the problem of finding foreign market for Indian sugar will always be with us while the cost of making sugar remains so very high", Mr. Edwards referred to the very low price obtainable in the world market and the large surplus stocks of sugar that have accumulated with the sugar factories here. Such large accumulations not only impose a heavy strain on the financial resources of the factories concerned but also present the problem of finding storage space for these stocks. The statistical position of sugar that he indicated brings into bold relief the gravity of the situation. According to him, the opening stock of sugar of November 1, 1960 was 5.5 lakh tons; together with the current season's estimated production of 30 lakh tons, the total available supplies would aggregate 35.5 lakh tons. On the basis of the offtake from factories, internal consumption during the five-

month period November—March 1960-61, namely 8.10 lakh tons—which incidentally is slightly higher than the position last year—Mr. Edwards estimated the current year's consumption to be about 21 lakh tons, which means that, after allowing for a carry-over of five lakh tons, there would still be left a surplus of 9.5 lakh tons to be disposed of by export. But, as Mr. Edwards pointed out, Indian sugar can be sold in the foreign markets only at a loss and the total loss which would have to be incurred in exporting the surplus 9.5 lakh tons would be colossal. One would expect that, in these circumstances, all efforts would be directed towards narrowing the gap between world sugar prices and Indian sugar prices by bringing down the present high cost of sugar production in this country. The only obvious way of reducing the cost of sugar production in India is to increase the cane yields and produce better quality cane with higher sucrose content. One cannot vouchsafe that even these steps would bring down Indian sugar prices to the level of world sugar prices, but, then, prospects of selling sugar in such high-price markets as the U.S.A. at least would be relatively brighter. One may ask whether a policy such as that outlined under the Maharashtra Land Ceiling Legislation will contribute towards such a consummation or defeat the very objective. If the answer is the latter, then clearly the land ceiling policy of the Maharashtra Government is against the nation's interest.

Perhaps in a socialistic pattern of society which continues to pay lip sympathy to the concept of mixed economy it is not always the most efficient unit of the industry, especially if it is in the private sector, that will stand to benefit. On the other hand, it seems, the more efficient a unit, the greater the burden that it will be called upon to shoulder. This is amply borne out by the experience of the joint-stock company-owned sugar factories in Maharashtra. These factories, as any one who has carefully studied the comparative figures of cane yield per acre, sugar recovery, and the tonnage of sugar produced per acre will readily concede that the average yield of cane per acre of farms held by the sugar factories in Maharashtra is more than twice the average cane yield in the State and nearly four times the average for the whole of India as the following table shows:

	Yield of cane per acre in tons (1958-59)	Average percentage recovery of sugar from cane (1958-59)	Average tonnage of sugar per acre of land (1958-59)
1. Average yield of cane farms held by sugar factories in Maharashtra	54.70	11.46	6.27
2. Average for the whole of Maharashtra	25.48*	11.46*	2.92
3. Average for Madras	24.35*	9.01*	2.19
4. Average for U.P.	11.20*	9.60*	1.08
5. Average for all India	14.66*	9.84*	1.44

(*Figures taken from Sugar Manual for 1959 published by the Sugar Technologists Association of India.)

If the sugar factories in Maharashtra are thus able to produce more sugar per acre, and that at a lower cost per ton than sugar factories anywhere else in India, the explanation is that (1) sugar factories in Maharashtra have large compact cane-growing farms of their own, (2) that these farms are under their own control, (3) that the factory owners manage these farms very efficiently and also on the most modern scientific lines. But for all these outstanding achievements, the reward that they have had is the State's land legislation which deprives these factories of not only ownership and control but also management of their cane farms. Warnings such as these have fallen on deaf ears: "If these cane farms are taken away from the sugar factories and handed over to some other agency such as co-operative farming societies as provided in the Act, it would do irretrievable harm not only to the sugar industry in the State but to the economy of the country as a whole". . . . "The handing over of these cane farms which are being managed very efficiently on the most modern scientific lines to joint farming societies consisting of a multitude of small cultivators and landless labour must have a detrimental effect on the productivity of the cane farms, the quality of cane produced, the timely and regular supply of ripe cane in adequate quantities to the factories, and will inevitably lead to a lower production and higher cost of sugar." . . . "The facts conclusively prove that, if the cost of growing cane and manufacturing sugar is to be reduced to a minimum, with a view to cutting the loss involved in the export of Indian sugar or reducing the price to the consumer to induce him to use more sugar, the cane farms operated by sugar factories must be exempted from the purview of the Land Ceiling legislation". . . . "It is, therefore, in the National interest that the full control of the farms must be left in the hands of the factories. In fact, this is an absolute

necessity, if production and efficiency are to be maintained."

Even the impact of the proposed legislation on the implementation of the Report of the Central Wage Board for the Sugar Industry has obviously escaped the attention of the authorities of the Maharashtra Government. As Mr. Edwards pointed out, as a result of land ceilings legislation passed by the Maharashtra Government which deprives the sugar factories of their extensive cane farms, the situation so far as the sugar factories in Maharashtra are concerned has radically changed since the publication of the report. Given the legislation, the paying capacity of the sugar industry of Maharashtra would be no better than that of the sugar factories in the north and central regions. If this is so, it is debatable whether there is any justification in burdening the sugar factories in Maharashtra with higher rates of wages than those prescribed for factories in the other regions as suggested by the Central Wage Board for the Sugar Industry. It is true that, in deference to the appeal made by the Union Food Minister, the DSFA Committee has decided to ask its members to implement the Wage Board's recommendations, but if the Maharashtra Land Ceiling Legislation receives the assent of the President—as it now seems to have done—and becomes law in the form in which it stands now, many of these factories might revise decision and refuse to implement the Wage Board's recommendations. In short, looked at whether from a purely domestic point of view—the cost of sugar to the Indian consumer—or from an international point of view—the cost of sugar to the export market—the enforcement of the Maharashtra Land Ceiling Legislation in its present form will have serious repercussions, repercussions which are certainly avoidable. But will the powers-that-be take a realistic view?

Business Notes

Rural Credit

CO-OPERATIVES AND THE SMALL FARMER

ONE MORE rural credit survey—the Report on the Rural Credit Follow-up Survey—has established that the growth of co-operative credit has not made any significant impact upon the life of the small farmer. The second of the surveys in this series conducted by the Reserve Bank of India, the present one covered selected districts from 12 States. The bulk of the rural credit in these districts, we are told, was provided by professional moneylenders and well-to-do agriculturists. In nine out of 12 districts, it is stated, the major part of the borrowing was provided by the moneylenders, the proportion so financed actually exceeding 70 per cent in six of them. In five districts, nearly 45 per cent of the borrowings were obtained at the usurious rate of more than 18 per cent per annum! The proportion of borrowing with such high rates of interest was relatively larger among medium and small cultivators, which is to be expected.

Although the proportion of the total borrowings obtained from the rural credit co-operatives rose from 2 per cent for 1951-52 to 12 per cent for 1957-58, the Report has mentioned that the growth on co-operative credit was not at all impressive in all the selected districts. Thus, the borrowings during 1957-58 from co-operatives as a proportion to the total borrowings of cultivators were 19 per cent in Chengalpat and 38 per cent in Sorath. In Deoria, Sagar, Nizamabad, Bangalore and Burdwan districts, the percentage of borrowings varied from 2 to 7 per cent, whereas, in Jaipur, Quilon, and Mongyr districts, the co-operative move-

ment was practically undeveloped and the co-operatives accounted for between 1 and 2 per cent only of the total borrowings!

The reasons for the poor performance of the rural credit societies, according to the Survey, were, in some cases, the overall governmental supervision which left no initiative to individual members, and, in others, the failure of the co-operative departmental officials concerned properly to scrutinise and determine the credit limits to individuals as well as to societies. Most of the small-sized societies were not even in a position to employ full-time secretaries. There were 9,924 primary credit societies in all the 12 districts, out of which only 310 were large-sized societies whose financial position was sound and performance satisfactory. But for these, the rest of the credit societies were small in size and in an almost dormant state, according to the Survey Report. Out of a total of 158 selected small-sized societies, as many as 30 were dormant, while in the case of 74, the total loans advanced during 1957-58 did not exceed Rs. 5,000.

The performance of the marketing co-operatives also was equally disheartening. More than one per cent of the marketable surplus was sold through co-operatives only in two districts, while the proportion was even less in other districts, the reason being the inability of these co-operatives to discharge the role of a market functionary. The headquarters of some marketing societies were not located in the market centres, and there was no proper study of the normal marketing channels and techniques by these societies. Though the nature of functions to be performed by different types of co-operatives was clearly defined in

the Integrated Scheme of Rural Credit, the Report has indicated that there was still no clearcut allocation of functions as between the different types of existing co-operatives. There were also defects in the organisation as well as in regard to representation on co-operatives, which were, according to the Report, the main retarding factors in the progress of the co-operatives in the country.

World Bank and IDA

FINANCING CONSTRUCTION OF THE ROSEIRES DAM

IT AUGURS well for the economy of the Republic of the Sudan that an amount of \$32.5 million has been jointly made available by the World Bank and the International Development Association (IDA) for the construction of the Roseires dam on the Blue Nile. In the financing of this project the World Bank's share is a loan of \$19.5 million and the IDA's of a credit of \$13.0 million. The previous loans made by the World Bank to the Sudan were for the development of the Sudan Railways and for the Managil Extension to the tune of \$39 million and \$15.5 million, respectively. The present loan raises the total lending of the World Bank to the Sudan to \$74 million. The present loan is for a term of 25 years and bears interest at 5½ per cent per annum including the one per cent commission which is allocated to the Bank's Special Reserve. International Development Association's credit on the other hand is for a term of 50 years, interest free, and is repayable in foreign exchange. Incidentally, this is IDA's second credit; the first one of \$9 million was extended to Honduras for road development. In the case of the IDA, amortisation will begin after a ten year period of grace and in the case of the World Bank loan, amortisation will begin in July 1968.

The Federal German Government is also lending a hand in the construction of this dam and has agreed to contribute towards its foreign exchange cost through a long-term loan equivalent to \$19 million.

It goes without saying that the construction of the Roseires Dam would revolutionise the agricultural economy of the Sudan. Not only will this dam make it possible to bring nearly 900,000 acres under irrigation for the first time, but would also greatly increase yields and diversify crop production in other areas where water supplies are at present inadequate. The water stored by the Roseires Dam will in fact more than double the supplies available for irrigation in the Sudan during periods of seasonal shortage. As a result other crops would be grown in addition to long staple cotton. On the whole it would help in raising living standards and bringing about an increase in national income.

Ashok Leyland

SATISFACTORY PROGRESS

SIR A. RAMASWAMY MUDALIAR, Chairman, Ashok Leyland Ltd., had a satisfactory progress to report to the shareholders of the Company at its 12th Annual General Meeting held last week at Ennore, Madras. The Chairman said that it was not only the manufacturing programme that was proceeding apace, but sales too had maintained an upward trend. During

1960, the Company commenced the marketing of industrial engines. The output of Comet chassis for the year 1960 was 43 per cent in excess of that for 1959 and it was, therefore, possible to recommend the same dividend as previously. The increase in the authorised capital of the Company to Rs. 10 crores, the Chairman maintained, had already been approved as a preliminary step towards the ultimate financing of the proposed expansion programme. Regarding this programme, it was encouraging to note, that a good progress had been achieved and it was possible that with the installation of plant and machinery in the new shops production might commence in the second half of 1961. Ennore Foundries Ltd. was likely to meet all the Company's requirements of iron castings by the end of the year.

The position in regard to exports was equally satisfactory. In 1960, 24 comet chassis were sold to the Ceylon Transport Board. The Chairman stressed that efforts to secure export business would now be continued because it was not only advantageous from the country's point of view but also from the Company's as the Government of India provided additional foreign exchange to manufacturers who secured overseas business to be utilised for the import of materials not available from the indigenous sources.

National Rayon

PROGRESS OF THE PULP PROJECT

AT THE 14th Annual General Meeting of the National Rayon Corporation Ltd., Mr. Kasturbhai Lalbhai, Chairman of the Company revealed that the Board of Directors have decided to recommend this year and hereafter payment of dividend on Preference Shares at Rs. 5.55 per share, free of company's tax, with a view to placing them in the same position as they were before the enactment of Preference Shares (Regulation of Dividends) Act, 1960 and amendment to Section 18(3D) of the Indian Income-tax Act. The amount of Excise Duty, the Chairman stated, paid during 1960 was Rs. 68.59 lakhs, about Rs. 4.70 lakhs more than that paid in the preceding year.

Referring to the progress made in regard to the Company's Rayon Grade Pulp Project, the Chairman opined that a suitable site at Nanjangud (Mysore State) has been selected for the location of the Pulp Plant. The Mysore Government has under its consideration a proposal to reserve Coorg, Kollegal and Mysore forest areas for the exclusive exploitation by the Company of the bamboo and several other soft wood resources in those areas suitable for the manufacture of pulp. The Mysore Government is of the opinion that there is adequate supply of water in the neighbourhood which it will consider making available at concessional rates for the first five years, and that the electric power required for the operation of the company's plant could also be made available. One of the company's directors, Mr. R. J. Chinai, the Chairman pointed out, is now in the United States exploring possibilities of raising a dollar loan to cover the foreign exchange needs on deferred payment terms acceptable to the Government and for obtaining technical know-how and engineering and other related services.

It is also encouraging to find that an industrial licence for the expansion of Tire Cord Plant has been obtained and additional Spinning Frames will be pressed into service for the manufacture rayon yarn.

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FROM THE CAPITAL'S CORRIDORS

BOKARO STEEL PLANT

IT is now quite certain that one-million ton integrated Bokaro Steel Plant is to be taken up during the Third Plan. It is gathered that Aid-India Club meeting at Washington considered the inclusion of the proposed plant which means an expenditure of nearly Rs. 235 crores including Rs. 100 crores in foreign exchange which will be made available under the Aid-India programme. It appears that the U.S.A. is likely to finance it. In this connection Prof. Galbraith, the U.S. Ambassador in New Delhi, gave a hint and it is understood that he was taking active interest in the financing of this fourth steel plant in the public sector. He was busy arranging loans from Export-Import Bank and Development Loan Fund. Although the final picture as to the country from which the purchase of equipment and technical know-how is to be obtained has not emerged, the Government of India has already got a report prepared from an Indian firm of consulting engineers — Dastur and Company — about the details of this plant and the necessary background for its construction.

According to this preliminary report on the proposed integrated steel plant, the planning of the plant has to be done on a long-term basis. And naturally an assessment beyond the Fourth Plan has been attempted, which clearly indicates that the steel requirements are certain to rise rapidly. It is estimated that the existing plants could be expanded to produce about 8 million ingot tons by 1965, which would still leave a short-fall of 3 to 4 million tons. It is thus vital that the construction of the Bokaro plant be started in 1961 so that it could begin production by 1965.

It is proposed that the Bokaro plant would have a strong raw materials base, good road-rail connections and adequate water and power resources. And, in view of the large future requirements, Bokaro would be designed for expansion to the maximum economic size. Accordingly large modern blast furnaces, steel-making units and rolling mills have been selected to produce two million ingot tons initially with provision for future expansion to eight to ten million tons. If desired, the initial Bokaro construction can be phased so that one million ton capacity would be in operation by 1965, the remaining capacity becoming available in the following year.

The 1965 steel requirements of 12 million ingot tons (9 million tons finished steel) has been analysed by main product categories, which shows that the demand for flat products would be 3.3 million tons, merchant sections 2.8 million tons, structurals 1.5 million tons and railway materials and miscellaneous products 1.4 million tons. An estimate of the production in 1965 indicates that even after the possible expansion of existing plants there would still be a shortfall of about 1.7 million tons in flat products and about 0.6 million tons in merchant sections, whereas the requirements of structurals and railway materials would be met.

Due to the large shortfall in flat products it is proposed that India's second strip mill should be installed at Bokaro which, like Rourkela, should initially produce sheets and plates exclusively. A further analysis has been made of the short-fall in flat products

by categories from which the product-mix for Bokaro has been assessed as shown below:

	(In thousand tons)			
	Consumption 1957	Estimated demand 1965	Short-fall 1965	Proposed Bokaro product-mix
Hot-rolled sheets	240	1,000	530	470
Cold-rolled sheets	150	700	350	300
Galvanised sheets	280	500	300	150
Tinplate	113	400	170	150
Plates	112	700	330	300
TOTAL:	895	3,300	1,680	1,370

An alternative product-mix has also been considered consisting of about 800,000 tons of flat products and about 700,000 tons of billets for re-rollers to enable them to make better use of existing facilities.

A comparative estimate of deposits of principal raw materials is given in the report which shows that limestone and coking coal are likely to be restricting factors to future steel expansion unless action is taken to conserve known reserves and to locate new deposits:

Raw Materials	Reserve	Total steel production possible from available resources
	(million tons)	(million tons)
Iron ore	20,000 (approx.)	10,000 (approx.)
Manganese ore (marketable grade)	60	3,000
Coking coal (washed)	1,600	1,200
Flux limestone (upto 6% insolubles)	100	200

The Bokaro plant is to be located on the Bihar coal-fields and within 240 Km of the Singhbhum-Bonai-Keonjhar iron ore range. It is proposed that the Sasangda deposits of this range be developed for the supply of about 3.3 million tons of ore for the initial two million tons production. The annual requirement of about 3.12 million tons of coking coal would consist of a blend of high, medium and low volatile coals. These coals have ash contents ranging from 18 to 25 per cent and cannot be used without washing.

Available data indicate that there will be a shortfall in the production of refractories. Constructional

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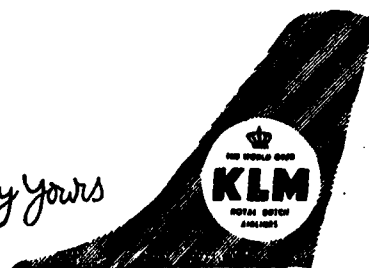
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requirements of the Bokaro plant are estimated at 145,000 tons and the operational requirements at 120,000 tons per year. A survey of the steel scrap position in India in 1966 indicates that about 1.7 million tons of 'prompt industrial' and 'obsolete' scrap will be generated (excluding plant scrap of about 2.5 million tons from the integrated steel works). It is estimated that about 400,000 tons of scrap would be generated at the Bokaro plant, which would be fully utilised at the works itself.

In order to conserve our limited low-volatile coking coal resources, the use of high volatile coal in the blend is proposed. A Robins-Messiter system together with a stockyard is proposed for stocking, bedding and reclaiming ore. In addition, arrangement has been made for drying of ore prior to screening of the fines for sintering as this is considered essential under our monsoon conditions.

It is proposed that the requirements of iron for steel-making at Bokaro (1.82 million tons per year) be met by three blast furnaces. From a study of various steel-making processes, two alternatives emerge for adoption at Bokaro—basic top-blown oxygen converters (LD process); or basic open-hearth with ladle desilicising. The installation and operating costs of the LD process are appreciably lower than the open-hearth and the type of steel products visualised for Bokaro—flat products — are very well suited for LD. The quality of our fluxes and dolomite for brick-making though not as good as desired, are considered adequate. Accordingly, three LD converters of 120 tons capacity each (two operating) are recommended to produce two million ingot tons steel annually. One 1,150 universal mill has been proposed to roll two million tons of ingots annually and with minor modifications the mills would be capable of rolling three million tons of ingots.

The total capital cost of the plant is estimated at about Rs. 215 crores based on current international equipment prices and Indian construction costs. Customs duty, engineering and spares have been excluded in order to make this estimate comparable to the published figures of capital costs of the other new steel-works. These items would add another about 10 per cent to the cost. Also not included are expenses connected with the development on off-site facilities, such as the township, new mines and quarries, washeries, etc.

The above capital cost includes a number of special features such as extensive materials preparation including selective coal preparation, ore bedding and drying and sinter plant. This plant is likely to be an improvement over the already set up plants in various other ways. In preparing this project cognizance has been taken of the Government's desire to make the Bokaro Steel Plant as nearly Indian engineered and constructed as possible. It is estimated that only about 25 to 30 per cent of the equipment could be supplied from indigenous sources, as the Ranchi Heavy Equipment Plant may not be in full production before 1964-65. The low proportion of indigenous manufacture emphasises the importance of augmenting the existing forge-foundry and equipment manufacturing activities and initiating new facilities including an additional heavy equipment building plant.

For the purpose of determining the labour component of the operating costs, a total force of about 12,000 is estimated, comprising 120 senior engineers, 620 engineers, 5,540 operators and skilled workers and 5,900 semi and unskilled workers.

EXCHANGE FOR SUGAR MACHINERY

It is gathered that the Government of India will make available nearly Rs. 8 crores worth of foreign

exchange to two consortiums manufacturing sugar making machinery during the next four years. Six firms, it may be added, were licensed for the manufacture of complete sugar plants. They had formed themselves into two consortiums in order to pool their resources. The sugar factories to which these plants were to be supplied by these consortiums were also selected. The Government had made a special allocation of foreign exchange for the import of components and raw materials required for the fabrication of complete sugar plants by these consortiums for a total amount of Rs. 495 lakhs. The consortiums, in their turn manufactured two plants valued at Rs. 170 lakhs, both of which have gone into production. Six plants, valued at Rs. 510 lakhs are, at present, being fabricated to be commissioned by the end of 1961.

For the first batch of complete plants, the consortiums was allowed foreign exchange at the rate of Rs. 20.2 lakhs per plant for the import of components etc. This amount was reduced to Rs. 18 lakhs per plant for the following units and has now been fixed at Rs. 16 lakhs, per plant. It is also considered necessary to import "spares" of the value of Rs. 1.5 lakhs per every completed plant. This allocation is placed at Rs. 27 lakhs. The consortium has also been asked to manufacture ten complete sugar plants to be supplied to ten licensed sugar factories by 1962-63 crushing season. The foreign exchange required, therefore, will be Rs. 175 lakhs; Rs. 160 lakhs for plants and Rs. 15 lakhs for spares.

Licenses have also been granted for forty-seven parties for expansion of their existing units. These expansion schemes will involve import of components for the manufacture of equipment worth Rs. 663 lakhs. The components will be imported from the United Kingdom Rs. 169 lakhs, West Germany Rs. 169 lakhs, Switzerland Rs. 84.5 lakhs, the U.S.A. Rs. 44.25 lakhs, East European countries Rs. 255 lakhs and other countries Rs. 43.25 lakhs.

DISTRIBUTION OF COAL

Several measures have been adopted by the Government of India to improve coal supplies to areas distantly situated from the Bengal-Bihar coalfields which produce about 80 per cent of the total output of coal. The most important measure is to encourage the movement of coal by coastal shipping. At present about one million tons of coal move from the Calcutta port to the coastal States in the South every year. This movement is being encouraged and will be stepped up progressively to about two million tons per year. Coal will now be carried by coastal shipping to the ports on the Western coast such as Cochin, Bombay and Saurashtra. Some of the consumers in Gujarat State are obtaining their supplies by the rail route through Mughalsarai and the proposed movement to these consumers by the sea route would supplement the movement taking place through Mughalsarai.

Movement of coal by the sea route is comparatively costlier and in order to reduce the disparity between coal carried by sea route and that carried by rail route, a system of subsidising the movement of coal by the former route has been introduced. To meet the expenditure on this account a cess of 80 nP per ton has been levied on all coal despatched from Collieries with effect from June 8, 1961, so that, including the existing cess of 88 nP per ton, the total cess will now be Rs. 1.68 per ton.

Besides, stress will be laid on greater movement of coal from the outlying fields such as Madhya Pradesh, Orissa and Andhra Pradesh, which would further reduce the pressure on movement from the Bengal and Bihar coalfields.

POLISH FIRM FOR COAL OUTPUT

An agreement was signed recently between the National Coal Development Corporation and the Polish firm, CEKOP, for the development of deep-shaft mine project at Sudamdih in Jharia, in Bihar. According to the agreement, the Polish firm will prepare a project report for a colliery in Jharia consisting of two mines — a deep-shaft mine and an incline — with a common surface plant. The surface equipment will include a coal washing plant besides workshop, coal bunkers, etc. The planned output of raw coal from the mines is 7,500 tons per day. The underground mine is situated 12 miles from Dhanbad railway station and nearly 3 miles from Patherdih railway station with an area of 1.75 miles along the strike and nearly 1 mile along the dip. The area consists of 14 coal seams of varying thickness of 4 to 60 feet with a total reserve of nearly 250 million tons and with an ash content of 10 to 28 per cent.

ASSISTANCE FOR BARAUNI REFINERY

Russia has agreed to supply equipment and machinery and provide technical assistance for the erection and commissioning of the Barauni refinery. According to the agreement, Russia has reduced the cost of equipment by Rs. 80 lakhs. It has also agreed that equipment and materials worth Rs. 120 lakhs will be substituted by the indigenous manufacturers. This has meant a saving of foreign exchange to the extent of Rs. 2 crores. Another important alteration made in the project report is that lubricating oil will be produced at the refinery and not jute batching oil as proposed by Russia earlier.

The estimated value of the contract — the last in the series — is about Rs. 14.5 crores, besides the rupee expenditure to be borne by the Indian side. The Soviet Government has given a credit of Rs. 17.8 crores for Barauni refinery. According to the contract signed, the refinery is to be completed in three stages. The first million tons capacity is expected to be completed by December, 1962. In the second stage, 1.5 million tons capacity will be created by April, 1963 and in the final stage which involves manufacture of lubricants, by the end of 1963.

JAPANESE CREDIT

Seven firms have already applied for Japanese yen credit during the Third Plan period. They relate to the following industries:

Industry	Amount (in lakhs)
H. T. Wires	Rs. 23.40
Viscose Rayon	60.00
Textile Auxiliaries	2.48
Wire Ropes	45.40
Paper	10.00
TOTAL	Rs. 141.28

SWISS CREDIT

The allocations made so far for various purposes under the Swiss credit are as follows:

	(Rs. lakhs)
Textile machinery	80
Printing machinery	40
Turbo-alternators for the sugar industry	60
Capital goods for private industry including machine tools	200

The Swiss credit is available only to finance 90 per cent of the value ex-factory in Switzerland.

AVOIDANCE OF INTER-STATE COMPETITION

It is felt generally by the State Government representatives that any tendency on the part of the applicants to create conditions of competition among State Governments for attracting their projects has to be discouraged. It has, therefore, been decided by the Government of India after detailed discussions that (a) any tendency on the part of the applicants seeking change of location, to create conditions of unhealthy competition amongst different States in the matter should be discouraged. (b) In genuine cases, where a change of location was desired on technical grounds or for reasons of economy, the change of location should be considered sympathetically. (c) Where location has been a necessary ingredient in making a decision to grant industrial licence, the application for change should ordinarily be turned down and the applicant should be asked to submit a fresh application for the consideration of the Licensing Committee. (d) Application of change of location (in cases where one of the State Governments concerned do not agree to the change) should ordinarily be submitted for advice, to the Licensing Committee together with the views of the State Governments concerned.

FERTILIZER DISTRIBUTION

On the recommendation of the Fertiliser Distribution Enquiry Committee, the Ministry of Food and Agriculture, it is understood, has accepted that a Central Fertilizer Marketing Corporation be set up to take over the duties now performed by the Central Fertiliser Pool. This will be in addition to the Fertiliser Corporation of India, which is a purely production organisation. The Marketing Corporation, with generally the same aims as the Fertiliser Pool — the welfare of cultivators and increased agricultural production — will be an autonomous body. This is to improve the distribution of fertilisers and to streamline the machinery connected with the indenting, allocation and distribution of fertilisers. It is also stressed that prices of fertilisers and prices of agricultural produce should be so related as to make it profitable to the farmer to use fertilisers.

HIGH DENSITY POLYETHYLENE

A licence for the domestic manufacture of high density polyethylene was issued to Alkali & Chemical Corporation of Calcutta for manufacture of 8,500 tons of polyethylene at Rishara in West Bengal. This was in addition to two other licences issued earlier, one to Union Carbide India, Limited for expanding its existing capacity to 20 million pounds at its factory at Trombay, Bombay and the other to Duncan Brothers of Calcutta to manufacture 4,000 tons of polyethylene in a new factory in Assam.

AID FROM NETHERLANDS

India is likely to receive financial assistance from the Netherlands for the execution of the Third Plan. It is gathered that though the final decision as to the quantum and nature of credit has not yet been taken, the Netherlands Government has expressed its willingness to help India. Assistance by the Netherlands, it is understood, would be outside that of the Aid India Club, because of its theoretical objections to the Club's scheme of bilateral credits.

Credits have to be negotiated between India and each individual country, although the broad decision about the overall assistance was taken by the members of Aid India Club jointly. The Netherlands laws permit only budgetted amount to be used for extending multilateral assistance.

COMPANY AFFAIRS

TRAVANCORE RAYON

The production of Rayon in the Travancore Rayon Corporation Ltd. declined slightly during 1960 and was somewhat short of full capacity due to, among other things, unexpected problems encountered in production and also difficulties and delays in obtaining the necessary spare parts owing to the stringent foreign exchange position — and consequent idle capacity. The production of both plain and moisture proof cellulose film showed upward trend. The directors have reported that by the commissioning of the latest high-speed cellulose film plant in October 1960, the capacity for production of cellulose film has gone up to 10 tons per day. The sulphuric acid plant was started over a year ago and has enabled the company to be self-sufficient in its requirements of this item and also leaves a surplus for sale outside. Sales of all the products were steady and registered a rise of 11 per cent over the previous year. During the year under review the profits were recorded at around Rs. 61.62 crores after providing for depreciation (Rs. 36.47 lakhs), development rebate reserve (Rs. 15.7 lakhs), gratuity reserve (Rs. 1.5 lakhs) and after paying excess duty (Rs. 23.95 lakhs). A sum of Rs. 27.30 lakhs has been provided for taxation. The directors have recommended the payment of additional dividend for 1959 on the preference shares at the rate of 1.50 per cent. Dividend on preference shares was paid at the rate of 6.5 per cent and dividend on equity shares is paid at the rate of 20 per cent for the year under review. A sum of Rs. 10 lakhs was transferred to general reserve.

Towards the latter part of 1962 the company's cotton linter plant is scheduled to go into production with an output capacity of 10 tons of linter pulp per day. Provision is also being made to enable increase of the output to 20 tons per day. This project will stand in good stead by lessening the dependence of the company on imports, and by providing quality pulp for yarn and film. The company got permission to instal 6 more rayon spinning machines. In order to arrange the necessary foreign exchange, the directors approached the Industrial Finance Corporation and hope to finalise order for machinery as soon as the financial arrangements are completed.

BINOD MILLS

The Directors of the Binod Mills Company Ltd. have reported that the operations of the company were quite satisfactory during the year to December 31, 1960. The demand for cloth remained steady during the year. The prices showed an upward trend during the first half but the voluntary price cut in September and again in December adversely effected the profits in the latter part of the year. The profit of the company subject to depreciation and provision for taxation came to Rs. 33.53 lakhs. After making the usual provisions there was a balance of Rs. 8.87 lakhs out of which the directors have recommended the payment of a dividend at the rate of Rs. 12.50 per share of Rs. 100 each subject to taxation which will absorb Rs. 7.50 lakhs. The directors have reported that of the loan of Rs. 20 lakhs sanctioned by the National Industrial Development Corporation Ltd., Rs. 17.82 lakhs had been received and the balance was expected soon. During the last two years the management of the company had been following the policy of expanding and maintaining the export markets of the company's products. In view of this policy the exports during the year under report were more or less maintained at last year's level and it appeared that the products of the company proved

popular with the foreign consumers. The total sales in 1960 were of the value of Rs. 54.04 lakhs and the total percentage of exports to total production of cloth was nearly 21 per cent. The export incentive earned by the company was nearly Rs. 8.18 lakhs during 1960 as against Rs. 5.66 lakhs during the previous year.

INDIAN SUGARS

During the year to September 30, 1960 the Indian Sugars and Refineries Ltd. crushed 1.53 lakh tons of cane and produced 16,006 tons of sugar with an average sugar recovery of 10.42 per cent as against 1.85 lakh tons of cane producing 17,647 tons of sugar. Even though the total cane crushed was less, because of the higher sugar recovery, there was higher realisation of sugar. Sale proceeds were recorded at Rs. 2.05 crores as against Rs. 1.96 crores during the previous year. The company gave bonus of Rs. 8.055 per ton of sugarcane to the cane suppliers under the Sisma formula. The distillery produced 86,740 gallons which was an improvement over the previous year's output of 57,036 gallons. The sale of spirit also was better than in the previous year.

The year's working results show a net profit of Rs. 15.29 lakhs. The directors have recommended the payment of dividend at the rate of 7½ per cent subject to taxation on preference shares and at the rate of 14 per cent subject to taxation on equity shares. The accounts of the subsidiary company, Salar Jung Sugar Mills Ltd. also show some improvement. In spite of the reduction in quantity of cane crushed compared to the previous year, the sugar produced remained almost the same. Some improvement was also recorded in the working of another subsidiary company, Manjula Confectionery (Private) Ltd.

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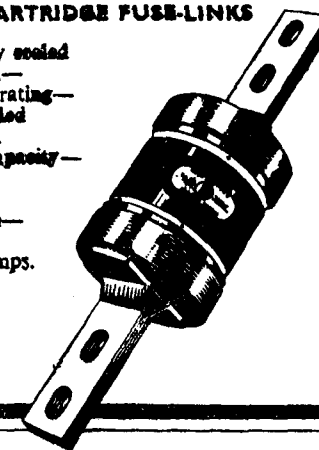
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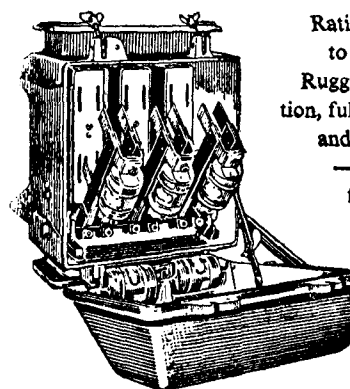
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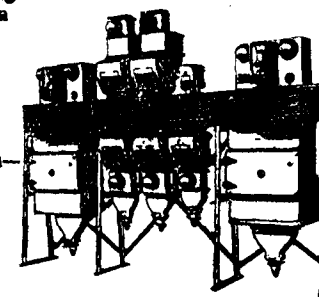
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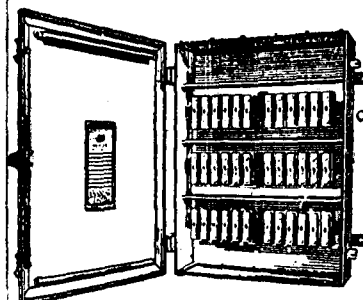
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COMMODITY NEWS AND NOTES

MOVEMENT OF COAL

Government of India have recently adopted several measures to improve supplies of coal to areas distantly situated from the Bengal/Bihar coalfields which produce about 80 per cent of the total output of coal. States situated northward of Mughalsarai such as Uttar Pradesh, Delhi, Rajasthan and Punjab, are served by these coalfields. The total goods traffic in the direction "above Mughalsarai" is at present about 2,600 wagons per day and coal comprises about 1900 of these wagons. The aim of the Railways is to step up movement of coal in this direction by upto 200 wagons per day from July next availing of progressive electrification of sections in the coalfields area etc. The movement of coal by coastal shipping is also to be stepped up. At present about one million tons of coal move annually from the Calcutta port to the coastal States in the south. This movement is being augmented and will be stepped up progressively to about two million tons per year and coal will now be carried by coastal shipping to the ports on the western coast such as Cochin, Bombay and Saurashtra ports. Some of the consumers in Gujarat State are obtaining their supplies by the rail route through Mughalsarai and the proposed movement to these consumers by the sea route would supplement the movement taking place through Mughalsarai.

Movement of coal by the sea route is comparatively costlier and in order that the consumer may get his supplies at almost the same cost at which he would have got these if the movement had been by the all-rail route, a system of subsidising the movement of coal by sea has been introduced. To meet the expenditure on this account a cess of 80 nP. per ton has been levied on all coal despatched from collieries with effect from 8-6-1961, so that, including the existing cess of 88 nP. per ton, the total cess will now be Rs. 1.68 per ton. Hitherto the movement of coal by coastal shipping was only to the extent of about 12 to 14 ships per month. With the introduction of the above measures and as more and more ships become available, Government propose to increase the above to 30 sailings per month. Besides the above measures, stress will be laid on greater movement of coal from the outlying fields such as Madhya Pradesh, Orissa and Andhra Pradesh. This would further reduce the pressure on movement from the Bengal and Bihar coalfields.

TRADING IN JUTE GOODS

With continued favourable weather conditions, the next season's jute crop is reported to have made very satisfactory progress, and consequently the prices of jute and jute goods have been gradually receding since

May 1961 from the extremely high levels prevailing earlier this season. In view of the easier conditions ruling in the markets, and the prospects of an early return to normal price levels next season, the Forward Markets Commission recently concurred in the resumption of hedge trading in jute and jute goods with effect from June 15, 1961. As a further step in restoring normal trading conditions in the jute markets the Forward Markets Commission has, with effect from June 13, 1961, withdrawn its orders issued in November 1960 imposing special margins on purchases of raw jute and certain standard constructions of jute goods on transferable specific delivery contracts. The Commission has also withdrawn the restrictions imposed in November 1960 on the number of transfers of pucca delivery orders issued against transferable specific delivery contracts in certain standard constructions of jute goods. The Commission has, however, directed the East India Jute and Hessian Exchange Ltd., Calcutta, to continue in force the procedure of registration of transferable specific delivery contracts and the submission of trading returns in these contracts by members of the Exchange.

SUPPLY OF NEWSPRINT FOR NEW PUBLICATIONS

Attention is invited to remark (7) against S. No. 44/V of Section II of the current Red Book, according to which the requests of Actual users, who might bring out new newspapers during April, 1961—March, 1962 for allotment of newsprint both indigenous and imported will be considered subject to specified conditions. Owing to foreign exchange stringency, supplies of newsprint have had to be restricted. Allotments to individual newspapers of newsprint both indigenous and imported are, therefore, strictly rationed according to their minimum requirements. Since availability of newsprint is limited, it is notified for general information that those publishers and/or printers of newspapers and periodicals, who wish to start new publications should, in their own interest, get a clearance in advance from the Chief Controller of Imports and Exports, New Delhi, regarding availability of newsprint for their publications. Applications by intending publishers for obtaining advance clearance regarding availability of newsprint for their publications should be made to the Chief Controller of Imports and Exports, New Delhi, who will consider them in consultation with the Registrar of Newspapers. If any newspaper or periodical commences publication without getting the necessary clearance from the Chief Controller of Imports and Exports, there would be no guarantee that newsprint for that publication would be available from indigenous sources or allowed to be imported from abroad.

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MR. AL FOIL MINDS HIS MANNERS

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Company Meetings

ASHOK LEYLAND LIMITED, MADRAS

Twelfth Annual General Meeting

CHAIRMAN'S REVIEW

Speech delivered by Sir A. Ramaswami Mudaliar, K.C.S.I., D.C.L. (Oxon), Chairman, Ashok Leyland Limited, to the Shareholders at the Twelfth Annual General Meeting of the Company held on 15th June, 1961 at Ennore, Madras.

Gentlemen,

I have great pleasure in extending to you a cordial welcome to the 12th Annual General Meeting of your Company.

The Directors' Report, Audited Balance Sheet and Profit and Loss Account for the year ended 31st December, 1960 have been circulated to you, and with your permission, I shall take them as read.

As the Balance Sheet and Profit & Loss Account have disclosed to you, 1960 may be considered to have been a reasonably satisfactory year. The output of Comet chassis for the year was 43 per cent in excess of that for 1959 and it has, therefore, been possible for your Directors to recommend the same dividend as previously. That is, the increased capital has been as profitably employed as has been the case for some years.

It is probable that in retrospect 1960 will have proved to be a memorable year. Not only has the Factory maintained progress with the Manufacturing Programme while increasing production and sales by an appreciable percentage, but also the foundations have been laid for the expansion of output to which I referred in speeches at the last Annual General Meeting and at subsequent Extraordinary General Meetings. It will be appropriate for me to give a brief history of the steps which have been taken during the year to ensure that our output will keep pace with the sales demand. In February, Messrs. S. Markland and D. G. Stokes, Directors of Leyland Motors Ltd., visited the Factory and has discussions with your Directors regarding the proposed expansion programme; and arising from these discussions, decisions were taken in the same month to ask your approval to an increase in the Authorised Capital to Rs. 10 crores. In February also, following representations made at an earlier date to it, the Government of India approved Leyland Motors' share of the Company's capital being increased to 60 per cent. In April, you approved at an Extraordinary General Meeting the proposal to increase the Company's Authorised Capital to Rs. 10 crores as a preliminary step towards the ultimate financing of the proposed expansion programme. In this month, your Directors also decided to apply to the Government of India for their approval of a programme to increase the production of Comet chassis to 5,000 per annum and in addition to tool up for an annual production of 1000 '600' type engines which are used in chassis heavier than the Comet. It was also proposed to add 20 per cent extra productive capacity to provide for the manufacture of spare parts required for the maintenance of vehicles in service. In July, an application was made to the Controller of Capital Issues for consent to the issue of Rs. 172.25 lakhs capital for the provision of buildings and plant and equipment to cover the first phase of the expansion scheme. Following a resolution taken at a Board Meeting held in October and the receipt of a Consent Order regarding the proposed new capital issue early in November, you approved at an Extraordinary General Meeting held at

the end of November, the issue of Rs. 172.25 lakhs capital of which Rs. 139.10 lakhs was offered to Leyland Motors to bring their shareholding to 60 per cent of the total issued capital of Rs. 497.25 lakhs. Messrs. Leyland Motors took up this offer and this decision will provide the necessary foreign exchange for the purchase of plant and equipment.

Coincident with the successive steps taken to provide the necessary capital for your Company's expansion, planning commenced in regard to the design and layout of buildings and of machine tools and other equipment to be accommodated in them. A contract was let in April for the steel work for the main building extension which will add 125,000 sq.ft. floor area for additional machine shops, assembly shops, etc. This addition with other building works, including the extension to the Canteen, a new Training Centre and improvements to office accommodation will bring the total covered area to 12.65 acres. A contract for the builder's work for all these new buildings was let in August. The precaution of placing early orders for steel work and other building construction resulted in erection of the new buildings commencing before the year end. I am pleased to be able to report to you today that such good progress has been made that it will be possible for the installation of plant and machinery in the new shops to commence in the second half of 1961. This fits in with the promised deliveries for machine tools and other equipment which will be shipped progressively from July 1961 onwards.

At your last Annual General Meeting, I reported to you that the establishment of a Foundry in collaboration with Messrs. Leyland Motors Ltd., in which this Company would have 25 per cent of the capital and Leyland Motors 75 per cent, had been approved by Government and at that time I anticipated full scale production of castings might commence in the first half of 1961. Certain unavoidable delays occurred and actual delivery dates of major items of equipment have been later than was originally promised. I am pleased to be able to inform you, however, that by the end of this year, Ennore Foundries Ltd. will be in a position to meet all your Company's requirements of iron castings; and progressively from that time onwards, surplus capacity will become available which will be utilised for the production of castings for other manufacturers. Mr. West, Vice-Chairman of Leyland Motors and Chairman of West Yorkshire Foundries Ltd., accompanied by Mr. F. Grimshaw, Leyland Motors Ltd's General Works Engineer, visited your Factory in November, the principal object of their visit being to acquaint themselves at first hand with the progress being made with the erection of the Foundry. I am sure you will agree with me that we are fortunate to be able to depend on the advice of Mr. West who is acknowledged to be one of the leading authorities on Foundry Practice.

In my speech at the last Annual General Meeting, I referred to a levy of excise duties which occurred on the 1st March, 1960; and I expressed the hope that the incidence of such duties on the development of

road transport would be carefully studied and that such a study might lead to the abolition or at least the lowering of these duties. It can only, therefore, be considered most unfortunate that far from lowering excise duties, they have since been increased. The 1961 Finance Bill provided for additional import duties and excise duties which will still further increase the price of materials used in the manufacture of motor vehicles; and probably necessitate a corresponding increase in the retail price of the Comet chassis. The Finance Minister met a deputation from the Association of Indian Automobile Manufacturers when the latter represented to the Minister the seriousness from the point of view of the Industry's welfare of the latest levies. The Minister could not give hope of any reduction in duties.

During 1960, the Company commenced the marketing of industrial engines. To enter the market for industrial engines entails producing Comet engines additional to those required for use in the Comet chassis. With tooling available, it was not practicable to achieve a very high output and the total sales of industrial engines amounted to 162. Our incursion into this market, however, has demonstrated that there is a good demand for industrial engines with the performance characteristics of the Comet; and that there will be a similar demand for the heavier engines which are about to come into production. It is possible, therefore, to anticipate that as soon as it is practicable to increase the output of engines additional to those required for the Company's own chassis, there will be considerable revenue from the sale of industrial engines.

For some time now, your Directors have had in mind the importance of export and attempts have been made to secure an entry into overseas markets. These efforts have been to some degree successful and your Company's export business commenced with the sale of 24 Comet chassis to the Ceylon Transport Board during the 1960 year. Efforts to secure export business will be continued because it is not only advantageous from the country's point of view but also from the Company's, as the Government of India provides additional foreign exchange to manufacturers who secure overseas business which can be utilised for the import of materials which are not available from indigenous sources.

It is my custom at your Annual General Meetings to attempt to give some idea of what the future holds as well as to review the results of the previous year. I do not think that apart from one particular issue to which I will refer a little later, 1961 will be very different to previous years. It will undoubtedly be a difficult year because there will be a high level of expenditure on new buildings and new plant which will not immediately give rise to a corresponding increase in output. Nevertheless, it is hoped that production will again show a substantial increase on the previous year. In addition, I can anticipate with confidence that further progress will be made in the deletion of imported components and materials and, as I have already stated earlier in this speech, castings will be eliminated from materials to be imported. Towards the end of the year, new machine tools and equipment will be received in increasing volume and buildings being ready for its immediate installation, it will come into use without delay. Production, therefore, will be on a rising curve as the 1961 year approaches its end, but the new plant and machinery will not have any really appreciable impact on the output of chassis until 1962. 1961, therefore, is likely to be a period of transition from low level production with

the exclusive use of standard machine tools to higher volume production with an increasing use of special purpose machine tools; and the installation of the latter will commence during the current year.

I have referred to one difference which will distinguish 1961 from other years. This is the change in the financial year end from 31st December to 30th September. This decision was made by your Directors in order that the Company might fall in line with our Associates, Messrs. Leyland Motors Ltd., whose financial year is from 1st October to 30th September. The current year, therefore, will be of nine months duration from 1st January to 30th September when a Balance Sheet and Profit & Loss Account will be prepared for the year ended 30th September 1961. Thereafter, the financial years will run from 1st October to 30th September inclusive.

I have already referred to visits from Directors of Leyland Motors and I must once again place on record the invaluable advice both with regard to the work of the Factory and its expansion which we receive from them. I am sure you will desire me to convey to them and above all to Sir Henry Superriour our thanks for all the help and guidance received.

I must also take this opportunity to recognise the enthusiastic help and co-operation that has been extended to your Directors by the Officers, staff and workpeople both on the factory side and on the administrative office side. I should like to convey our thanks to all of them.

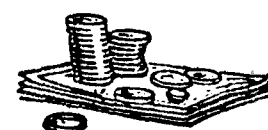
Note: This does not purport to be a record of the proceedings of the Annual General Meeting.



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THE NATIONAL RAYON CORPORATION LIMITED

Shri Kasturbhai Lalbhai's speech delivered at the Fourteenth Annual General Meeting held on 15th June, 1961.

Gentlemen:

I have great pleasure in welcoming you this afternoon and placing before you for adoption the Fourteenth Annual Report of the Directors and the Statements of Accounts for the year ended the 31st December, 1960. These were circulated to all the Shareholders and so must have been in your hands for quite some time now, and, I believe, I have your permission to take them as read.

2. The Statements of Accounts have been drawn up in conformity with the provisions of the Companies (Amendment) Act, 1960. The figures for the preceding year, which are also published alongside, have been suitably recast to bring them in line with the new provisions.

3. Before I proceed to deal with a few items in the accounts which, in my opinion, require some elucidation, I wish to say that your Board of Directors have decided to recommend this year and hereafter payment of dividend on Preference Shares at Rs. 5.55 per share, free of Company's tax, with a view to placing them in the same position as they were before the enactment of the Preference Shares (Regulation of Dividends) Act, 1960, and amendment to Section 18 (3D) of the Indian Income-tax Act. With this objective in mind, we considered the following two alternatives:—

- To increase the dividend to Rs. 6.25 per share instead of Rs. 5.55 as required under Preference Shares (Regulation of Dividends) Act, which would, after deduction of Company's tax at 20 per cent, leave Rs. 5.00 per share; and
- To fix up dividend at 5 per cent free of tax.

The second alternative could not be considered as the Preference Shares (Regulation of Dividends) Act requires that the dividend should be increased in the case of our Company by 11 per cent. If the first alternative is adopted, the return on Preference Shares will vary with the Company's tax rate, whenever such a variation is decided upon by the Government, and in the event of the Company's profits not being taxable in any year, for any reason, the Company will, nevertheless, have to pay a dividend at 6.25 per cent. Your Directors have, therefore, decided to recommend the fixing of the dividend at Rs. 5.55 per share without the deduction of Company's tax, but subject to the statutory deduction at source of tax under the Income-tax Act.

4. Coming to the Statements of Accounts, the reasons for lesser sales turnover in Rayon Yarn and Waste have already been given in the Directors' Report. The total sales of Chemicals and other miscellaneous materials have increased from Rs. 37.00 lakhs to Rs. 46.11 lakhs. This is due to the increased production of Caustic Soda and Chlorine at the Company's ancillary plants which made available a larger quantity of these two Chemicals for sale. Apart from this, the consignment of Caustic Soda, which was imported earlier and remained unused for some time, was sold off on a 'no loss, no profit' basis with the necessary sanction of the Government.

5. The amount of Excise Duty paid during the Report Year was Rs. 68.59 lakhs, about Rs. 4.70 lakhs more than that paid in the preceding year. This duty was paid at the lower rate for the first two months of the year 1959 and at the enhanced rate for all the

subsequent ten months, whereas duty was paid at the enhanced rate for all the twelve months of 1960 on the entire production.

6. The Managing Agents' commission has been computed on the sliding rate of commission approved last year by the Central Government and stood substantially lower at Rs. 9.80 lakhs as against Rs. 18.90 lakhs paid in the preceding year. The amount of Depreciation deduction under Section 349 (4)(k) of the Companies (Amendment) Act, 1960, was arrived at by applying the rates prescribed in the Income-tax Rules to the written down value of the assets as shown in the books of the Company at the close of 1959.

7. The Inventory for raw materials is comparatively lower and stood at Rs. 30.59 lakhs as against Rs. 60.25 lakhs at the end of the preceding year; this may be attributed in the main to the stricter import control policy of the Government arising from the difficult foreign exchange position. Nevertheless, special provision has been made for the necessary raw materials sufficient for the trial runs as well as for uninterrupted operations of the additional Spinning Frames which will be pressed into commission shortly and of the Tire Cord Plant which is expected to go into production later in the year.

8. In the Finance Act of 1961, Excise Duty on Rayon Yarn has once again been raised from 90 nP. to 150 nP. per kilogramme for 120 and 150 denier, and from 130nP to 225 nP per kilogramme for 100 denier. Excise Duty has been imposed on Caustic Soda to the extent of Rs. 40 per metric ton, while the duty on Sulphur has been raised from 5 per cent to 10 per cent *ad valorem*. Having decided to levy these duties, the Government seem also to be anxious to hold the price line and with this end in view, the Textile Commissioner held a series of conferences with the Rayon Spinning and Weaving Units to see how much and by whom the increased levy has to be absorbed. Representations were made at these conferences that the rayon spinning industry was unable to bear the additional burden because the cost of production had already gone up consequent upon the revision and upgrading of scales of pay to the workers, imposition of Excise Duty on Caustic Soda and raising of the Import Duty on Sulphur. The Textile Commissioner after going fully into the matter, however, decided that 60 per cent of the increased Excise Duty on Rayon Yarn has to be absorbed by the Rayon Spinning Units and 40 per cent has to be passed on to the Rayon Weaving Units.

9. The Textile Commissioner has also fixed the prices for Rayon Yarn to be charged to the consumers and the price differentials between the different grades in each of the deniers at 15 nP per kilogramme at each stage, so that the difference in price between the first grades and the reject is not less than 60 nP per kilogramme. The distribution of the indigenous yarn continues to be done as hitherto through a Distribution Committee appointed by the Textile Commissioner. About 83 per cent of our production is being reserved to the powerloom sector to whom allocation cards are being issued every quarter and the balance is to be made available to the handloom sector, ancillary industries, doublers and twisters to whom it is also proposed to issue allocation cards in the near future. About 88 per cent of our production is being directly sold to the consumers and 12 per cent through established dealers based on their previous purchases from us.

10. With the present rate of growth of industries in Maharashtra State, the demand for power is increasing rather rapidly. It now appears that it has become somewhat more difficult to get additional power both for the existing industries as well as for the new industries which are coming up in Maharashtra State, and in particular, in the Bombay area. With the growth of industries in this region, perhaps the power shortage may become more acute till the Koyna project goes into regular operation at its rated capacity. I am sure, Maharashtra Government is conscious of this problem and necessary steps will be taken by them to see that the industrial growth in this region is not delayed for want of electric power. In the past, to meet power shortage, Maharashtra very wisely implemented a decision to staggering the holidays and working hours of the industry. Among other measures for making power available to the expanding industry in Bombay region, perhaps staggering of working hours may be considered. If this is done, then large quantity of power will be available to the industry in this area immediately.

11. I am pleased to inform you that some progress has been made with regard to the Company's Rayon Grade Pulp Project. A suitable site at Nanjargud (Mysore State) has been selected for the location of the Pulp Plant. The Mysore Government have under their consideration a proposal to reserve Coorg, Kollegal and Mysore forest areas for the exclusive exploitation by us of the bamboo and other soft wood resources in those areas suitable for the manufacture of Pulp. The Mysore Government are of the opinion that there is adequate supply of water in the neighbourhood which they will consider making available at concessional rates for the first five years, and that the electric power required for the operation of our Plant could also be made available. One of your Directors, Shri R. J. Chinai, is now in the United States exploring possibilities of raising a dollar loan to cover the foreign exchange needs on deferred payment terms acceptable to the Government and for obtaining technical know-how, and engineering and other related services. I am also pleased to inform you that we have obtained an Industrial Licence for the expansion of our Tire Cord Plant, and necessary steps will be taken for its early implementation.

12. The relations with the Labour continues to be satisfactory. In the month of March 1961, bonus equivalent to 1/4th of the total earnings during the year 1960 was declared and paid, but the Labour Union has made a demand for payment of bonus equivalent to 5/12th of the total earnings. This matter is now pending before the Assistant Commissioner for Labour.

13. I must say a word in conclusion about the workers and the staff who by their efficient work have contributed in a large measure to the smooth running of the plant and the satisfactory working of the organisation.

14. With these observations, I commend the Report and Statements of Accounts for adoption, and propose the following Resolution:

RESOLUTION

"THE FOURTEENTH ANNUAL REPORT AND THE STATEMENTS OF ACCOUNTS FOR THE YEAR ENDED THE 31ST DECEMBER, 1960, BE AND THEY ARE HEREBY ADOPTED."

Thank you, Gentlemen.

N.B.: This does not purport to be the report of the proceedings of the Annual General Meeting.

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RESERVE BANK OF INDIA ISSUE DEPARTMENT

(Rs. Lakhs)

Period	LIABILITIES			ASSETS						
	Notes in Circulation	Notes Held in Bank- ing Dept.	Total Notes Issued (a)	Gold & Bullion (b)	Foreign Securities (c)	Total of (b+c)	(b+c) as Percent- age of (a)	Rupee Coin	Rupee Securities	Total Assets
1955-56	1,339,39	17,08	1,356,47	40,02	656,52	696,53	51.35	106.87	533.06	1,356.47
1956-57	1,475,77	18,75	1,494,52	40,02	545,61	585,63	39.95	115.93	755.22	1,494.52
				(117.76)		(663.37)	(44.37)			
1957-58*	1,529,36	23,18	1,552,53	117,76	329,65	447,41	28.79	1,30,06	975,06	1,552,53
1958-59*	1,593,88	19,34	1,613,21	117,76	182,04	299,80	18.58	133,99	1,179,42	1,613,21
1959-60*	1,730,90	19,86	1,750,77	117,76	167,62	285,38	16.30	131.50	1,333.83	1,750.77
Average of Fridays										
March 1960	1,836,41	16,63	1,853,04	117,76	163,01	280,77	15.15	124,00	1,448,28	1,853,04
April "	1,887,42	17,25	1,904,67	117,76	163,01	280,77	14.74	127,16	1,496,74	1,904,67
May "	1,886,74	20,78	1,907,52	117,76	163,01	280,77	14.72	125,34	1,501,41	1,907,52
Week-Ending										
28-4-1961	1,982,43	32,55	2,014,98	117,76	113,01	230,77	11.45	122,24	1,661,98	2,014,98
5-5-1961	2,002,38	9,38	2,011,76	117,76	113,01	230,77	11.47	119,02	1,661,97	2,011,76
12-5-1961	2,007,26	13,38	2,020,64	117,76	113,01	230,77	11.42	117,93	1,671,94	2,020,64
19-5-1961	1,985,50	15,44	2,000,94	117,76	113,01	230,77	11.53	118,23	1,651,94	2,000,94
26-5-1961	1,963,24	28,32	1,991,56	117,76	113,01	230,77	11.59	118,85	1,641,94	1,991,56
2-6-1961	1,962,52	28,23	1,990,76	117,76	113,01	230,77	11.59	118,05	1,641,94	1,990,76

BANKING DEPARTMENT

(Rs. Lakhs)

Period	Deposits					Other Liabilities†	Total Liabilities & Assets**	Notes and Coins	Bills Purchased & Discounted	Balances Held Abroad§	Loans & Advances to Governments	Other Loans and Advances	Investments	Other Assets
	Central Gov- ernment	Other Gov- ernments	Banks	Others	Total									
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
1955-56*	60,11	19,85	53,77	18,31	152,04	35,59	197,64	17,21	9,78	66,96	1,73	36,99	49,36	15,61
1956-57*	57,52	14,10	52,46	19,73	143,81	91,21	245,02	18,91	5,69	64,77	4,89	85,34	51,82	13,60
1957-58*	54,61	11,28	81,00	111,38	258,27	84,36	407,63	23,30	4,81	40,47	32,90	77,91	213,92	14,33
1958-59*	57,62	20,80	87,53	118,73	284,67	71,71	441,44	19,41	6,18	25,57	28,23	65,83	284,49	11,73
1959-60*	55,50	23,24	79,61	123,48	281,83	83,18	450,01	19,94	15,54	28,97	25,53	88,92	258,90	12,22
Avr. of Fridays														
March 1960	54,19	41,86	83,07	96,73	275,86	110,21	471,06	16,71	18,36	33,02	25,06	143,45	220,44	14,03
April "	62,66	21,36	90,66	100,04	274,72	119,50	479,25	17,33	47,71	21,96	41,01	117,33	219,04	14,86
May "	55,55	27,20	96,35	98,14	277,23	108,96	471,19	20,85	27,39	12,66	49,43	115,02	230,51	15,34
Week-Ending														
5-5-1961	53,13	15,07	81,80	114,16	264,15	135,66	485,01	9,48	44,39	17,68	86,30	128,49	177,58	21,10
12-5-1961	56,53	14,20	78,28	114,31	263,32	144,75	493,07	13,47	43,00	21,94	87,89	133,80	171,78	21,19
19-5-1961	68,01	15,22	76,43	114,29	273,95	153,16	508,11	15,54	42,09	22,88	81,04	121,92	203,42	21,24
26-5-1961	68,75	20,35	77,02	123,24	289,35	146,55	520,91	28,41	37,10	23,11	80,72	116,81	213,42	21,34
2-6-1961	52,24	21,40	78,69	124,67	277,00	144,58	506,57	28,30	33,83	15,76	73,09	123,84	210,02	21,72

* Average of Fridays. **Includes (i) paid-up-capital of Rs. 5 crores and (ii) reserve fund of Rs. 5 crores up to June 28, 1957 and of Rs. 80 crores from July 5, 1957. †Includes National Agricultural Credit (Long-Term Operations) Fund of Rs. 15 crores from July 6, 1956, and Rs. 20 crores from July 5, 1957 and of Rs. 25 crores from July 4, 1958 and National Agricultural Credit (Stabilisation) Fund of Rs. 1 crore from July 6, 1956 and of Rs. 2 crores from July 5, 1957 and of Rs. 3 crores from July 4, 1958. §Includes cash and short-term securities.

FOREIGN BUSINESS INVESTMENTS IN INDIA

(Industry - Wise)

(Rs. crores)

							As at the end of						
							June 1948	1953	1955	1956	1957	1958	1959
Plantations							52.2	71.5	87.2	87.9	86.6	96.0	95.1
Mining							11.5	8.4	9.6	10.8	9.8	12.4	13.0
Petroleum							22.3	77.1	104.0	116.4	134.1	118.4	120.7
Manufacturing							70.7	124.1	131.8	147.6	184.0	218.6	250.7
Food Beverages, etc.							3.6	31.3	29.3	30.0	30.4	30.7	31.6
Textile Products							0.2	25.2	21.8	21.9	21.1	21.1	23.7
Transport Equipment							—	5.4	4.1	5.2	5.6	6.4	13.0
Machinery and Machine Tools							—	2.7	5.0	5.4	5.6	6.0	7.6
Metals and Metal Products							6.1	8.5	11.1	20.5	51.5	76.2	84.7
Electrical Goods and Machinery							4.8	12.0	14.6	15.8	16.5	17.1	18.3
Chemicals and Allied Products							3.3	18.9	20.9	22.7	23.5	26.5	31.4
Miscellaneous							47.7	20.1	25.0	26.1	29.8	34.6	40.4
Services							99.1	110.9	123.5	130.3	128.5	127.2	131.2
Trading							43.0	27.7	27.1	29.3	27.4	30.0	28.4
Construction, Utilities and Transport							31.5	40.8	42.7	48.9	52.6	50.0	52.6
Financial							6.9	14.7	27.8	27.5	24.2	22.9	25.1
Miscellaneous							17.7	27.7	25.9	24.6	24.4	24.3	25.1
TOTAL							255.8	392.0	456.1	493.0	543.0	572.6	610.7

FOREIGN BUSINESS INVESTMENTS IN INDIA

(Country - Wise)

(Rs. crores)

Country	1955	1956	1957	1958	1959
United Kingdom	376.8	392.5	398.8	398.8	400.1
United States	39.9	47.0	57.5	60.0	82.0
Switzerland	6.6	8.2	6.7	6.8	7.6
West Germany	2.5	2.8	3.5	3.8	5.4
Japan	0.2	0.2	0.6	0.6	1.4
Pakistan	4.4	4.2	4.2	4.2	4.2
Others	23.1	23.2	24.8	26.2	27.0
I.B.R.D.	2.7	14.8	46.9	72.2	83.0
TOTAL	456.1	493.0	543.0	572.6	610.7

N.B.—Data cover investments in non-banking business institutions in India.

INDIA'S OVERALL INVESTMENT POSITION ABROAD

(Rs. crores)

	1955	1956	1957	1958	1959	1960
Liabilities						
Private*	456	493	543	573	611	655
Banking	57	61	48	52	60	66
Official	201	225	463	693	944	1193
TOTAL	714	779	1054	1318	1615	1914
Assets						
Private*	—	—	—	—	—	—
Banking	55	52	62	54	59	57
Official	1171	956	726	592	645	584
TOTAL	1226	1008	788	646	704	641
Net Position						
Private*	—456	—493	—543	—573	—611	—655
Banking	—2	—9	14	2	—1	—9
Official	970	731	263	—101	—299	—609
TOTAL	512	229	—266	—672	—911	—1273

* Non-banking.

FOREIGN LIABILITIES OF THE OFFICIAL SECTOR

(Rs. crores)

Country	1955	1956	As at the end of		1959*	1960†
			1957	1958		
United Kingdom	33.6	33.8	26.0	49.6	97.3	136.5
United States	91.9	115.3	244.0	333.4	443.2	615.2
U.S.S.R.	—	1.1	13.3	52.7	57.0	53.4
West Germany	—	—	0.6	34.8	68.0	105.2
Pakistan	38.5	38.6	38.5	36.2	36.7	34.1
Others	10.2	9.0	7.9	24.6	27.6	36.3
International Institutions	26.6	26.9	132.5	161.9	214.8	212.8
TOTAL	200.8	224.7	462.8	693.2	944.6	1193.4

* Revised.

† Provisional.

FOREIGN ASSETS OF THE OFFICIAL SECTOR

(Rs. crores)

Country	1955	1956	As at the end of		1959	1960
			1957	1958		
United Kingdom	814.8	598.6	356.6	214.8	218.7	149.9
United States	31.5	32.0	32.7	32.3	52.9	45.8
Pakistan*	301.2	300.9	300.9	300.8	300.8	300.8
Others	3.7	3.5	14.3	19.3	20.6	31.3
International Institutions	19.3	21.3	21.3	24.8	52.3	56.7
TOTAL	1170.5	956.3	725.8	592.0	645.3	584.5

* Includes partition debt to India of Rs. 300 crores.

INFLOW OF FOREIGN INVESTMENT BY SOURCE

Country	(Rs. crores)							
	1956		1957		1958		1959	
	Gross In-flow	Net In-flow	Gross In-flow	Net In-flow	Gross In-flow	Net In-flow	Gross In-flow	Net In-flow
United Kingdom	20.5	15.7	15.2	6.3	20.1	-2.0	16.0	1.2
Private Capital	20.5	15.7	15.2	6.3	20.1	-2.0	14.6	-0.2
Official Capital*	—	—	—	—	—	—	1.4	1.4
United States	7.4	7.3	10.5	10.5	4.6	2.6	22.0	22.0
Private Capital	7.4	7.3	10.5	10.5	4.6	2.6	7.6	7.6
Official Capital†	—	—	—	—	—	—	14.4	14.4
Others	15.4	14.0	33.4	33.2	27.4	27.1	14.8	14.8
Private Capital	3.3	1.9	1.3	1.1	2.1	1.8	3.4	3.4
Official Capital‡	12.1	12.1	32.1	32.1	25.3	25.3	11.5	11.5
Total	43.3	37.0	59.0	50.0	52.1	27.7	52.9	38.1
Private Capital	31.2	24.9	26.9	17.9	26.8	2.4	25.6	10.8
Official Capital	12.1	12.1	32.1	32.1	25.3	25.3	27.3	27.3

* Represents drawings on the U.K. — India loan for oil pipeline project.

† Covers utilization of loans from Exim bank and D.L.F.

‡ Represents IBRD capital and utilisation of Japanese Yen credit.

INFLOW BY FIELD OF INVESTMENT

Industry Group	(Rs. crores)							
	1956		1957		1958		1959	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Petroleum	12.5	12.5	17.6	17.5	6.2	-15.7	15.2	2.3
Manufacturing	18.1	15.8	38.8	36.3	35.9	34.6	33.0	32.1
Others	12.7	8.7	2.6	3.9	10.0	8.8	4.7	3.7
TOTAL	43.3	37.0	59.0	50.0	52.1	27.7	52.9	38.1

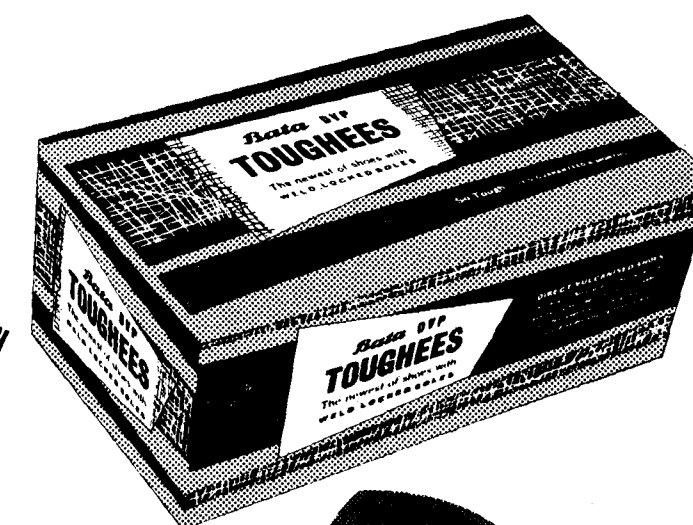
PROFITS OF FOREIGN CONTROLLED COMPANIES*

	(Rs. crores)											
	1956			1957			1958			1959		
	Earned	Distri- buted	Re- tained	Earned	Distri- buted	Re- tained	Earn- ed	Distri- buted	Re- tained	Earned	Distri- buted	Re- tained
Petroleum	16.6	6.9	9.7	12.5	7.1	5.4	11.0	5.4	5.6	10.6	4.5	6.1
Manufacturing	12.4	6.8	5.6	10.7	6.9	3.8	12.9	7.8	5.1	16.1	9.0	7.1
Plantations	10.7	9.0	1.7	5.3	6.8	-1.5	4.9	6.3	-1.4	5.7	4.8	0.9
Others	7.0	4.5	2.5	6.6	4.8	1.8	6.4	5.9	0.5	6.0	5.0	1.0
TOTAL	46.7	27.2	19.5	35.1	25.6	9.5	35.2	25.4	9.8	38.4	23.3	15.1

* Figures refer to proportionate profits of non-residents.

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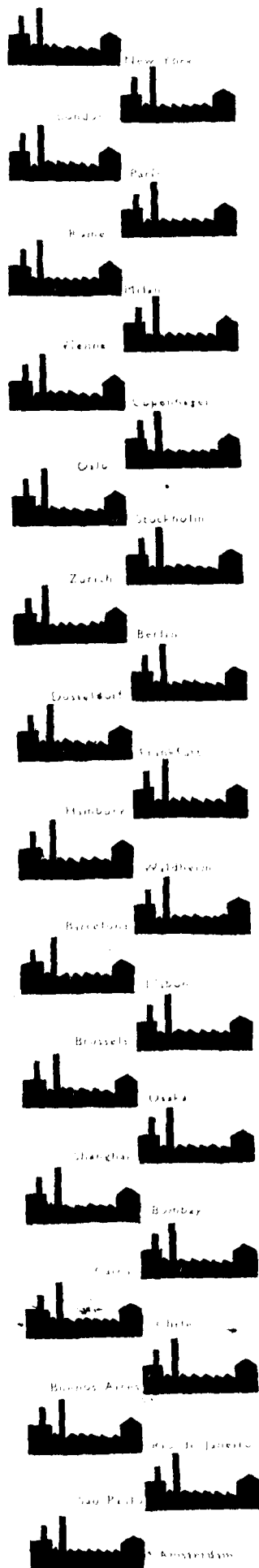
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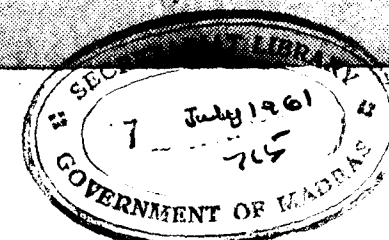
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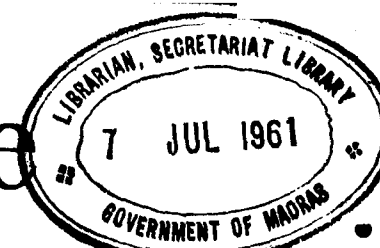


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The Eastern Economist

JUNE 30, 1961.



Banking in the Third Plan

"TREND AND PROGRESS" this year is in the commanding position to survey the developments in banking during the Second Five-Year Plan and to take a pre-view of its expansion in the Third. It gives an award of meritorious performance to the nation's banking system on an evaluation of the services rendered in the Second Plan. A promise of a similar responsive performance is forecast for the current Plan.

It makes the estimate that, an investment target, which is 50 per cent higher in the Third Plan than in the Second, would throw upon the banking system the heavy burden of handling double the volume of business. It is quite apparent that the diversification of different types of services the banks have now undertaken and the accent they have placed on providing half of their total credit for industrial finance will be continued and intensified in the current Plan. Their resources from deposits will, of course, rise substantially, but whether the rise will be commensurate with the requirements of the market demand, it is difficult to be confident. The recurrence of stringency can hardly be eliminated. Deficit financing is to be restricted to Rs. 500 crores and the balance of payments gap may be accentuated at intervals. These two factors, among others, may react adversely on the growth of deposits. The fundamental objective ought to be to minimise the frequency and impact of stringency.

A policy for banking in the context of the Third Plan can be of practical value to the extent that it is given a functional orientation. It would be an improper assessment of *Trend and Progress* to characterise its attempt to focus attention on the liquidity factor as a lopsided preoccupation. But it would be hard to escape the impression that the prominence and elaborate treatment given to it in this document disclose some lack of perspective about the relative priorities needed in the current quinquennium. The immediate task of the banking system has been defined by it as further strengthening of its financial position to which no exception can be taken. But the reasoning which subsequently follows may not necessarily be accepted as a correct analysis of this problem: "Such a strengthening can be brought about in two ways, both no doubt integrally connected, one with a fairly long term influence and the other a nearer impact. The first relates to the build-up of sizeable capital funds while the second concerns the size of liquid assets."

The ratio of the capital funds (paid-up capital as well as reserves) to deposits deteriorated between 1956 and 1960 from 7 per cent to 4 per cent, whereas during the first decade of planning it fell from 9 per cent to 4 per cent. This is largely attributable to the phenomenal rate of expansion in bank deposits and it is generally in keeping with the global experience of the effect of post-war inflationary finance. A build-up of the capital funds raises the complex problem of larger reten-

tion of profits for reserves and smaller dividend distribution, which would make investment in bank shares unattractive in the face of other competitive issues of equity capital of which there is no dearth. Improvement in the capital funds is essentially a long-term and gradual process and it is significant that *Trend and Progress* has refrained from indicating what should be the fair capital-deposits ratio.

Expansion of liquid assets has been stressed as a short-term function, which it is not, if the progressive pressure of demand for bank credit and the recent decline in the rate of the growth of deposits are taken into proper account. Cash balances play a minor role in liquid assets, while non-cash liquid assets, comprising chiefly investment in government securities, constitute their dominant component. The experience of the banking system in 1960 graphically illustrates the influence of factors outside its control in reducing the size of non-cash liquid assets. Investments declined in 1960 by Rs. 157 crores and even if allowance is made for the fact that this order of decline has been accentuated by the change in the procedure regarding PL 480 counterpart fund deposits—between July and December last year there was a transfer of Rs. 72 crores to the Reserve Bank by means of sales of government securities in which these deposits were invested by the State Bank of India—the decline stands in sharp contrast with the increase in investments in 1959 and 1958, which, however, was inflated by the PL 480 funds. It ought to be remembered that banks reduced their investments last year to compensate for the slow expansion of deposits.

But more significant than that, there was an artificial contraction of deposits which could, otherwise, be utilised by banks at their discretion. The impounding of additional deposits was fixed at the ostensible rate of 25 per cent from March 11 and 50 per cent from May 6. These rates were enforced against each bank individually with the result that, taking the decline in the deposits of some banks and the increase in the larger ones in the same stride, the overall impounding was much higher. *Trend and Progress* makes the startling revelation that between March 11 and November 11 (when the additional reserves were reduced to 25 per cent from 50 per cent) immobilisation of the additional deposits of the system as a whole was of the high magnitude of 90 per cent. Here is a case where the effect of even the modest growth of deposits was nullified to the extent of 90 per cent for purposes of lending and a marginal volume of 10 per cent of the increased deposits was kept at the disposal of the banks. Quantitative restrictions on bank credit produced a far deeper impact than they superficially disclose. It would be well to learn this moral from their very first application last year.

Even in the short-term of the Third Plan period, improvement in liquid assets seems extremely difficult to achieve, if banks are to perform their

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function of providing adequate credit. The frontal attack must be launched on broadening the base of deposits. That is the realistic way of fortifying the financial strength of the banks. It admits of no alternative. In the Second Plan a substantial proportion of the additional deposits was attracted from places with a population below 50,000 and the process of tapping this source can be intensi-

fied further. As many as 1,400 townships—newly sprung up—are not served by banks. To make the drive for deposits successful, it is essential to launch the scheme of deposit insurance as early as feasible. It has the additional advantage that it will impose, by virtue of its inherent technique, a minimum discipline in the matter of the utilisation of deposits.

Laos: The Limited Accord

AT long last some progress has been made towards resolving the Laos crisis. The three Laotian Princes — Prince Souvanna Phouma, Prince Boun Oum and Prince Souphanouvong, representing the three factions in the country — announced at Zurich on Friday last that accord had been reached between them on setting up a provisional coalition government, unification of their armed forces and building up of a neutral Laos, free of the protective umbrellas of both the Western and the Eastern blocs. Consequent upon this agreement, the right-wing Premier Prince Boun Oum has revoked his earlier decision to boycott the Geneva Conference; his delegation has taken its seat at the Conference table. The Zurich agreement should evoke some optimism that peace would return to war-torn Laos at an early date, but how early it is hazardous to guess.

None of the practical issues of the Laotian situation have, however, been resolved by the Zurich accord. The vexed questions who should head the coalition government and on what principles the armed forces of the country are to be integrated into a national army remain to be solved. Again, though 15 days' time-limit has been set for resumption of talks on the formation of the provisional government, no deadline has been fixed for the agreement to be concluded. The person to head the coalition government is supposed to be nominated by King Souvang Vathanna. But he has to make his choice after consultations with the three factions in the country. A good deal of speculation is going on as to who would head the coalition government, but the chances are that the choice will rest on Prince Souvanna Phouma, who is considered to be the only personality at this moment round whom the various factions would rally.

The formation of the coalition government will, of course, not solve all the problems of Laos. It may usher in a temporary peace during which the cease-fire can be made effective and a single delegation to the Geneva Conference selected. The testing time will come when the unification of the armed forces is attempted. It is not for the first time that an agreement, in principle, has been reached on integration of the various warring forces in Laos into a national army. But all earlier attempts have failed due to the intransigence of the Pathet Lao. Under the conditions obtaining in Laos today, the Pathet Lao may not

stand in the way of the unification of the armed forces under one banner, since after the recent hostilities it has had the upper hand and it now controls 60 per cent of the Laotian territory, included in which are some of the most strategic areas. But will the right-wing forces be prepared to allow the Pathet Lao to wield a dominant position in the national army? This is a big question mark which will decide the fate of restoration of lasting peace in Laos. Then again there is the issue which faction should hold the defence portfolio; Captain Kong Lea of the leftist forces and General Phoumi Nosavan of the right wing are both aspirants of this key post.

While there may be a reasonable chance of the situation in Laos stabilising to some extent in the near future, the ultimate solution of the Laos problem depends upon the success of the Geneva Conference and the measures to be taken by the Soviet Union and China on the one hand and the U.S.A. and her western allies on the other to keep Laos out of the two power blocs as a neutral nation on the pattern of Austria. On this, protracted negotiations have been held since May 16, but without much success.

Though the two power blocs agree on the fundamental principle that Laos should be a neutral country on the periphery of the Communist world in South-East Asia, there are wide differences of opinion between them on how to guarantee this neutrality. The Chinese chief delegate's speech at Geneva early this week has dampened the prospects of an early accord on this crucial point. He has called for whittling down of the powers of the International Control Commission stationed in Laos to supervise the cease-fire. The I.C.C. has a vital function to perform in Laos today and its continuation with increased powers is an imperative which cannot be easily overlooked, especially in view of the subversive activities from across the northern frontier of the country. To prove its genuineness in arriving at an amicable settlement of the problem, the Communist bloc will do well in agreeing to enlarging of the I.C.C.'s powers to make it really effective in the performance of the task assigned to it. Lack of proper supervision in the initial stages can make Laos an easy prey for the leftist forces, which despite declaration of truce as long back as May 3, have not refrained from continuing the fight.

Capital Accumulation and Economic Growth

AN analytical study of the trends in economic development in both the industrialised and the developing countries during the 'fifties has just been released by the Economic and Social Council of the United Nations. Attention has mainly been focussed on the role played by capital formation in accelerating the process of economic development. It has been demonstrat-

ed on the basis of statistics collected for the period 1950-59 that despite a few exceptional cases, there is a close correlation between the rate of economic development and the rate of capital formation. The rate of economic growth has been noted to be high in the case of countries where the percentage of output allocated to investment has been relatively large.

The average rate of growth in developing countries has been more than 5 per cent per annum although Israel and Jamaica have demonstrated rates of rise of more than 10 per cent per annum. In the list of 32 developing countries, the Indian Union occupies a very low position because of its slow rate of growth in gross domestic product during the 'fifties. It may come as a surprise to some people in this country that Burma had a rate of rise in domestic product double of that witnessed in India. Whereas in the case of the Indian Union, the rate of growth in domestic gross product was only 3 per cent, Burma showed a rise of 6 per cent per annum. Also, the rate of capital accumulation in Burma was more than double of that in India. The average rate of gross capital formation as a percentage of gross domestic product in all the 32 countries was 16.4 with no less than four cases having a rate of more than 25 per cent, while India was at the bottom of the list with 8 per cent.

The pattern of saving, particularly the relative shares of foreign and domestic savings, in a developing economy is a pertinent factor for its rapid growth. Great reliance is usually placed on foreign savings. In the case of Israel, Jamaica, Cyprus, China (Taiwan), Greece, Korea (Republic), Panama and Chile, it is the inflow of capital from abroad which has been instrumental in accelerating capital formation, but in the case of the Indian Union the story is entirely different. Seven parts out of eight in the case of India have been ploughed back from within the economy

during the 'fifties, and only one-eighth of the total saving has come from abroad.

The Domestic saving is again dependent upon both private and governmental resources. Private saving in most of these countries has been more important than government saving for determining the level of total net domestic saving. Where there is a great tendency for total saving to rise, both public and private sectors have responded equally. In the case of the Indian Union, governmental saving is estimated to be nearly one-fourth of private saving.

According to Professor W. W. Rostow, an economy is supposed to have attained the stage of take-off, if the rate of productive investment is 10 per cent and the economy possesses one or more substantial manufacturing sectors with a high rate of growth. The existence of a political, social and industrial framework with capacity for exploiting the impulses to expansion is also essential. It is usually taken for granted that the Indian Union possesses a substantial manufacturing sector with an encouraging rate of growth and also conditions exist, both political and social, for taking advantage of the impulses of expansion. It is only the rate of productive investment which is supposed to be lagging. If the estimate made by the National Council of Applied Economic Research holds good, namely, that the Indian economy attained a rate of saving of 10 per cent in the first two years of the Second Plan, then the Indian economy may have already attained the take-off. But this is problematical.

Domestic Air Fares

THE announcement made by Dr. P. Subbarayan, Minister for Transport and Communications, last week about the increase in the fares on certain routes of the Indian Airlines Corporation is to be welcomed for its realism. Fares on the Vickers Viscounts, which operate on the trunk routes, are to be put up by 10 per cent and those on the Dakotas, plying the feeder services, are to be raised by 5 per cent from October. So far no decision has been taken on the alteration in the fares on the Fokker Friendships and on the Skymasters operating the night air mail service. There is a case for charging a moderate increase on the night air mail service, but perhaps the status quo will be maintained in respect of the five Fokker Friendships which operate short distance service in the less developed Assam and the eastern region.

Much of the criticism against the revision of the fares appears to be uninformed. Normally, there is an attitude of sentimental opposition to increases in the rates charged by public utility services run by the State and it is overlooked that they ought to be operated on a commercial scale earning a modest revenue for the exchequer. A very significant fact about the financial working of the Indian Airlines Corporation that is completely overlooked by the critics of the increase in fares is that the tax-payer has had to bear until the year 1959-60 the burden of subsidy. It was only in the year 1959-60 that under the influence of a dynamism in management a new chapter was opened by the IAC in its financial history, putting the prolonged phase of heavy losses behind.

The last annual report of the IAC makes a pointed reference to the certainty of a substan-

tial increase in the salary and wage bill. Perhaps, this important fact was uppermost in the mind of Dr. Subbarayan when he attributed the rise in fares to this factor. This clarification could at best be taken as illustrative, but the influence of other important factors cannot be overlooked. It would be a serious mistake to attempt to disprove the justification for the increase by arguing that the expanding volume of passenger, cargo and mail traffic, which is evidenced by the half-yearly reports, can be relied upon to absorb the higher cost of staff.

There are other cogent reasons which leave no alternative but to increase the fares. The IAC has reached a saturation point in its services on the trunk routes and it has become a matter of annoying experience that ten days' advance booking has become the normal limit. The demand for air travel is generally created by the urgency of business and it is of the essence of an airline's service that it should be capable of providing bookings at short notice. Uncertainty over a continuous period of time will earn for the airlines a bad reputation for unreliability and if only because of this sad consequence lucrative custom will be lost to the railways. The foreign tourist is indifferently treated and there are indications that part of the foreign tourist traffic may be lost. The IAC is in urgent need of an addition of Vicker Viscounts and sooner rather than later a decision will have to be made on the replacement of the Dakota fleet. Besides, operating costs are going up. If resources are not provided for this programme of expansion and rationalisation, the initiative shown by IAC's management in exploiting the sales potential and the tempo it has created for this drive will be lost. The choice lies between progressive profitability and a relapse into the era of subsidies.

THE WEEK'S NOTES

Kuwait

THE IRAQI CLAIM

GENERAL KASSEM has acted rashly in putting a claim to Kuwait as an integral part of Iraq. In his haste he obviously did not pause to ponder over the serious risk of miscalculation. An out-dated Turkish map showing Kuwait as a part of the Basra Province is certainly a rotten thread on which to hang this adventurous claim. It is too apparent that not this piece of evidence buried in history but the tempting oil wealth of Kuwait is the real force which has motivated General Kassem's action.

The treaty of June 19 last, whereby the full status of sovereignty of Kuwait was recognised by Britain and the agreement of 1899 was terminated, brings about a radical change in the international status of Kuwait. If the last week's agreement between Britain and Kuwait retains the responsibility of Britain for the protection of Kuwait from external aggression or internal subversion, that is a pact of a military nature which has been voluntarily entered into and it cannot be regarded as subtracting from the sovereignty of this State. Saudi Arabia and Jordan have lost no time in making declarations of full support to Kuwait and the United Arab Republic has also recognised the sovereign status of Kuwait and opposed General Kassem's claim. It is true that Kuwait's economy depends on the uninterrupted supply of food and fodder as well as a large number of workers from Iraq. But to that extent Iraq also depends upon Kuwait for the market for her surplus goods and employment of her nationals. General Kassem can hardly strike at this soft point without the possibility of injuring the interest of his country's economy.

A state of emergency has been declared in Kuwait; but in view of the prompt and staunch support announced by Kuwait's neighbours, it is unlikely that aggression will occur in the immediate future. Kuwait has presented her application for membership of the Arab League and, when it comes up for consideration, a first rate controversy will be provoked. At the present moment the indications are that General Kassem's precipitate action has created a crisis which holds a threat of a fresh crack in the Arab League.

Orissa

A NEW CHAPTER BEGINS

THE PRESIDENT'S rule imposed on Orissa on February 21 last was brought to a close after a period of nearly four months, when, on June 23, the new Cabinet of seven Ministers, headed by Mr. Bijoyanand Patnaik, was sworn in. Prior to this interlude, Orissa was under the regime of the Congress-Ganatantra Parishad Coalition which had a tenure of 21 months—certainly a long one for partners with substantial differences of outlook. It is a pointer to a period of stagnation in administration and economic reform, on which the coalition, by virtue of the orthodox social and economic philosophy of the Ganatantra Parishad, could not initiate any forward-looking policies.

As Orissa returns to Congress rule after 25 months, it looks with a new hope of dynamism being infused in the life of the State. The new Cabinet with young blood gives promise of making an earnest effort to fulfill this hope. It is being put on a hard trial. One has to look, however, at some of the pronouncements made by Mr. Bijoyanand Patnaik about the projected programmes of policy and reform. In parts, they are undoubtedly well conceived, while in respect of others, it is difficult to be sure that they are so. Mr. Patnaik's idea of the type of industrial orientation that should be given to this backward State lacks realism and it ignores the fact that it should extend beyond agriculture. He has in view a project with an outlay of Rs. 30 crores

for the establishment of a network of more than 300 medium-sized factories in the Panchayat samiti jurisdictions under the ownership of the local bodies for the manufacture of agricultural implements. The entire scheme is jejune. Efficient management by the local bodies and readiness of the landlords or tenants to switch over to mechanised equipment, though simple in construction, seem to have been presumed — wishfully.

But the new Government's agrarian policy is certainly well-conceived and it would meet a long overdue reform to which the Congress Party stands firmly committed. The Orissa Tenants' Relief Act expires on June 30 and it is to be given an extended lease by the promulgation of an ordinance with the intention of putting it permanently on the Statute Book. One of the reforms that will be incorporated in it is to bring within the application of the Act the 200,000 acres of land owned by the privileged class of the former princes. This reform, however, is bound to meet with tough resistance from the princes and big landlords and it is here that the Patnaik Ministry will be put to a severe test. Orissa has considerable potential mineral and forest wealth and the Ministry could profitably examine the possibility of giving priority to the exploitation of these natural resources which can yield quick results.

Angola

MASS MURDER AND MUTILATION

DR. SALAZAR'S armed forces are literally indulging in murder and mutilation on a mass scale in Angola. His renewal of the reign of terror with redoubled determination is only an indication that, so long as he holds power in Portugal, he will not allow the colonial grip on Angola to be relaxed. Two weeks have passed since the UN resolution called upon Portugal to stop the campaign of suppression and Dr. Salazar has retorted with vengeance. The Five-Power Committee appointed by the UN will have little chance of entering Angola. The number of persons killed and mutilated, though not possible to estimate, is running into several hundreds. The information gathered by the Baptist Missionary Society and some further light thrown by the World Council of Churches corroborate the fact of killings and maimings on a substantial scale.

The NATO powers are now painfully realising that pose for which they were never intended to be used and which cannot be defended. Norway alone among the NATO allies has shown the forthright attitude in refusing sale of ammunition to the Portuguese Government. The British attitude, by contrast, is amazing. The British Press is increasingly realising the awkward position in which Britain is landed by her Government's obsession with the legalistic position. To supply the two warships to Portugal at this juncture is certainly a very queer way of viewing contractual obligations in a situation like this. A typical reaction to the attitude taken by the British Government at the Security Council is illustrated by the "Manchester Guardian's" agonising observation that, "Bri ain's acquiescence in what amounts to genocide by her ally is becoming a national disgrace." In the absence of the threat of direct intervention, which is obviously to be ruled out, positive measures can be adopted to bring pressure on Dr. Salazar's regime. The first step in this direction would be for the NATO powers to decline to supply armaments to Portugal. Such a course would be justified on the simple reason that armaments are likely to be abused in Angola. The Five-Power Committee's inability to proceed to Angola will necessitate another meeting of the Security Council at which abstentions from voting must be eliminated and further pressure exerted on Portugal before thought is given to the extreme remedy of application of sanctions.

The World Abroad

PARADOXES OF INDIA'S PLANNING

By

ODYSSEUS

IN VIEW of India's need for foreign aid if her five-Year Plans are to succeed, I suggest that New Delhi should reply to the criticisms of its planning in "Indian Economic Policy & Development" (Allen & Unwin, London, 1961, Price 16sh.) by Professor P.T. Bauer of London University.

The Second Five-Year Plan, according to the Professor, is a series of glaring paradoxes. There is the massive expenditure on heavy industry, when the economic demands for its products is problematic. There is the neglect of education when the needs are evident and pressing. There is the comparatively small expenditure on agriculture, and also the restrictions on the movements of agricultural products, in the face of the manifest, urgent, and, indeed, desperate need to increase agricultural productivity, and to widen production for the market. There are the severe restrictions, or complete prohibitions, on the supply of certain categories of both imported and even locally produced consumer goods, in the face of the urgent need both to raise living standards and to provide incentives to get agricultural production out of the villages and into the market. There are the restrictions on the extension of efficient industrial capacity and the subsidies for inefficient cottage industry and co-operative production and distribution, in the face of the manifest need to economise resources and satisfy wants at low costs; and in the face also of official statements on the importance of industrial progress and the raising of living standards. There is the exclusion of both private Indian and foreign enterprise and investment from a wide range of industrial and commercial activity, in the face of the urgent need to encourage advance on as many economic fronts as possible. There is the neglect of roads, the official restrictions on setting up road transport enterprises and on the movement of agricultural products, in the face of the urgent need to widen markets and to facilitate, indeed positively to speed up, the movement of men, ideas, goods, and services. There are the severe restrictions on setting up all enterprises, in the face of the need to widen opportunities against the background of India's social structure, in which so many anti-economic elements persist. And all these measures and policies not only adversely affect the standard of living but also restrict the potential demand for the output of the extensive, and expensive, capacity created by the plans for heavy industry.

How, asks the Professor, explain these paradoxes? Is it merely that the planning is inefficient? Or is it that the primary aim of the Plan is not economic improvement but the total suppression of private enterprise and the creation of a wholly officially controlled economy?

When economic development is advocated, the normal implication is that the planners want to raise living standards and to increase the flow of goods and services desired by the people, and not simply to increase the output of particular kinds of physical commodities—such as steel plants—regardless of their contribution to the satisfaction of the people's wants.

But Professor Bauer contends that major elements of India's planning are inconsistent with the objective of improving the living standards of the masses. The unplanned inflation of the Second Plan was the opposite of effective planning. It is not efficient to plan for more than you can achieve. Economic development is not promoted by a bold plan which can't be fulfilled, the failure of which leads to crude stop-gap measures,

which impose hardship and frustrate constructive enterprises.

BIGGER AND BOLDER PLANS

Professor Bauer says that it is characteristic that unsuccessful planners call for bigger and bolder plans and for wider and more extensive powers. Both the lack of success in planning, and also the actual and continued poverty of India, are used as evidence of the allegedly insufficiently ambitious planning, and as arguments for bolder, bigger, more ruthless plans. "There need be no limit to this process, since success or failure of planning, and economic advance or stagnation, can all be adduced as arguments for more ambitious planning."

It is often argued in India, as in other developing countries, that large-scale, and indeed over-ambitious, plans are needed to rouse the enthusiasm of the masses. But to kindle hopes which are certain to be disappointed is, in the not so long run, likely to strengthen popular mistrust of the government and its policies, even if the government subsequently does adopt more constructive measures. Popular confidence in the government is likely to be destroyed by restrictions on the movement of people and goods, the sudden and unexpected introduction of extensive and close controls, the imposition of heavy taxation, and recurrent bouts of inflation. All this increases the difficulty of introducing effective and appropriate policies.

Professor Bauer argues that the individual exertions of India's illiterate masses are not likely to be influenced by the proclamation of grandiose plans. The Community Development Programme, the part of the plans most directly involving the masses, has, the Professor asserts, met with practically no effective response. Direct incentives, wider opportunities for making, selling, and buying, improved knowledge and skills and greater freedom of movement—these are the inducements which influence and enable people to share in and to promote economic advance to multiply wealth. But Indian planning does the exact opposite by its restrictive measures, its relative disregard of agriculture, and transport in rural areas, and of the social and economic disabilities of very large groups, and by its massive concentration of resources in heavy industry.

Professor Bauer suggests that a striking, and symptomatic, defect of Indian planning is that it neglects the presence, and implications, of the large backward subsistence sector, and of the need to expand the exchange economy as an instrument, and a condition, of economic development. This neglect leads the planners (a) to concentrate on activities which do not promote economic development and (b) to fail to organise social and educational advance.

Indian planning is also hampered by an uncritical belief in (a) the special efficiency of investment expenditure as an instrument of economic growth and (b) the special economic merit of manufacturing industry, or of particular types, such as heavy industry at one extreme and cottage industry at the other. It fails to recognise the transfer of resources, that is, the cost, involved.

FRENCH PLANNING CONTRAST

The persistence of patently inappropriate policies in Indian planning suggests that its aim is not so much economic advance as the achievement of economic self-sufficiency and the extension of the government's economic power.

Some, as in France, advocate economic planning in order to make the best use of resources for economic growth. While the government naturally exercises complete control over the plans of France's nationalised industries, the plans of the private sector are the result of joint voluntary consultative Working Groups in each industry. The real secret of the success of French planning has been that it relies on the team spirit aroused in these unpaid voluntary groups, which created co-operation with the government, goodwill, emulation, and, above all, made it seem natural to all French industrialists that stagnation is abnormal, growth normal.

But, in other countries, some advocate economic planning for the power over society which it gives, and Professor Bauer observes that the paradoxes of India's planning are largely explained by the fact that its overriding aim is the establishment of Socialism. This does not wholly explain the paradoxes, because some of the cruder notions behind planning are not necessarily corollaries of Socialism (e.g. neglect of roads and education). Nevertheless, Indian economic policy promotes a highly centralised, closely controlled economy. Nor is this surprising, since the official "Draft Plan Frame" laid down the Plan's first two objectives as "to attain a rapid growth of the national economy by increasing the scope and importance of the public sector and in this way to advance to a Socialist pattern of society; and to develop basic heavy industries for the manufacture of producer goods to strengthen the foundations of economic independence."

What have these objectives to do with raising the living standards of the masses? They attach no value to consumers' choices or to individual liberty, and the

type of Socialism aimed at seems, to the foreign observer, that of the monolithic Communist state.

This impression is strengthened by the circulation in India of a memorandum intended to assist the formulation of the Second Plan, in which one of India's most influential economists said: "...What I do suggest is the need for a thorough review of the Constitution with a view to seeing that it facilitates rather than hinders recourse to planned economy and a Socialist pattern of society."

It is noteworthy that Professor Bauer's criticisms coincide with many of those offered by Sir Theodore Gregory in his authoritative and careful study, "India on the Eve of the Third Five-Year Plan" (Associated Chambers of Commerce. Price Rs. 5).

It is often argued that if the West will not aid India, she will be absorbed into the Soviet sphere, and the balance of power tilted against freedom. But this argument may henceforth cease to cause so much alarm if it becomes clear that India's goal is a People's Democracy. If India is to be lost to the free world in any case, the West may be led to ask itself why its hard-earned savings should be used to promote a rush job.

This is the final article in a set of three outlining Professor Bauer's criticisms of planning in India. I have reported them because his viewpoint on the problems of growth is representative of ideas increasingly held among Western economists. The real trouble with India's planning, and indeed with much planning elsewhere, is that it is largely based on outworn theories of saving and investment which date from the inter-war years of depression. In future articles I hope to outline some of the latest thought on the subject.

The European Scene

A GERMAN PRESIDENT IN PARIS

From Our Special West European Correspondent

PARIS, June 24.

PRESIDENT Luebke went back from Paris this week with a better recollection of his State visit than his predecessor in the West German presidency, Professor Heuss, took back from London. Without being so hypocritical as to give M. Luebke the enthusiastic welcome that they lately gave President Kennedy and the Belgian king, the Parisians managed to convey the extent of their attachment to the Franco-German reconciliation. It is quite definitely the notion of reconciliation that they are attached, and not to the German people itself. That is to say, there is no warmth of feeling between the two nations and every demonstration of amity is accompanied by the embarrassed sentiment that it is a case of "in spite of", a fellowship dictated by the impossibility of any other course. This only means that it is a **marriage de raison**, and every Indian knows that an arranged marriage can prove as solid a union as a love-match. The time for sentiment will come later, when the generation born in 1940 comes to power, when the mood of a Germany without Adenauer is known and when there are no more Eichmanns to catch and try.

Incredible as it may seem, France has never before received the visit of the head of the state whose neighbour she has been for a thousand years, except for the wartime tour of Hitler. Even in the era of Briand and Stresemann, when it was optimistically believed that the "brawl on the Rhine" was finished, it would have been impossible to invite a German president to Paris. The archivists of the foreign affairs ministry in Bonn have diligently searched back for the only approximate precedent: the visit of Sigismund, emperor of the Holy Empire, to Charles VI in 1415. (The German emperor sought to mediate between France and England, to prevent a resumption of the Hundred Years War). Kings of Prussia and petty German princelings came often enough to Paris, but once the Germans were united, friendship across the Rhine was excluded.

President Luebke's visit, then, marks an epoch but does it really disprove the rule? — for the Germans today, precisely, are not united and the chief magistrate of Bonn still comes as the representative of only a part of the German nation as it would be in the event of a peace treaty. In his person, France welcomed only a crippled and truncated Germany, deprived of its capital, Berlin, and of all the land east of the Elbe, not to mention all the Germanic peoples of Central Europe that it was once a German ambition to unite. Before seeing in this circumstance the reason for French willingness to co-operate with Germans, one should recall that the reconciliation was a French initiative and it came soon after the war when it was not realised that Russia would seek to maintain the division of Germany indefinitely. In extending the hand of peace across the Rhine, the governments of the Fourth Republic imagined that it was with all the Germans that France would have to co-operate, those of the eastern as well as the western zones; and the offer contained no reservation about acceptance of the Oder-Neisse line, a condition that has been made explicit only lately. Moreover,

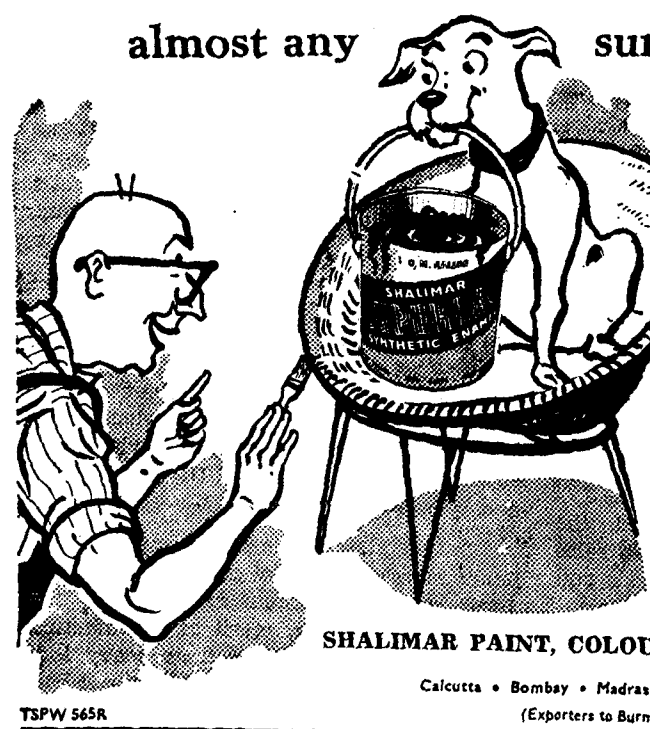
France contributed to the rebuilding of Germany by ceding the Saar freely, at a time when the economic recovery of West Germany had proceeded far enough to show that she would not be dealing with an invalid Weimar Republic. Finally, she has consistently opposed, with more verbal vigour than some others, the severance of the links between Berlin and the Federal Republic. All these decisions, it might be noted, were taken by the precarious cabinets of the Fourth Republic, more exposed to the public mood than the present regime.

So if it is with a truncated Germany that France is now united, this is not by design, any more than the West Germans foresaw that the France with whom they accepted to co-operate would soon be deprived of the empire that gave her much of her international status a decade ago. The reconciliation was not the result of a calculation by each side that the other was henceforth too small to be dangerous but rather (which is something quite different) of the realisation that their ancient quarrel was henceforth a small affair that it would be dangerous to perpetuate in a world where much bigger issues were at stake. It is true that their harmony has been facilitated by the amputations they have suffered. A France cured of her colonial distraction and a Germany exorcised of her hope of expansion in the east and obliged even to adjourn her reunification indefinitely can co-operate more easily than the imperialist nation-states that parted company in the 19th century. This is not because their territorial contraction has been accompanied by a contraction of their ambitions, but because their ambitions for once coincide: the construction of a vast economic unit on what land remains to them.

No one who knows how the young people of West Germany and France think today could accuse them of lack of ambition, unless one persists in conceiving national ambition in outdated terms. Their elders often do just that. Leaders of the refugee parties and the irredentists find young Germans callously indifferent to the fate of the "lost lands" and insufficiently enthusiastic about the prospect of reunification. The settlers, part of the army and the colonial party find young Frenchmen criminally indifferent to the break-up of the empire, and especially to the loss of Algeria. Their minds are elsewhere, where they see the widest horizons. It is not callousness but realism to build one's plans on the certainty that France's imperial possessions are lost as irrevocably as Germany's eastern lands, and — however painful it may be — to extend this to cover even Algeria, even East Germany. Illusions on these two points are slow to die, for it is not imperialism or colonialism that made France want to keep Algeria within her sovereignty after liberating the rest of her empire, and it is scarcely irredentism that makes Germans desire the restoration of East Germany to the republic.

Yet, however respectable the motives behind them (and at the risk of shocking many readers, I should say that French loyalty to the French community in North Africa has been as honourable as German care

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for the victims of the East German dictatorship), these illusions must now be sacrificed. It is clear that, despite the efforts of President de Gaulle to smooth the transition, the liberation of Algeria will eventually be complete and will entail the expulsion of a community that has had Algeria for its home for well over a century, and the gradual loss (gradual on the most optimistic hypothesis) of French interests in North Africa. It is equally clear that East Germany will never be reintegrated into the German community as we know it. To win back the East Germans, otherwise than by the refugee movement that is bringing thousands of them each week to the west, the mass of the German nation would have to surrender not only its connection with the western world and its present economic system, but its independence too; in other words, East Germany will be absorbed into Germany only if Germany consents to be absorbed into the Communist bloc.

President de Gaulle was not simply putting a brave face on these disasters when he welcomed President Luebke this week by saying that "the time has now come when France and Germany have many great things to do together". For, on the restricted space that is left them, and in concert with their nearest neighbours, they have the opportunity to build "a new America" — and one in which European culture will not suffer the sea-change that affected it in its translocation to America. This enterprise is already well begun, and it is virtually condemned to succeed. When it is said that the Franco-German reconciliation, symbolised by

President Luebke's visit, is the foundation of Continental unity, this is true but not if it implies that the venture depends on the fraternity of those two nations. On the contrary, it is the imperious need to proceed with the venture that condemns them to fraternal relations.

Not even in the diplomatic rhetoric of State occasions is it pretended that Frenchmen and Germans have fallen on each other's necks in forgiveness and vowed to build a new Europe. One saw many windows in Paris this week where only the French tricolour flew, for the thought of putting up the German colours was too much for people whose memory stretches back a few years. But at least the French flag was out, for even those people knew that the new start in co-operation with yesterday's enemy was cause for rejoicing. The reasons for Continental unity lie much deeper than the emotional connections suggested by the term "reconciliation". That is why one will believe in the chances of Britain wholeheartedly joining this constructive enterprise not simply when Londoners can give a German president a warmer welcome than President Heuss received, but when the political and economic necessity of unity are recognised on the other side of the Channel. So far, we are only at the point where the commercial advantages of a sort of British link with the Common Market are being admitted. It is a long way from seeing a commercial advantage to confessing the impossibility of any alternative. That is the distance that still separates Britain's approach to the Common Market from the attitude that unites its two principal members.

NOTES FROM WEST GERMANY

THE WESTERN POWERS AND BERLIN

BERLIN figured so prominently at Vienna that it naturally became front-line news again. It was made clear that neither the United States nor Soviet Russia is prepared to make any compromise. In the meantime, Khrushchev has formulated his old proposals made new in a memorandum and in a speech over the radio, stressed his preparedness to conclude a separate peace treaty with East Germany. This memorandum furthermore demands the liquidation of the present status of Berlin as well as the ratification of the borders of Germany such as agreed between the Four Powers at the end of the war. The memorandum refuses a self decision of East Germany by free elections, under international supervision, about the partition of Germany. Soviet Russia and the Communist regime of East Germany know that free elections would be very unfavourable to them. The great majority of the East German population are no communists.

West Berlin is a symbol, the last bulwark of the free world in a communist area. Therefore, the United States as well as Great Britain and France should emphasize their responsibility to protect the present status of Berlin.

IS THE COMMON MARKET EXPANDING?

The Parliament of the Western European Union (WEU) discussed the political and economic prerequisites and consequences if Great Britain joined the Common Market (c.f. "The Eastern Economist", June 2) in a four-day meeting in London. Officially, Great Britain still declares its solidarity with EFTA (European Free Trade Area) which is not so stable as is the Common Market. The member countries are Portugal, Denmark, Norway, Sweden, Finland, Austria and Switzerland. In the meantime, the other nations too, more or less openly, discuss their relations with the Common Market. Denmark's Foreign Minister had official conferences with West Germany and was prepared to join the Common Market in case Great Britain would do the same. The Swedish Minister of Commerce, Mr. Lang, visited Bonn recently and pointed out — as did Austria — that Sweden, being a neutral country, could not join any supranational military organisation. This maxim would, however, not contradict a possible membership with the Common Market. Switzerland, on the other hand, stressed the point that it would never agree to sacrifice the independence of its agriculture to an international co-operation of this type.

The great difference between the Common Market and the EFTA is the fact that the latter does not interfere with the national competence of their member states. The Common Market countries, however, agree to free trade and a free movement of labour. The industrial production of the Common Market nations increased by 8 per cent during the first quarter of 1961 as compared with 1960. France had the highest increase.

INDIA REPRESENTED AT HANDICRAFT FAIR

The German handicraft is famous for its efficiency and the annual Handicraft Fair naturally receives great interest and consideration. Dr. Erhard himself opened it this year in Munich. India is one of the 36 nations which were represented in this Fair. A special show of "Handicraft Training for Developing Countries" was organized. At this Fair, the international congress of the "Trade and Handicraft in Developing Countries" was represented. The importance of the international congress was stressed by Dr. Von Brentano, Minister of Foreign Affairs, who emphasized the co-operation between the German handicraft and the developing countries by sending German handicraft experts abroad and by making financial contributions.

For the current fiscal year the Federal Republic has subscribed DM 4 billion for developing countries. West German development aid is not tied to any political conditions whatsoever. Dr. Von Brentano mentioned that the Communist Bloc contributed only one-fifteenth of the development aid to the Free Western World between 1954 and 1959. Moreover, he said that West Germany should open her markets for the products of the developing countries.

BETTER SELECTION OF FOREIGN TRAINEES

West Germany trains 5,000 foreigners in industry at present. The experience gained so far has proved that a more careful selection is necessary to avoid loss of money and disappointment on both sides. The German Chamber of Trade and Industry, therefore, prepared the following programme to safeguard proper selection of foreign engineers and technicians who came to study in West Germany:-

1. Within his own country, the applicant has to prove basic knowledge in mathematics, practical mechanical experience as well as good knowledge of the German language. This examination has to be passed either at one of the German training centres or at a Goethe Institute, or at a Chamber of Commerce in the respective country.

2. Every engineer or architect has to undergo practical training. If a foreigner applies for a technical college or technical school he has to prove that he has successfully completed his practical training. He should furthermore be able to freely discuss a problem connected with his sphere of work and to give practical examples in this field. This lecture would be the prerequisite for admission to a technical college.

These proposals would guarantee that only those foreigners who can make the best use of the West German training facilities get admission to these training centres.

NEW TRAINING CENTRES

To meet the shortage of skilled labour in developing countries West Germany spent DM 42 million during the past four years to equip 48 training centres in 28 pilot projects with machines, tools and teachers. In general, the developing countries provide for sites and buildings. According to the principle of self help, the Federal Republic transfers the projects to the recipient countries and withdraws after a certain period of time. These centres for electrical, mechanical, auto-mechanical, woodwork training are concentrated in the Near and the Middle East. There are four schools in Afghanistan. Ceylon has received a repair shop for motor cars. The training and production centre in Okhla provides for training of 200 apprentices who will find work in small industrial estates. In Cairo, a technical school is being built up and fifty Egyptian engineers, who are presently being trained in West Germany, will later on lecture at this school. Projects for technical assistance amounting to DM 73 million will be extended to Africa and Latin America.

TWO MORE GERMAN PIPE-WORKS FOR INDIA

Following the delivery of the pipe-welding-works, Rourkela, which has now started mass-production of pipes for the Assam-Barauni Indian petrol-pipeline, the Mannesmann-Meer AG has now received two further orders from India for pipe-works. As has been stated by the Company, one of the two plants will be built in Bombay for the Zenith Steel Pipes Ltd., being part of the Birla Combine, and the other plant will be erected in Ahmedabad for the Bombay Steel-Tubes Ltd. Both plants are to produce gas and water pipes continually. The annual output will be about 25,000 tons working two-shifts.

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*Economic Report from the U.S.***WORLD TRADE IN COTTON TEXTILES AND APPAREL**

By GUY SIMS FITCH

WASHINGTON, June 20.

PROGRESS is being made in the U.S. Government's search for an international solution to the difficult problem of world trade in cotton textiles and apparel. This progress is being advanced through a meeting here this week among representatives of the United States and seven other major consuming nations to discuss ways of working out agreed levels of imports. This is to be followed by another and broader meeting to be held in Geneva under the auspices of the General Agreement on Tariffs and Trade (GATT), and to include both exporting and importing countries. Such a meeting was approved in principle last week by the GATT council, and will be convened as soon as the necessary preparatory work can be completed. It would, hopefully, arrive at some workable international agreement for world trade in cotton textiles and apparel. All this is an outgrowth of President Kennedy's proposal of last May for an international conference to deal with textile imports, with the expressed hope that arrangements could be arrived at that would avoid undue disruption of trade patterns and domestic industries. To this end, the U.S. Department of State has been discussing with other interested governments the possibility of such a conference and the issues involved.

In his May statement, the President also pointed out that the U.S. textile industry has other recourses as well, including appeal for import relief under existing U.S. legislation. Such an appeal has been made, and the U.S. Office of Civil and Defence Mobilization (OCDM) currently is studying the industry's allegations that burgeoning imports have been disrupting its normal markets and have been endangering the national security. It should be noted that one recourse has nothing directly to do with the other. Both the State Department and the OCDM have been proceeding with their own responsibilities. But the State Department hopes and believes that the matter can be worked out satisfactorily on the international level and thus provide an adequate alternative to unilateral U.S. import quotas, if OCDM should recommend such quotas to the President. The Department views textile import quotas as contrary to the continued U.S. efforts throughout the post-war period to effect a liberalization of U.S. and world trade policies. Unilateral imposition of quotas on cotton textiles, moreover, would mark the first time the United States took such a step in connection with non-primary products.

Widening rather than restricting the opportunities for trade around the world obviously benefits all nations. There is a special importance in this with regard to the United States, which has maintained a relatively large favourable trade balance on its merchandise account. This balance is basic not only to the U.S. position, but also the U.S. ability to help support the security and economic advancement of other free nations. It would be one in which consuming nations, particularly those that now severely limit purchases from other countries, would ease their restrictions on imports perhaps according to some agreed-on formula. A growth element, which would permit consuming countries to increase their imports, would have to be built into such a formula. This is based on the rising trend of world textile consumption.

It would be an agreement, too, in which producing nations, particularly those in the developing or low-income category, would accept a commitment to control their exports so as not to disrupt the industries of the consuming nations and the orderly expansion of the international textile trade. Since the agreement would be confined to cotton textiles and apparel, measures would have to be taken to prevent participants from getting around it by substituting other fibres. A mechanism would have to be found, too, for dealing with non-participants. There is no thought at this time, apparently, that the agreement would go into the question of prices. What makes the cotton textile situation particularly urgent is the fact that it is labour-intensive industry, requiring relatively little in the way of capital investment. Hence it is an industry into which nearly emerging and developing nations tend to move quickly and ambitiously. The result is a rapidly rising textile output, with its potential for disrupting normal trade patterns. The idea, then, is to allow for suitable and orderly growth in textiles production and exports, without restrictive quotas and without serious external or internal market disruptions. Any other course, it is felt, might tend to frustrate the economic progress of the developing nations and the large amounts of financial assistance tendered by the industrial nations.

ANNOUNCEMENT

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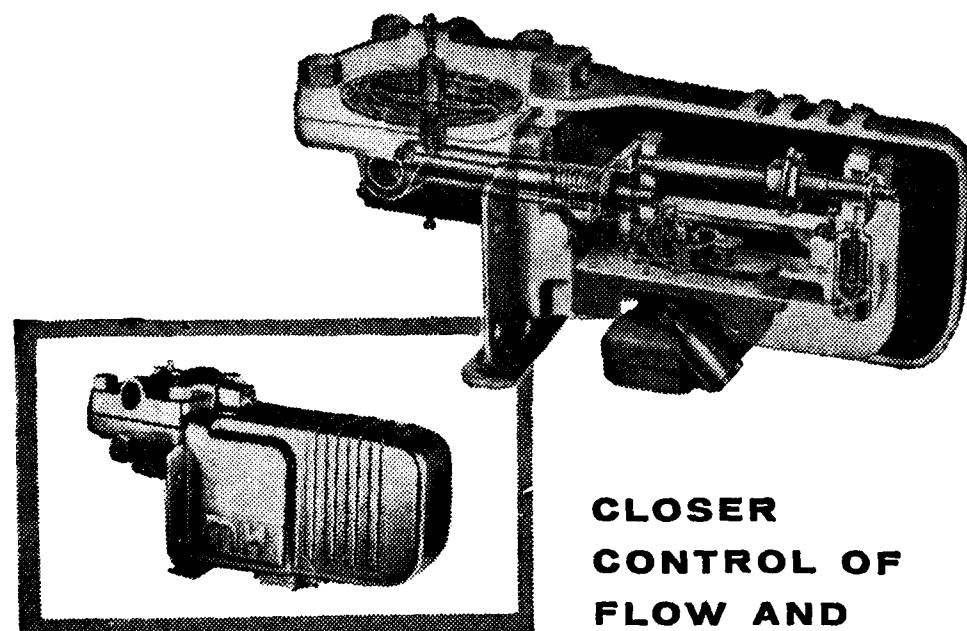
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WORLDGRAM

India

Development of Sudamdih Mine in Bihar: An agreement between the National Coal Development Corporation and the Polish firm — CEKOP — for the development of deep-shaft mine project at Sudamdih in Jharia, in Bihar, was signed recently. Under the agreement the Polish firm will prepare a project report for a colliery in Jharia consisting of two mines — a deep shaft mine and an incline — with a common surface plant. The surface equipment will include a coal washing plant besides workshop, coal bunkers etc. The planned output of raw coal from the mines is 7,500 tons per day. The under-ground mine is situated 12 miles from Dhanbad railway station and nearly 3 miles from Patherdih railway station with an area of 1.75 miles along the strike and nearly 1 mile along the dip. The area consists of 14 coal seams of varying thicknesses of 4 to 60 feet with a total reserve of nearly 250 million tons and with an ash content of 10 to 28 per cent.

Good Year Tyres Equity Shares: The recent offer of Goodyear India Limited to the public of 4,00,000 Equity Shares to raise Rs. 68,00,000 is significant from three aspects. It has produced the second largest number of shareholders of any public company in the private sector in India. Secondly no prior allotments were made to directors, friends or employees, all the shares being offered to the Indian public. Although the issue was oversubscribed by about 25 times, letters of allotment and regret with balance of refunds to unsuccessful applicants, were all posted within two months of the closing date, indicating the prompt efficiency with which the entire issue was handled. Offering Equity Shares of Rs. 10 each at a premium of Rs. 7 per share, the Company received applications totalling Rs. 17 crores against the requisite subscription of only Rs. 68 lakhs. This reflects the Indian investor's confidence in Goodyear management. 89,000 applicants were reviewed and processed, representing a total of about 10 million shares from which 49,231 applicants were allotted shares.

United States

Loan to Air-India International: The United States Government has announced approval of a loan of \$8.1 million (Rs. 4 crores) to Air-India International Corporation towards meeting part of the cost of two Boeing-707 Intercontinental Jet Aircraft. The credit has been channelled through the U.S. Export-Import Bank. A Boeing-707 jet plane can carry up to 144 passengers. It has a speed of 600 miles per hour and takes 23 hours to fly from Bombay to New York, less time than it requires an express train to travel between Bombay and New Delhi. Air India at present has four jet aircraft. The addition of two more planes will go a long way to meet Air India's goal of operating an all-jet air fleet. As the operation of piston-engined aircraft is becoming increasingly non-competitive, the Corporation is planning to retire its Super Constellation planes and replace them with jet airliners. Three of the jet aircraft in service were bought with credits extended by the World Bank and certain commercial banks in the United States. The fourth plane, which entered service in April 1961, was financed in part by a loan of \$4.1 million extended by the U.S. Export-Import Bank.

IDA Loan to India for Highway Development: The International Development Association, an affiliate of the International Bank for Reconstruction and Development, has granted a credit of Rs. 60 million to India for highway development. This is the first credit granted by IDA to India. This credit will finance half the amount which will be spent on national highways during the first 3½ years of the Third Five-Year Plan which began on April 1, 1961. The funds will be used mainly for the construction of about 660 miles of highways, including 19 major bridges, which will open up some of the less developed parts of India, improving connection between important agricultural and industrial centres and relieve traffic congestion in the vicinities of the two principal cities and ports of Calcutta and Bombay. The credit is for a term of 50 years interest-free. It is repayable in foreign exchange on amortisation to begin after a 10 year period of grace. Thus the first payment will be due on August 15, 1971. Thereafter, 1 per cent of the principal will be repayable for 10 years and 3 per cent will be repayable annually for each of the final 30 years. A service charge of ¾ per cent annually on the amounts disbursed and outstanding will be made to meet IDA's administrative costs. At present India has 3,93,000 miles of roads consisting of national highways, state, district and village roads; the 15,000 miles of national highways constitute a network of main roads connecting the centres of population. About 8 per cent of the national highways are one-lane roads built to standards that require heavy maintenance.

U.S.S.R.

Work Started on Tatevskaya Hydro-Electric Power Station: Work has begun on the Tatevskaya Hydro-Electric Power Station on the Vorotan Mountain River in Armenia, the first of a series of seven hydro-electric power stations. Three of them will lie on the territory of neighbouring Azerbaijan. The new series of stations will be a major power base of Armenia. The Tatevskaya Hydro-Electric Power Station will be one of those functioning with highest pressure in the Soviet Union. Its building is going up in a deep gorge of the river near the border between Armenia and Azerbaijan. The construction of the station stretches over more than 30 kilometres in the Zangezur Mountains. The water driving the turbines will come from a height of 600 metres through an inclined 2-kilometer long pipeline. Arched dams exceeding 70 metres in height will be built. A more than 18-kilometre-long tunnel is to be dug. A series of reservoirs will be built on the Vorotan River, each holding about 200,000,000 cubic metres. The Tatevskaya Hydro-Electric Power Station, the first in the series on the Vorotan River, will be commissioned at the end of the Seven-Year Plan period (1965). At present this Trans-Caucasian Soviet Republic produces 50 per cent more power than this enterprise.

Second Blast Furnace at Karaganda Steel Works: The second gigantic blast furnace at the Karaganda steel works, which will be the biggest in the U.S.S.R. after the famous Urals Steel Works was commissioned recently. The commissioning of the second blast furnace concludes the construction of the first section of this enterprise.

100,000 KW Gas Turbine: Blueprints Ready: Design of a 100,000 kilowatt gas turbine was considered recently at the State Committee for Automation and

Engineering under the U.S.S.R. Council of Ministers. The blueprints for this turbine, unmatched in world turbine building practice, have been prepared by special lists of the Leningrad Metal Plant and the Kharkov Turbine Works. The specialists, who took part in the discussion of the project, noted that its implementation would open up broad prospects for Soviet power engineering.

United Kingdom

Plastic Industry: To meet the rapidly increasing technological demand for the U.K.'s plastics industry, the Former Research Association of British Rubber Manufacturers has extended the scope of its activities. Under the new title of the "Rubber and Plastic Association of Great Britain" the organisation will cover the requirements of both the rubber and the plastics industries. At a recent technical meeting in London, there was an exchange of views between officials of the Research Association and representatives of plastic firms. Various proposals were made for future work programmes. These included standardisation of test methods; productivity studies, particularly in moulding and fabrication; liaison with other research associations and laboratories on such common problems as toxicity and a study of plastic rheology, i.e., the science of flow of metal, and the critical study of elasticity, viscosity and plasticity.

Ghana

Production of Oil: Ghana reached another milestone in its industrial progress when the Nzima Oil Mills (IDC) Ltd., started production of oil early this year. The Nzima Oil Mills, I.D.C. subsidiary company

is located at Esiama, a village near the President's birth-place. The £1,42,000 mills produced 60 tons of oil during the first month of operation. This was increased to 180 tons in the second month and the production has now reached 200 tons a month. Prospects for exporting this oil are bright. The company has already exported 25 tons of crude oil to a firm in the United Kingdom for trial. If it proves favourable there it would mean that the company's oil will travel outside Ghana to many foreign countries. It is hoped to start the manufacture of soap in future and the turnover from the soap factory will be 600 tons of house-hold soap a year.

Construction of Oil Refinery: Preliminary work on the Tema Oil Refinery is in steady progress and it is envisaged that Ghana will produce its own petrol and kerosene early 1963, said Dr. Franco Fidora, General Manager of the Ghanaian-Italian Petroleum Company Ltd. Mr. Fidora revealed that the refinery will erect a distillation unit and a catalytic preforming plant and, when completed, the refinery would treat 1½ million tons of crude oil in any given year, and would produce gasoline, kerosene, diesel oil, fuel oil, and bitumen, both for home and overseas markets. The Refinery would also produce liquefied petroleum gas for domestic uses. The General Manager emphasized that the refinery would give employment to about 500 Ghanaian technicians, arrangement for the fifty of whom to be given specialist training in Italy are being made. While Ghanians were in training, the company would place its engineering and technical skills at the disposal of Ghana. The agreement for the Oil Refinery between the Ghana Government and GHAIIP in December, 1960 involved an investment of 8½ million pounds.

NEWS IN BRIEF

INDIAN

For promoting the horse-breeding industry in the country, the Government of India have decided to permit import of horses within a limited amount of foreign exchange, which has been set apart for this purpose.

An agreement for the manufacture of high quality tape-recorders at the Bharat Electronics in collaboration with the Nippon Electric Company of Japan was signed recently.

Almost one-third of the 146 State Bills that received the assent of the President last year were meant to introduce land, agricultural and tenancy reforms.

The Government of India have decided to extend the benefit of compulsory contributory provident fund under the Employees' Provident Funds Act to industries engaged in cinemas including preview, theatres, film studios, film production concerns, distribution concerns dealing with exposed films and film processing laboratories.

Sikkim has 161,080 persons, 77,163 females and 83,917 males, according to the provisional figures based on the 1961 census. The population has gone up by 16.96 per cent or 1.70 per cent per annum in the last decade.

The All-India Handicrafts Board is enrolling exporters of handicrafts under the Union Government's general scheme of registration to develop further confidence among foreign importers of Indian goods and build up lasting trade relations.

FOREIGN

The U.K. had a deficit on its current balance of payments of £56 million in the first quarter of 1961. This is an improvement on the £117 million deficit in the last quarter of 1960, but slightly worse than the £37 million shortfalls for the same period a year ago.

The United Arab Republic has announced an important change in its system of marketing cotton. From September 1, all cotton business is to be transacted in terms of the "metric cantar", which will consist of 50 kilograms (or roughly 110 pounds).

The 1961-62 world cotton crop may top this season's estimated 46.9 million bales by as much as 5 per cent, the U.S. Agriculture Department forecasts.

According to the Commerce Department, Personal incomes in the U.S. climbed in May for the third consecutive month, establishing a record high. Payments to individuals ran at a seasonally adjusted annual rate of \$413,700 million.

Dutch life insurance business showed unprecedented growth during the first quarter of 1961, with new contracts exceeding Fls. 1,400 million (£140 million), an increase of 27½ per cent over the corresponding quarter of last year.

Three F. 27 Foker Friendship passenger aircraft have been ordered by the Portuguese East African Airline. The order is worth some Fls. 7.5 million. Delivery date is August, 1962.

Special Article

FREEDOM FROM HUNGER

IT was in October 1960 that the General Assembly of the United Nations adopted a resolution with the objective of making available the food surpluses of the developed countries to the food deficient countries through the channels of the United Nations. This resolution endorsed the 'Freedom From Hunger' campaign of the FAO; the Director-General of the FAO has now issued a comprehensive report entitled "Development through Food—a strategy in surplus utilisation," setting out his recommendations for giving a practical shape to the U.N. resolution.

That more than half the world's population is under-nourished is a well known fact. The degree of disparity in per capita income and consumption in a few selected countries is brought out in the statistical table on the next page. This fact is also illustrated in another way in the graph below which shows that the continents which have surplus agricultural output in relation to population are North America, Latin America, Oceania and Western Europe; on the other hand, the population in the Far East, Africa and the Near East far exceeds the total availability of agricultural production. This also shows the manner in which food and other agricultural products need to be moved in order to bridge the gap between the needy and the surplus countries.

The assistance from the surplus to the deficit nations has continued to flow for the last many years, though the total volume has been far short of the needs. The volume of public economic aid during the last decade has been estimated at about 0.4 per cent of the gross national product of the developed countries. Obviously, this is a very small fraction of the total annual income of the prosperous nations and to expect a distribution of about one per cent of the total gross national product of these nations for the under-

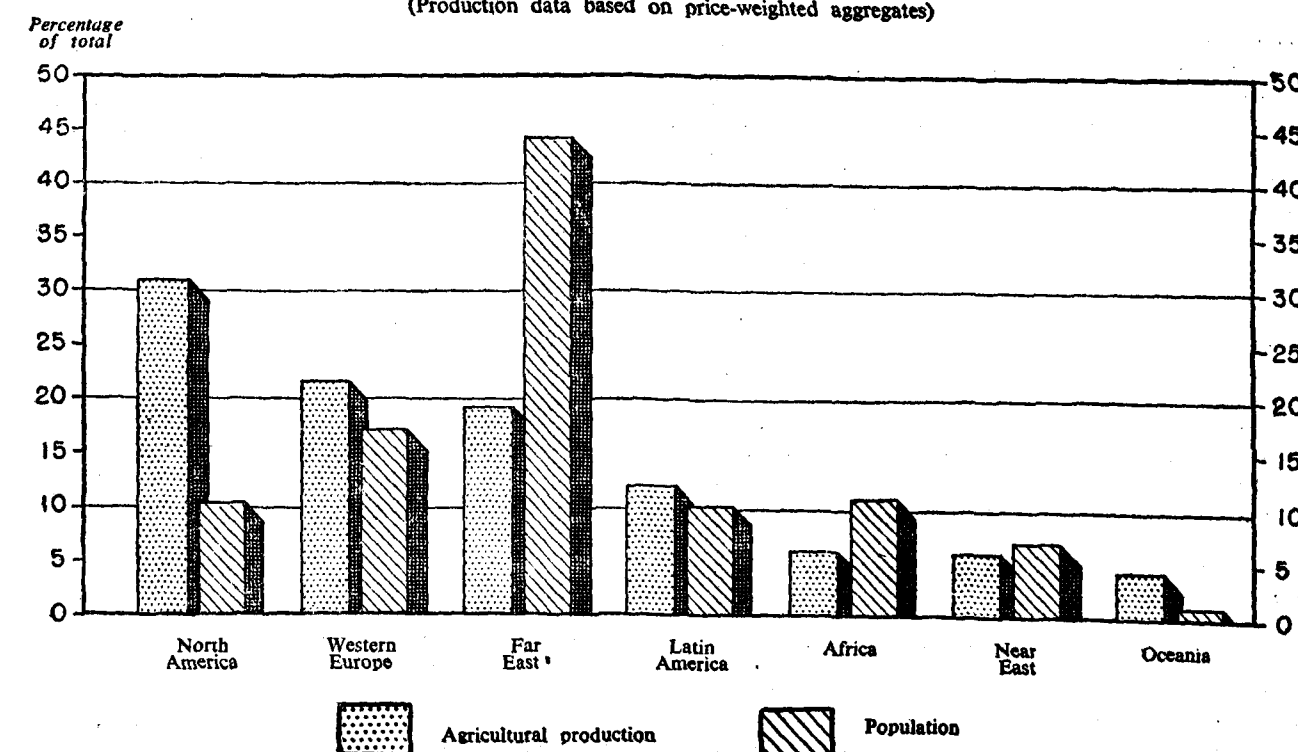
nourished countries is not an extremely high target. In fact, in all current international discussions this figure is being commonly quoted for stepping up the volume of help from the surplus to the deficit countries.

In order to step up the pace of economic development in the deficit countries, the volume of investment needs to be steadily increased. The importance of raising the volume of capital accumulation in these countries has been discussed at great length in the World Economic Survey for 1960 and comments on that survey have already been presented in a leading article in this issue on page 1468. The experience of the last decade has shown that while investment is being raised in these countries, the demand for food takes a steady upward course as a result of increasing investment. It is at such a juncture that "food aid" can be used as additional capital in its original sense of a subsistence fund.

The Director-General's report, however, stresses the economic development of the under-developed countries through food surpluses obtained from the developed nations. The vicious circle of poverty, hunger and stagnation can be broken in the backward countries only through social and economic development and food aid is expected to play a very important role in aid programmes. It has been suggested that like all other aids, food aid should also be made a part of the overall development programme of the receiving countries.

To meet the pressure on food supplies, it is suggested by the Food and Agriculture Organisation that national food reserves should be created on the same lines as planned by the Indian Union for its Third

REGIONAL SHARES OF WORLD¹ POPULATION AND AGRICULTURAL PRODUCTION, AVERAGE 1957-59
(Production data based on price-weighted aggregates)



* Excluding U.S.S.R., Eastern Europe and Mainland China. * Excluding Mainland China.

Plan period. In the case of countries where agricultural production is still a gamble of the weather, these reserves will be found extremely useful in keeping the inflationary pressures in check and in continuing the process of economic development unabated.

It is estimated that over the next five years something like 12,500 million dollars worth of commodities may be made available for distribution. According to the expert group appointed by the Director-General for putting forward concrete suggestions in order to implement the United Nations resolution, the annual aid now runs at \$3,600 million and should be raised to \$5,000 million per year. This, however, does not include the international arrangement for emergency food relief.

The Food and Agriculture Organisation, therefore, will be for this purpose a co-ordinating body acting as a link between the suppliers of surplus food and the recipients of the same in an effort to utilise it for economic and social development. It will continue to operate as hitherto as an international agency assisting the individual countries in the hour of chronic food shortages and also acting as an intermediary between the donors and the recipients. The FAO will control and administer the international emergency food reserves and will also evaluate and report from time to time on programmes of surplus food utilisation. The other wings of the United Nations are also expected to closely co-operate with FAO in this humanitarian task. Happily, the United States Government has already proposed to set up a fund of \$100 million in the shape of commodities and cash for the sake of putting all these suggestions into practice, and this is

indeed a significant and encouraging step. It seems that the dream of pushing the economic and social development of the poor countries through food surpluses is likely to take a concrete shape in the near future.

INCOME AND CONSUMPTION OF CEREALS PER HEAD IN SELECTED COUNTRIES 1957-58

Country	Income	Total consumption of cereals as food, feed, seed etc. in terms of grain and milled husked (or rice milled) rice	Cereals for direct human consumption in terms of flour and milled rice	Protein for human consumption	Animal Total
	U.S.\$	Kg. per year		g. per day	
United States	2,164	646	67	66	94
Canada	1,431	929	71	62	95
United Kingdom	960	413	85	51	87
France	830	375	110	49	96
Italy	406	304	142	25	76
Japan	250	218	157	15	67
Mexico	234	218	147	16	66
Brazil	218	214	106	18	67
U.A.R. Syria	169	257	162	12	73
Egypt	112	235	188	13	79
Pakistan	77	173	151	8	45
India	60	144	124	6	47

BOOK REVIEWS

INDUSTRIAL ROUND UP

Major Industries of India Annual, 1959-60: Edited by M. P. Gandhi, and Published by M/s. M. P. Gandhi & Co., Nanabhay Mansion: Sir P. Mehta Road, Fort, Bombay 1: Pp. 372: Price Rs. 15.

This 9th volume of the Annual is not a mere collection of articles. It reads like a running commentary of the saga of industrial progress in India since Independence. It bears the distinctive marks of Mr. M. P. Gandhi's personality. His Annuals have gained fame in the business and industrial circles of India for their high quality in the treatment of the subject as well as presentation. In the Annual under discussion, there is a long galaxy of contributors beginning with the Prime Minister of India. The other contributors are Mr. Lal Bahadur Shastri, Mr. Manubhai Shah, Mr. S. K. Patil and Mr. Shriman Narayan. The leaders of business in the public sector as well as the private sector have also made their valuable contributions. There is hardly any important industry which has been left out. The articles on India's foreign trade by Mr. K. B. Lal and Mr. K. P. F. Khilnani are of great interest. Equally interesting is the provocative article on the Tourist Industry in India, which is slowly coming up in earning the valuable foreign exchange for this country.

RAILWAYS

Indian Railways Annual, 1961: Published by Ministry of Railways, Government of India: Price Rs. 4.

Indian Railways Annual 1961 in its 268 pages contains a variety of material on the Railway operations in India and in some foreign countries. Articles have been suitably illustrated with the help of graphs and

tables. Although most of the articles are informative, there are some critical articles too, a feature less common in Government publications. Mr. K. Santhanam, a former Minister of State for Railways, for instance, has criticized the Third Plan Transport allocation by the Planning Commission and has advanced some practical suggestions as well. Among other interesting articles are "Erhard's Economic Philosophy in Indian Setting" by a former Chairman of the Railway Board, Mr. K. B. Mathur and "Milrail for Moving the Tail" by Brig. Rajendra Singh. Notable amongst the contributions is a factual article by the President of U.S. Railroad, Mr. Daniel P. Loomis.

THEORETICAL ECONOMICS

Advanced Economic Theory: By Mr. T. N. Sachdeva: Sudha Publications, New Delhi: Pp. 276: Rs. 8.50.

During the last ten years or so, economic theory has registered considerable strides in various directions. Economists like Mrs. Joan Robinson, Mr. Harrod, Mr. Colin Clark, have contributed new ideas towards the advancement of the subject. Mr. T. N. Sachdeva, it seems, has taken pains to bring all these recent advancements into one volume for the convenience of those who want to be acquainted with these developments without going through this dispersed knowledge. Certain topics like problems of pricing a planned economy, the application of Keynesian economics to under-developed areas, static versus dynamic economics and micro versus macro economics have been dealt in fair details. The section dealing with welfare economics and theories of population would be of interest to even a general reader.

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THE BUSINESS WORLD

Who Contaminates Whom?

By
CROESUS

FROM the time those two brilliant articles of Mr. G. D. Birla about his impressions of Russia appeared in two leading Indian dailies, there have been a number of reactions, some complimenting Mr. Birla on his admirable objectivity and others expressing surprise at his seeming gullibility. What I am surprised at is that anyone should try to interpret what has been stated in these articles as the firm convictions of the writer. Apart from the carefully selected titles of the articles — perhaps suggested by the writer himself — which make it clear that they are just impressions, there is the fact that Mr. Birla did not go to Russia on a study mission but only as an invitee of Mr. Khrushchev and spent hardly ten days, not to speak of his not knowing the Russian language. But, I suppose, just as all reactions about Russia and the Russians, any reactions about whatever is written about them also are essentially subjective, the slant varying from unqualified adulation to outright condemnation, depending upon one's own likes or dislikes. But if one cares carefully to sift the essence from Mr. Birla's two articles, even if they are only impressions, certain conclusions — really significant — clearly emerge. They are that the Russians have made remarkable progress in science and heavy machine-building; that, despite all this progress, the standard of living in Russia cannot be considered high enough (in that, although essential food like bread — not meat — is cheap, education free, and rent but not accommodation, reasonable, not all the necessities of life are available, and if available, only at exorbitant prices); that many western countries have begun to build up their trade with Russia; and that India too, while not necessarily subscribing to communism, should develop her trade relations, especially when there is scope for doing so.

Now, there are two distinct schools of opinion about the desirability or otherwise of trading with Russia, one school saying that all relations, including trade relations, are taboo — "to contact is to be contaminated", this school argues — and the other contending that, inasmuch as a complete trade blockade is inconceivable, the better course is to trade and compete with Russia and her satellites, notwithstanding the several handicaps involved. There is yet another school which is averse to having any trade with Russia at this stage, because, according to this school, the Russian economy is now almost on the verge of collapse and any trade with that country which enables it to purchase its requirements, especially of consumer goods, would be like giving a timely and healing shot in the arm of Russian economy. In other words, this school feels, any trade with Russia today would tantamount to pampering the sworn enemy of the capitalist countries.

Since it is admittedly difficult to determine which of these three viewpoints is right, I thought of availing myself of the Press Guild of India's reception to

Mr. Birla last week to find out what Mr. Birla himself thought of these, and I must say I was not disappointed, although I was disappointed that the Bombay Press did not get out of Mr. Birla all that it might have got, had it directed the questions more purposefully and perhaps also more responsibly.

Be that as it may, to the first of the three viewpoints mentioned above, Mr. Birla's answer was categorical. Replying that he was interested in spreading capitalism, Mr. Birla said: "I am an Indian and interested in promoting our trade with all countries, including communist countries. I feel our system is so good that, if we came in contact with the communists, we will contaminate them." This is certainly a new approach, the pros and cons of which are sure to be hotly debated both in communist and non-communist circles. Hitherto, the fairly widely held notion was that it was only the communists that had something appealing to sell — especially to have-nots — or somebody to "contaminate", if not convert, but probably, for the first time now, the argument is being seriously put forward that the capitalist countries also have something to sell and, if they can deliver the goods, they can win over the people in communist countries. Whether it is all so simple as this or not need not detain us, but few can deny that closer contacts help better understanding and that better understanding will at least serve to plant some doubts in the minds of Russians that the capitalist system could not be as bad as they have been taught. Furthermore, let it not be forgotten that those Russians who have been allowed to see the outside world have been influenced by, if not impressed with, what they have seen with their own eyes in the capitalist countries.

Secondly, Mr. Birla seemed to me to convey the impression that, when many western countries, not excluding the U.S.A., have begun earnestly to explore the Russian market, in spite of ideological differences, India would not be well advised to lag behind. He believes that the possibilities of increasing India's exports are immense; apart from traditional items like textiles and leather goods, India can export many other things such as furniture, sugar, paper and textile machinery. In other words, the field could at least be explored energetically, unlike before. Hitherto, trade with Russia has been inhibited by a number of considerations such as the imponderability of the Russian costs of production, the need to channel trade only through official sources, the existence of rupee payment agreements, as in our case, and so on. Also the experience of many countries trading with Russia does not appear to be uniformly happy. Some have found, for instance, that what they sold to Russia at a given price was subsequently re-exported by her at a cheaper price to their customary markets, while others have found that they cannot depend upon Russia to be a



INDIAN STEELWORKS CONSTRUCTION CO. LTD.

Simon-Carves Ltd.
The Wellman Smith Owen Eng. Corp. Ltd.
Head Wrightson & Company Ltd.
Davy and United Engineering Company Limited.
The Cementation Company Ltd.
Associated Electrical Industries (Rugby) Ltd.
The English Electric Co. Ltd.
The General Electric Co. Limited.
Associated Electrical Industries (Manchester) Ltd.
Sir William Arrol & Company Ltd.
Cleveland Bridge & Engineering Co. Ltd.
Dorman Long (Bridge & Engineering) Ltd.
Joseph Parks & Son Ltd.
Iscon Cable Group.

BRITISH COMPANIES WORKING FOR INDIA

steady customer, for, if she purchases her requirements of a commodity from some country this year, there is no guarantee that she will do so next year also, in spite of continued cordial relations between those countries and Russia. And, in so far as India is concerned, there is the further difficulty of whether, in the prevailing conditions, the authorities will allow the imports of certain categories of goods that Russia may be able to export and also permit the export of those goods that she may be willing to import. In short, building up trade with Russia does not appear to be very easy. When holding an Indian Industries Fair in Moscow, as Mr. Birla has proposed, therefore, all these factors require to be borne in mind and provided for. No purpose would be served, for example, if we display at this Fair goods which our Government may not allow us to export to Russia when the latter asks for them.

The third point is a highly controversial one and it is difficult to substantiate it even if it is true. As Mr. Birla told the Press Guild of India, although Russia may not be able to overtake the U.S.A. in indus-

trial production in the near future, one cannot under-rate Russia's capacity to go ahead, provided there is no war. This proviso, however, is very important, inasmuch as Russia is at present spending as much as 25 per cent of her national income on defence, and that is certainly proving to be a great handicap to a more accelerated pace of economic advance by her. Moreover, it is no use counting on the probable collapse of the communist economy and piously hoping for that to happen, on the one hand, and, on the other, to behave in a way that would work precisely in the opposite direction, that is sustain the communist economy, as seems to be happening today. In other words, rightly or wrongly, it does not look as though the capitalist countries have made up their minds that they cannot co-exist with the communist countries. Evidently the communists have succeeded in completely confusing the leaders in capitalist countries and sedulously encouraging them to hope that co-existence is possible, while, at the same time, feeling convinced, even as Lenin was, that this must need be a transitory stage in the inevitable eventual march towards communism.

Business Notes

Currency

DEVALUATION OF THE CANADIAN DOLLAR

TO INDIANS whose Government is striving hard to attract foreign private investments, Canadian Finance Minister's announcement last week that in order to restrict flow of foreign private capital into the country, his Government had decided to devalue the dollar and to reduce interest rates may appear to be ironic. But to those who are conversant with the problems of Canada's economy the move is scarcely surprising. The Canadian dollar, which is a floating currency, has for an appreciable time now been overvalued, taking into consideration the country's balance of trade position. Canada's trade deficit for nearly three decades has been covered by heavy inflow of private foreign capital, particularly from the United States. Mr. Fleming's move apparently is directed towards making the Canadian economy self-reliant.

The decision to devalue the Canadian dollar to a "significant discount" over the U.S. dollar—no parity has yet been named—will obviously help in increasing Canada's exports and restricting her imports. But how far this step can go in restoring the balance in the economy, which during the past two or three years has witnessed a curious phenomenon of recessionary tendencies breeding unemployment alongside rising prices, is a point on which it is hazardous to pass judgment. The flow of private foreign capital is primarily dependent upon two factors: the safety of funds and the return which an investor will get on his capital. Canada is one of those few countries where climate for foreign investments is very congenial, both because of political stability and prospects of expansion in the economy. To the private U.S. investor Canada will probably remain for a pretty long time to come attractive field for investment even though the return which he may be able to get might go down. This is primarily because, apart from the safety of his funds, an average American investor would not like to go far away from his neighbourhood for seeking avenues for investment.

The lowering of interest rates will apparently lead to a boost in the Canadian economy which at none-too-distant a day might raise profitability in industry and trade to the levels obtaining before the decision to devalue the Canadian dollar was taken. This introduces an element of speculativeness and, contrary to the expectations of the inflow of foreign capital dwindling, may lead to increase in the inflow if for no other reason

than for the fact that when the exchange rates go up again the foreign investors can make some quick money.

The Canadian Government's decision, apart from the imperativeness of correcting the imbalance in the economy and making it more and more independent of foreign capital investments, has probably been impelled by the imminent possibility of Britain's joining the European Common Market. Since Canada's export trade to a very great extent is directed towards Britain, the latter's joining the "Inner Six" will obviously affect her adversely.

For India, Canada's decision will perhaps prove to be of some benefit. If the flow of U.S. private capital into Canada is obstructed by Mr. Fleming's move, some of this capital may find its way to India, which offers good opportunities for foreign capital investments.

Burmah-Shell Refineries

SOLID CASE FOR EXPANSION

THE REASONING advanced by Mr. L. D. Mudie, Chairman, Burmah-Shell Refineries Ltd., at the company's eighth annual general meeting for the expansion of the company's production capacity from 3 to 4 million tons is sound, logical and to the point. But it is unfortunate that the Government does not see eye to eye with it. Apparently, the points in favour of expanding the company's production capacity are many. Not only is the company prepared to meet all the foreign exchange cost of the expansion programme, but is also prepared to modify the Refinery Agreement of 1951 in case expansion is permitted. The Government, however, seems to think otherwise and is not inclined to mix up issues of expansion and modification of the Refinery Agreement.

At the Oil Advisory Committee meeting in May this year, it was agreed that the demand for petroleum products in 1966 would be of the order of 14.14 million metric tons including the provision for international bunkers, representing a crude oil equivalent of about 15.27 million metric tons. Against this, the total output of petroleum products by the refineries in the private sector is 6.4 million metric tons. The three public sector refineries to be commissioned during the current Plan period are expected to produce 4.75 million metric tons. This, obviously, shows that there would be substantial gap between demand and supply at the end of the

Third Plan. Allowing that some imports would be necessary in all circumstances, there is need to augment the refining capacity in the country to keep the drain on our foreign exchange resources to the minimum.

Mr. Mudie underlined that the revised cost estimates recently submitted by the Burmah-Shell to the Government of India showed that additional million tons of refining capacity would cost only Rs. 2.83 crores, a fraction of the cost of constructing a new refinery of comparable capacity. Besides, to find, produce, refine and distribute one million tons of oil, it would involve a capital investment of Rs. 60 crores. And if an increase of 7 million tons in consumption over the Third Plan is to be considered, capital investment of Rs. 400 crores will be called for. A question may be asked here: will the Government be in a position to earmark such a huge sum including foreign exchange component for oil industry in the Third Plan? Moreover, there is the time factor. Again, the properties of crude oil differ widely, which means that every type of oil cannot be used at any refinery. Keeping all these points in view, it is imperative that the Burmah-Shell refineries be allowed to expand. In return, what may be asked for is that Indians be allowed to participate in the equity capital. This certainly is fair and can go a long way in removing the feeling that foreign refineries are taking away sizeable amount of profits.

New Issue

UNIVERSAL CABLES LTD.

Satna, in Madhya Pradesh, will soon have a plant for the manufacture of heavy industrial cables. Universal Cables Ltd. will shortly be putting up a factory for paper insulated lead covered power cables—PILC cables, as they are called. The Government of India has granted to the Company a licence for manufacturing 624 miles of these cables every year. Although there are two other companies, besides, which manufacture this very type of cables, the combined production of the two plus the potential production of the Universal Cables would still fall very much short of the demand for such cables in the country, let alone the Third Plan target of 4,000 miles per year. The Company has finalised the collaboration terms with the world's biggest cable manufacturers—British Insulated Calender's Cables, Ltd., London. Messrs. Birla Gwalior Private Ltd. are to be the managing agents.

Universal Cables Ltd. has, at present, a paid-up share capital of Rs. 35 lakhs which will be increased to Rs. 105 lakhs by the issue of equity shares of the value of Rs. 35 lakhs to the existing shareholders and a further Rs. 35 lakhs to the public. The entire issue has been underwritten by the Investment Corporation of India Ltd. Incidentally, this is the first Birla enterprise to be underwritten by the Investment Corporation of India—a Tata concern. The total expenditure of the project including cost of building and plant and machinery (Rs. 170 lakhs) and working capital (Rs. 80 lakhs), is estimated to reach Rs. 250 lakhs. The difference between the total investment required (Rs. 250 lakhs) and the total capital issued (Rs. 105 lakhs) will be met out of loans from the ICICI, Bombay, and the Commonwealth Development Finance Company of the U.K. (Rs. 80 lakhs), which will take care of the foreign exchange component of the project, and bank borrowings. It is expected that the factory will be commissioned some time in 1962, and, when the factory goes into full production, the total sales value of the Company's products would be of the order of Rs. 3 crores, which, on the basis of the experience of other cable companies, may be expected to yield a handsome return to the shareholders. The subscription list will open on July 3 and close on July 8.

Engineering

SHORTAGE OF TIN-PLATE

MR. K. C. MAHINDRA, Chairman of the Metal Box Company of India Ltd., pointed out at the annual general meeting that although the company registered a significant increase in sales to the extent of 17 per cent, it was facing a serious problem on account of a shortage of tin-plate, the most important raw material for the manufacture of containers. The company was not allowed to import tin-plate in sufficient quantities. The Ministry of Commerce and Industry has its policy to reject without reference to the Licensing Committee applications of the manufacturers of tin containers except where the fabrication is to be done by the packers themselves. The Chairman pointed out that the packers could not instal highly complicated machinery and normally a large number of packers purchased containers from producers of containers. This policy can definitely hamper the progress in the can-making industry the significance of which can never be underestimated. For reasons of simple hygiene as well as efficiency in the export market it is necessary that quality containers are available even to small producers of packet materials.

Another factor which should make the imports of tin-plate comparatively easier for the manufacturers of containers is that the steel plants in the country are not yet in a position to supply tin-plate in sufficient quantity. Rourkela is not expected to commence tin-plate production until the end of this year and by that time the demand for tin-plate would have risen further. As long as substantial expansion of production capacity is not put into effect, the import bill for tin-plate has to be tolerated. A realistic import policy should, therefore, be pursued.

Travancore Rayon

DRIVE FOR EFFICIENCY

MR. A. R. RAMANATHAN, Chairman of the Travancore Rayons Ltd., at the annual general meeting of the company highlighted the significance of establishing an export market for cellulose film. He was of the opinion that even in the face of severe competition, it was possible as well as necessary for the Indian producers to operate in the foreign market. To achieve this, he said, the Indian labour had to improve its efficiency so that costs could be competitive and at the same time remuneration for the labour was higher. The company made a time and motion study in some of its departments and found that the efficiency in certain departments was only about 30 to 35 per cent. This clearly indicates time-loss due to various factors. Similar conclusions were drawn in a special article published in "The Eastern Economist" on February 17, 1961. Labour efficiency factor has, therefore, to be paid sufficient attention, so that the productivity of Indian labour improves and the costs can be competitive.

The Chairman referred to various expansion schemes taken in hand by the company. Mr. V. V. Giri, Governor of Kerala, for instance, performed the opening ceremony of the company's third plant for the production of cellulose film. The cotton linter plant of the company is scheduled to go into production by the latter half of 1962. It will produce 3,600 tons of linter pulp and this capacity can be doubled when necessary. The Government of India has sanctioned the company's application for increasing its rayon yarn output by 5 tons per day and the company is making negotiations to implement this scheme. With this the total production capacity of the company will increase to 13.6 tons per day.

FROM THE CAPITAL'S CORRIDORS

U.S. AID FOR BOKARO STEEL PLANT

PROFESSOR JOHN KENNETH GALBRAITH, U.S. Ambassador in India, stated at a press conference here last week that his country was contemplating to extend financial assistance for setting up the Bokaro Steel Plant. There was a good deal of sympathy in the United States, he said, "both for the need and for the plant itself." Subject to the priorities of the Indian Government, to the passage of the new Aid Bill by the U.S. Congress and to negotiations with appropriate contractors, the prospects of U.S. assistance being available for this plant were "favourable", he added.

"The basic decision to have the Bokaro Steel Plant in the public sector is, of course, accepted", said Mr. Galbraith. As regards participation by other members of the Aid-India Club in this plant, he stated: "It would be somewhat premature to make a final statement on this, but the preliminary discussions that I had in Washington (Professor Galbraith was there only recently) had to do with American financing of the foreign needs of the project. Where aid to India is concerned, one does not want ever to be exclusive."

Professor Galbraith disclosed that during his visit to Washington he had had discussions with the Administration on the subject of Calcutta region development as also on the programme of the Ford Foundation in this regard. "This is a matter of very much interest to me personally and something on which we hope to do something useful."

SATISFACTION AT AID-INDIA CLUB MEETING

The U.S. Ambassador expressed considerable satisfaction with the results of the recent meeting of the Aid-India Club which has offered assistance to the tune of \$2,225 million to enable India to meet her foreign exchange needs during the first two years of the Third Plan. He indicated that a considerable part of America's contribution in the first year would go to finance maintenance imports.

Commenting further on the Aid-India Club meet. Professor Galbraith observed: "It does indicate that a substantial measure of the resources for the first year will be available and the prospect of a good start for the second year. This is, however, not something which we can look upon with unqualified approval. Some considerable part of the funds made available are for relatively short times and on relatively high rates of interest. This means that in the period immediately ahead, there will be a substantial increase in the claims upon India's foreign exchange earnings for debt service. This, it would seem to me, would mean two or three things. First, there must be a great emphasis on export earnings. Second, through the Third Plan, there will have to be continued attention given to two terms. One should not confuse aid with purely commercial credits and, if the aid to India were to limit itself to purely commercial rates of interest, the burden of debt service would soon become intolerably high. This is something which, in my view, would have to be watched in the future."

It is the U.S. view, the Ambassador went on, that in the initial period of development India requires long-term loans, the rates of interest being low or zero.

MAINTENANCE IMPORTS

Replying to a question, Professor Galbraith said \$200 million out of the \$545 million which the United States contemplated to provide during the first year of the Third Plan would be available for meeting balance of payments deficit on account of maintenance imports. "This type of aid", he said, "is just as important and as useful as that which goes in the building of concrete,

brick and mortar structures. Indeed, in certain stages of development, provision of working capital is more important than fixed structures."

Professor Galbraith further stated that the possibility of the United States entering into a long-term agreement with India for the import of sugar was "certainly not ruled out." "We have allocated a very substantial quota for the coming year," he said, "and I hope if India continues to be an exporter and if the sugar crop continues to be good, we will continue to buy some of it."

THREE AGREEMENTS

Professor Galbraith also announced the signing of three agreements between the Governments of the United States and India; two dealing with the provision of technical assistance for stepping up coal and steel output and the third one dealing with imports by India of some non-ferrous metals.

Under the agreement dealing with the provision of technical assistance for increasing coal output, the U.S. Government will make available to India the services of eight engineers. Five of them will work with the National Coal Development Corporation on its plans to develop new mines in the Ramgarh coalfield, Bihar State, to obtain an annual production of 1.5 million tons of washed coal. The project includes the construction and operation of a coal washery. The other three experts will be associated with the Neyveli Lignite Corporation, Madras State. The Corporation has plans to extract 3.5 million tons of lignite yearly by 1964 and later to step up production to 6 million tons. Assistance under this agreement will be nearly Rs. 20 lakhs — \$300,000 in dollars and the rest in rupees.

The agreement concerning provision of technical assistance for the steel industry envisages continuance of the existing training programme of Indian engineers in the United States under the auspices of the U.S. Technical Co-operation Mission. As many as 295 Indian engineers have already been trained under this programme. Another 300 engineers have been trained in America under a Ford Foundation programme. With the Government of India's decision to double the present capacity of steel plants from 3.3 million tons to 6.6 million tons, and to add another steel plant, it is now estimated that an additional 1,400 personnel will have to be trained. Hindustan Steel Limited is embarking upon a training programme within the country. The United States Technical Co-operation Mission will make available a Chief Training Adviser and three training advisers to assist in this task. The latter will be assigned to the Rourkela Steel Plant. The project involves a total rupee and dollar expenditure of \$176,000 (Rs. 8 lakhs).

The third agreement provides for a loan of \$20 million (Rs. 9.5 crores) to India for the import of non-ferrous metals. This loan will be channelled through the U.S. Development Loan Fund and will be repayable in rupees. It will enable India to make full use of the additional industrial capacity created in the recent years.

The loan will be utilised in the United States for procurement of aluminium, copper and zinc. It is expected that much of the metal will be processed into final form at plants in India. Resulting products will be used mainly on projects in the fields of power, transportation and communication.

AID FROM CONSORTIUM

Further details are now available of the assistance offered by the Aid-India Club members for the first two years of the Third Plan. The aid from the six

members of the Club and from the World Bank will be available in the following manner:

(1) **Canada:** Of the \$56 million aid promised by Canada for 1961-62 and 1962-63, \$18 million will be available in each of the two years as grants under the Colombo Plan. (This will be in addition to wheat grants which India is receiving from Canada). The remaining \$20 million will be available in two equal instalments to finance purchases of capital equipment in Canada. The period of maturity of either of these two credits will be negotiated as they are made available and will probably be in the range of 15-20 years. No decision has yet been taken in regard to the rates of interest payable on these loans or on grace periods to be allowed for their repayment.

(2) **France:** France will make available to India credits equivalent to \$30 million—\$15 million in 1961-62 and \$15 million in 1962-63—to finance the import of capital equipment from there. The period of repayment will be 10 years from time of delivery of the equipment. The rate of interest will be negotiated in the case of each in individual order.

(a) **West Germany:** The West German \$425.25 million credit (including \$61.25 million available in the third year of the Plan) will be forthcoming as follows:

- DM 230 million (\$57.50 million) for refinancing of Rourkela credits falling due in 1961-62 — repayment to be spread over 12 years, including a 4-year grace period; rate of interest 5½ per cent.
- DM 85 million (\$21.25 million) for refinancing of Rourkela credits falling due in 1962-63—terms still to be negotiated.
- DM 245 million (\$61.25 million) for refinancing of Rourkela credits falling due in the three years 1963-64 to 1965-66—terms still to be negotiated.
- DM 100 million (\$25 million) credit for disbursement in 1961-62—repayment to be spread over 20 years, including a 6-year grace period; rate of interest 5½ per cent.
- DM 170 million (\$42.5 million) credit for disbursement in 1961-62—terms still to be negotiated.
- DM 415 million (\$103.75 million) credit for disbursement in 1962-63—terms still to be negotiated.
- DM 176 million (\$44 million) for commitment in 1962-63 and disbursement in subsequent years—terms still to be negotiated.
- DM 280 million (\$70 million) credit for financing expansion of Rourkela Steel Plant in 1963-64 and following years—terms still to be negotiated.

With respect to DM 330 million (\$82.5 million) i.e., one-third of the credits for disbursement in 1961-62 and 1962-63, the German Government is ready to reduce the rate of interest to 3 per cent and to extend the grace period from 5 years to 7 years. The total period of repayment cannot, however, be extended beyond the present limit of 20 years.

(4) **Japan:** The Japanese aid of \$80 million is available for utilization in the following manner:

- \$40 million credits are to be extended to the public sector in India—repayment to be spread over 15 years, including a 5-year grace period; rate of interest to be related to the prevailing rate of interest on IBRD loans and at present assumed by the Japanese Government to be around 6 per cent.

- \$40 million credits are to be extended to the private sector in India—repayment to be spread

over 15 years, including a 5-year grace period; rate of interest as under (a).

Credits to the extent of \$50 million can be drawn upon in 1961-62 and to the tune of \$30 million in 1962-63 so long as there is actual placement of orders by India for such amounts.

(5) **United Kingdom:** The British assistance of \$250 million is available as follows:

- £30 million (\$84 million) loan signed in May, 1961—repayment to be spread over 25 years, including a 7-year grace period; rate of interest to be the rate at which the U.K. Government can borrow for comparable periods at the time the drawings are made, plus a service charge of ½ per cent.
- £10 million (\$28 million) loan signed in May, 1961—repayment to be spread over 25 years, including a 5-year grace period; rate of interest as under (a).
- £20 million (\$56 million) loan for financing extension of Durgapur Steel Plant—repayment to be spread over 25 years; rate of interest as under (a). (This loan may include private participation to the extent of £5-6 million, and the grace period will be decided when the position with regard to such participation is clear.)
- Additional loans of £13 million (\$36.4 million), of which £5 million (\$14 million) will be committed in 1961-62 and £8 million (\$22.4 million) in 1962-63, to be disbursed in the years in which the commitments are made — terms not yet negotiated, but assumed to be the same as under (a).
- Loans totalling £16.4 million (\$46 million) to be committed in 1962-63 for disbursement in subsequent years—terms not yet negotiated, but assumed to be the same as under (a).

(6) **United States:** The United States commitment is for provision of \$545 million aid in 1961-62 and \$500 million assistance in 1962-63. It is contemplated that much the larger part of these commitments would be in the form of loans extended on terms comparable with those proposed for the International Development Association. Part of the remainder would consist of loans from the Export-Import Bank, whose two most recent loans to the Government of India have been for periods of 16 years, including a 6-year grace period, with interest in one case at 5½ per cent and in the other case at 5½ per cent. U.S. loans would be related to the purchase of U.S. goods and services with provision for review in hardship cases. In addition to these commitments, the United States has already undertaken to assist India's Third Plan by making available surplus commodities worth about \$1,300 million.

(7) **I.B.R.D. and I.D.A.:** The commitments of I.B.R.D. and I.D.A. are for credits to the tune of \$250 million in 1961-62 and \$150 million in 1962-63. The terms of I.B.R.D. loans will vary according to the date at which each loan is made and the nature of the project. Maturities on loans made to India in the past three years have ranged from 10 to 25 years, including grace periods of 3 to 6 years. The present rate of interest on I.B.R.D. loans is 5½ per cent. Repayment of I.D.A. credits will be spread over 50 years, including a 10-year grace period; credits to be interest-free with an administrative charge of ½ per cent.

The representatives of Austria, Denmark, Norway, and Sweden are understood to have said at the last meeting of the consortium that their Governments were unable at this stage to enter into any definite commitments. The Austrian delegate is said to have indi-

cated, however, that his country was considering a contribution to India's Third Plan.

The commitments indicated at the meeting are tentatively estimated to result in the following disbursements:

Country	Total Commitment	To be disbursed in		
		1961-62	1962-63	1963-64- 1965-66
Canada	56	13	27	16
France	30	1	4	25
Germany	425	125	125	175
Japan	80	17	27	36
United Kingdom	250	70	70	110
United States	1,045	225	350	470
I.B.R.D. and I.D.A.	400	75	140	185
TOTAL	2,286	526	743	1,017

In addition to the Japanese promise of aid of \$80 million, Japan has indicated that it would be prepared to make available further credits to the tune of \$21 million for financing Japanese exports of capital goods to India. Disbursements of these credits are likely to be as follows: \$6 million in 1961-62, \$10 million in 1962-63 and \$5 million in the three years to 1965-66.

REQUIREMENTS

On the assumption that in the first two years of the Third Plan new overseas orders for projects would amount to above \$3,000 million, the Government of India had estimated the overall balance of payments deficit at the equivalent of \$684 million in 1961-62 and \$884 million 1962-63, after allowing for all aid committed up to January 15, 1961. The consortium meeting noted that, if disbursements of additional aid from the consortium were in line with the estimates set out above, the deficit still to be covered would be about \$150 million in 1961-62 and \$130 million in 1962-63.

The consortium members will meet again in autumn this year to review the position further.

Stress is understood to have been laid at the last meeting of the consortium on liberalisation of trade policies by its members to help India to step up her exports to these countries. At the same time, it was pointed out, that the main responsibility for the promotion of her exports was that of India herself, and there was considerable scope for the adoption of more vigorous action in this field.

Stress was also laid on the need for aid to be extended in a form which added as little as possible to India's foreign exchange repayment obligations and the members of the consortium are understood to have given assurance that they would give due consideration to this point in deciding the terms on which aid would be made available by them.

MANUFACTURE OF COAL MINING MACHINERY

The Coal Mining Machinery Plant, proposed to be set up during the current Plan period at Durgapur with technical collaboration from Prommasheexport of U.S.S.R., will have a capacity to produce per year 45,000 tons of machinery worth Rs. 24 crores. Initially this plant was envisaged to have a capacity to produce 30,000 tons of machinery per annum valued at approximately Rs. 15 crores.

Some of the major items which will be manufactured at this plant are: coal cutters (1,715 tons), loaders (1,371 tons), conveyors (22,500 tons), haulages (3,815 tons), electrical winders (1,167 tons). Production of such items as booster fans, pumps, automatic cage keeps, safety hooks and oil drilling rigs and other equipment for oil exploration and boring of wells is also envisaged. The plant is scheduled to be commissioned during the later half of the Third Plan.

Manufacture of haulages and conveyors is proposed to be stepped up in the private sector as well. There are four units at present in the private sector licensed to manufacture coal cutters, haulages, conveyors and winders. Their output by 1965-66 is expected to go up to about Rs. 1.5 crores a year. Some other units which produce conveyors not only for coal mining, but also for other purposes, too are expected to expand their production.

As regards manufacture of coal washery equipment whose requirements are expected to be of the order of Rs. 5 crores per annum by the end of the Third Plan period, it is proposed to set up at least one more unit, if not more, in addition to the one already licensed to undertake this manufacturing line. The unit which has already been licensed to produce coal washery equipment is in the private sector. It has entered into collaboration arrangements with a U.K. firm. It is expected that by 1965-66 this unit would be turning out coal washery equipment worth Rs. 1.75 crores.

For setting up a new unit, the Government has under consideration a scheme from Messrs. Bird and Co. (Private) Ltd., Calcutta, who propose to have collaboration arrangements with McNally Pisburg, U.S.A.

INDO-NIGERIAN ECONOMIC CO-OPERATION

Broad understanding has been reached between the Government of India and the Nigerian Economic Mission, which arrived here last week, on furtherance of trade between the two countries. In a joint communique issued at the end of the three-day talks which the Nigerian Mission had with the Indian Government, it was stated that there was enough scope for both the countries to increase their trade with each other. India has shown interest in buying from Nigeria non-ferrous metals, while Nigeria has expressed keenness to import manufactured goods and machinery, particularly for small-scale industries, from India.

The Nigerian Mission, the communique further states, sought the help of India in matters of training of Nigerian nationals, particularly in oil technology. The Government of India has assured the Mission that it is prepared to provide every assistance in this regard. Nigeria is expected to inform the Indian Government about its requirements in the near future and will probably invite a survey team from here for this purpose.

The Government of India has also assured the Nigerian Mission that it will consider sending of expert teams in other fields as well such as irrigation and agriculture. A team of railway experts has already gone from here to Nigeria to help her in organising her railway system.

COMPANY AFFAIRS

SHREE VALLABH GLASS WORKS

Following the rapid expansion in construction and automobile industries, the demand for sheet glass in this country has increased considerably. The Tariff Commission has estimated the total demand for sheet glass at about 110 million sq. ft. in 1960, while the internal production is placed at only about 85 million sq. feet which is clearly inadequate. Any addition to manufacturing capacity for sheet glass is accordingly to be welcomed. The promoters of Shree Vallabh Glass Works Ltd., who proposed to set up a Rs. 1½-crore plant have already acquired an area of one lakh sq. yards at Anand in Gujarat. While the machinery and equipment, as also the technical know-how, will be supplied by Messrs. Industriefen and Maschinen, GMBH, Garmisch-Partenkirchen, West Germany, the Industrial Credit and Investment Corporation of India has agreed to grant a foreign exchange loan equivalent to Rs. 37.19 lakhs to enable the Company to import the necessary plant and machinery. The proposed factory, which is expected to be commissioned by 1962, will be producing 22 million sq. feet of sheet glass 2 to 12 million, 5.2 million sq. ft. sheet glass 12 to 20 million, besides 6 lakh sq. ft. rolled and figured glass and wire cast glass, 8 lakhs of glass building blocks, three lakh pieces per year of pavement glass tiles and 4 lakh pieces of glass roofing tiles. According to the promoters, the manufacture of glass sheets in Western India will not only help meet the country's demands but also reduce the the present cost of transport from Calcutta to Western India which is as much as 20 per cent of the sale price.

SHREE GOPAL PAPER

Shree Gopal Paper Mills Ltd. during the year to December 31, 1960 recorded increased output of paper at 20,247 tons as against 19,011 tons during the previous year. The mills, it appears, registered a sound level of working efficiency which was also reflected in the sales of paper and stationery which was recorded at Rs. 4.30 crores as against Rs. 4.27 crores during the previous year. The directors have reported that the price of imported machine furnishings as well as indigenous chemicals and stores registered an increase. There was also some difficulty in respect of coal supplies but the Company did manage adequate supplies to maintain its production. The new paper machine of the Company was commissioned during the year although it could not run to its full capacity, perhaps for want of sufficient power. It is reported that production from new pulp mill was also not satisfactory. The matter was taken up with the suppliers of pulp who sent their expert engineers from Germany.

During the year under review the Company made a gross profit of Rs. 1.03 crores against Rs. 1.16 crores in the previous year. This was partly due to lower sales of hydrogenated oil — Rs. 39.11 lakhs during the year under review against Rs. 49.76 lakhs during the previous year. After making provisions for tax and depreciation, the directors have proposed to transfer Rs. 19.50 lakhs from dividend equalisation reserve and Rs. 5 lakhs from general reserve. Dividend on cumulative participating first preference shares at the rate of 7.80 per cent plus 2 per cent per annum subject to deduction of tax will absorb Rs. 73,500. Dividend for the year on second preference shares at the rate of 9.10 per cent per annum subject to deduction of tax will

absorb Rs. 6.82 lakhs. Dividend for the year on ordinary shares at the rate of 17.67 per cent per annum subject to deduction of tax will absorb Rs. 22.41 lakhs.

The Directors have reported that on the recommendation of the Tariff Commission, a substantial cut in prices came into force from January, 1960, which has meant a substantial cut in the profits of the Company. The real impact is perhaps more than is reflected and is to a great extent offset by increased production, the output of superior varieties of paper and higher efficiency and economy achieved by the Company.

TELCO'S DEBENTURE ISSUE

The Tata Engineering and Locomotive Company Limited has been granted consent to the issue of 50,000 five per cent per annum debentures of Rs. 1,000 each, repayable on six months' notice or after October 1, 1970 at the option of the Company but not later than September 30, 1975. The consent is valid for 12 months. The Tata Engineering and Locomotive Company Limited has a paid-up capital of Rs. 9,99,91,200. The Company will utilise the new issue for financing the schemes of expansion in the existing lines of manufactures.

LARSEN & TOUBRO

The Directors of Larsen and Toubro Ltd., view with satisfaction the overall results of the Company and its subsidiaries for the year to March 31, 1961. The total sale invoiced by the Company amounted to Rs. 3.51 crores as compared to Rs. 3.21 crores for the previous year. Income from commissions, compensations, and other sources amounted to Rs. 19.48 lakhs as compared to Rs. 17.18 lakhs for the previous year. During the year the Company issued further 3 lakh equity shares at par whereafter the Company's paid-up capital was at Rs. 1.25 crores. In the course of the year the Company acquired 3,12,500 shares at Rs. 10 each of M/s. Utkal Machinery Ltd., Bombay, and further 2,550 shares at Rs. 100 each of M/s. Christensen — Longyear (India) Ltd., Bombay. In December 1960 the Company obtained a loan of Rs. 20 lakhs through the Chartered Bank Bombay from the Refinance Corporation for Industry Private Ltd., Bombay, for the purpose of financing machinery for the manufacture of electrical switchgear and petrol dispensing pumps. Negotiations were also completed for the production in the Company's Powai workshops of equipment for sulphuric acid, and super phosphate plant, of drilling equipment and diamond bits, and of lubricated taper plug valves, all in collaboration with overseas manufacturers of equipment. The Directors have reported that Company's subsidiaries, Alu Capsules Ltd., India Crown Cork Company Ltd., Engineering Construction Corporation Ltd. and Viking Transport Ltd. recorded satisfactory results.

Profit during the year was recorded at Rs. 18.03 lakhs after making necessary provision for depreciation, taxes and development rebate reserve. The Directors have recommended Rs. 2.50 lakhs to be transferred to general reserve fund and Rs. 1 lakh towards dividend equalisation fund. Dividend on preference shares of Rs. 100 each has been declared at the rate of Rs. 6.50 per share subject to taxation. Dividend on equity shares of Rs. 10 each has been declared at the rate of Rs. 1.80 per share subject to deduction of tax.

Company Meetings

THE METAL BOX COMPANY OF INDIA LIMITED

REVIEW BY THE CHAIRMAN, MR. K. C. MAHINDRA

The Twenty-eighth Annual General Meeting of the Metal Box Company of India Limited will be held on Wednesday, the 19th July, 1961, at 59-C, Chowringhee Road, Calcutta.

The following is a copy of the Review by the Chairman, Mr K. C. Mahindra, which has already been circulated to members.

SALES

We have concluded another satisfactory year, with a rise in sales from Rs. 830 lakhs to Rs. 970 lakhs, 17 per cent over the last year, but of this increase some Rs. 52 lakhs or 6 per cent represents an increase in the price of raw materials, largely due to the substantial excise duties imposed last year on two of our basic materials—tinplate and aluminium. The Company's sales emphasis during the year has been on earning or saving foreign exchange. A substantial expansion in exports was achieved following vigorous promotional efforts. Calcutta No. 2, a factory devoted to foreign exchange saving products, viz, industrial components and machinery (previously imported) and plastics (made from local materials) achieved an 85 per cent increase in turnover. For the rest of the business the net increase was 8 per cent reflecting the steadily growing demand for packaged goods.

The Company has maintained its position despite increasing competition due to its continued ability to offer high quality products and service. Production resources, however, were extended in the latter half of the last calendar year, as a consequence of a temporary deterioration in the flow of tinplate supplies which was beyond our control. We are aware and sincerely sorry that our customers in certain areas were seriously inconvenienced during this period. However, towards the end of the financial year the position improved and customer goodwill has, by and large, been regained.

I feel constrained to repeat the emphasis I laid in my review last year on the question of pilferproofing. Newspapers report almost every day the widespread extent of adulterated and spurious products in the country, possibly affecting the health of the nation. The consumer package of which we offer such a large variety is perhaps the only sure means of beating the traffic in spurious goods. Typically its brand name is indelibly marked by lithography applied direct on to the metal; once factory-sealed it is tamperproof. The extension and improvement in the range of these packages is constantly engaging the engineering and research resources of your Company, but the high price, inflated by indirect taxation, of such essential packing materials as tinplate, aluminium and polyethylene favours the use of bulk packings. Since the product is dispensed loose from these, they constitute a standing invitation to adulteration and substitution.

The change-over to the metric system during the year provided some challenges to our production and marketing departments, but with the assistance of the Indian Standards Institution to the industry and the enlightened co-operation of our customers, our tasks have so far proved simpler than we anticipated.

PRODUCTION CAPACITY

It is necessary for me to reflect here on the factors governing the operation and growth of a Company like

ours, at a time when there appears to be an insufficient appreciation, by the planning authorities, of the role an efficient container-making industry can and needs to play in India's developing economy. Owing to lack of foreign exchange and insufficiency of home production of tinplate, your Company is unable to expand and diversify its production of containers using this metal as base. It is not realised that the production of apparently simple cans and closures, to the absolutely consistent quality standards essential for modern packaging systems, necessitates a complex industry employing engineering and technological skills of a high order. How complexity is rendered simple is told in the short illustrated story of a prawn can published with this review.

This impression of insufficient appreciation is reinforced by a list issued earlier this year by the Ministry of Commerce & Industry which includes, amongst the manufacturing licence applications which may 'ordinarily' be rejected without reference to the Licensing Committee, those concerning tin containers, collapsible and rigid tubes, 'excepting' where the fabrication is to be done by the packer himself. This policy decision is misconceived. It is vain to expect a packer to install the highly complicated and automated machinery required for producing Open Top food cans or lithographed General Line tin-containers and tubes to modern quality standards, for he will not have the requisite volume over which to spread the costs of expensive installation and overheads. Except in the case of plain unlithographed cans, usually large ones where freight considerations are over-riding, packers almost invariably find it to be in their own interest to buy their containers from specialists who through larger scale operation and continuous technological improvements can offer a better and more efficient product which will satisfy the requirements of the home demand as well as the highly competitive export markets.

This has undoubtedly been the experience in such countries as Britain, the United States, Japan, Canada, France, Germany, Holland, Australia and Malaya. To quote but one instance, over the last seven years Japan has developed her annual canning of processed food-stuffs from 700 million labelled cans, mostly unlacquered and undecorated, to 2000 million cans, most of which now are either internally coated with protective lacquer or decorated outside with process-resistant lithography. This spectacular advance, both technological and quantitative, could not have taken place but for the existence of a progressive, responsive, and highly organised can-making industry. I suggest that Indian packers, and food-packers in particular, need behind them a well-equipped and equally capable can-making industry, as an essential pre-condition to their playing their proper part in conserving food which at present goes to waste. Your Company aims at providing this service of supply backed by its Research Laboratories and can-closing machinery building operation in Calcutta. It is rational that packers of food—or, for that matter, of pharma-

ceuticals and other packs—should devote their energies and talents to developing the quality and volume of their production, rather than diverting them to the specialised business of can- or tube-making.

Nor should the package-makers' role in developing the country's export markets be underestimated. It is a simple fact that Indian manufacturers will only succeed in selling their products abroad if they are packaged to international standards. In this context it is necessary to stress the important point that high quality in the can-making industry is achieved by complex mechanised methods, justified only by a large volume. High quality in these markets is essential for competition there is fierce and we are up against foreign manufacturers who have all the advantages stemming from a massive volume of domestic production. For these reasons it is not possible to produce a utility standard for the domestic market and a higher standard for export. The quality standards in an exporting nation must be such that its products in the domestic market are increasingly worthy of exporting. Only if they are well packaged can consumer goods exports grow as they should; approximately Rs. 4 crores per annum of such exports are made possible today by your Company's packages and there is room for massive growth if we analyse the factors favouring exports correctly and act accordingly.

I, therefore, hope that the authorities, in the interest of superior and more economical supplies in the home market and the more vigorous development of exports, will take a realistic view in their licensing policy for India's container-manufacturing industry.

RAW MATERIALS

The overall availability of tinplate throughout most of the year was maintained at a satisfactory level. The crisis that developed at mid-year in Bombay was due to the delayed shipment of plate procured from overseas under DLF arrangements. Although every effort was made to achieve maximum production from the resources available, the operational efficiency of our Bombay factory was thereby adversely affected for several months.

Although the year opens with a satisfactory stock level, the outlook for the current year cannot be without anxiety. If Tatas proceed with the planned closure for overhaul of their billet mill, The Tinplate Company of India will be required to obtain their tinbar from unfamiliar sources. It is not difficult to visualise the manufacturing problems that could ensue. Rourkela is not expected to commence tinplate production until the end of the year and the continuing gap between indigenous supply and current demand can only be met by imports. This is not a situation which allows complacency in the face of the critical foreign exchange position.

Looking beyond the current year, Rourkela will provide only short-term relief, as the demand for tinplate is rising at a rapid rate. The National Council of Applied Economic Research have estimated that by the end of the Third Plan tinplate demand will have reached 250,000 tons and we have no reason to disagree with this estimate. It is believed that to meet this the Government of India contemplate licensing production capacity of 320,000 tons. Until a really substantial expansion of production capacity is put into effect, the import bill for tinplate will be heavy, notwithstanding the considerable efforts being made to utilise alternative packaging materials. Meanwhile, if the means of providing adequate imports are not found, the effect on the many industries dependent on tinplate containers for their packaging will be far-reaching with corresponding repercussion on the economy as a whole.

The Company's consumption of aluminium, although to an extent limited by availability, again

increased. Arrangements have since been made to procure a somewhat larger tonnage during the present year. Compared with the prices ruling elsewhere, the cost of Indian aluminium is very high. As the additional sources of supply now planned come into production this is a factor which will require the industry's consideration if the use of aluminium as a packaging material is to be properly developed.

Supplies of deep drawn mild steel were obtained during the second half of the year in sufficient quantity to allow increased production of industrial components. The outlook for the current year is at present uncertain but every possible effort is being made to ensure availability either from DLF, rupee payment or barter sources. It is to be hoped that the Company's representations on this score will not be ignored as the range of components now produced for the automotive, electrical and other industries represent in most cases direct saving of foreign exchange.

Co-operation between the Company's Research Laboratories and the suppliers of ancillary materials continued fruitfully during the year. As a result the Company's usage of wholly indigenous materials has broadened satisfactorily as quality has been brought up to the required standards.

DEVELOPMENT

The Company's Technical Development Section contributed significantly during the year to the improvement of manufacturing methods and the design and introduction of new products.

Calcutta No. 2 at which the Company's development projects are concentrated had a satisfactory year of consolidation. In the Plastics Works the range of products has been extended.

The expansion of machinery building facilities was continued. The range of plant for customers' use was increased and a start has been made on the building of replacement equipment for internal use. Foreign exchange savings are directly proportionate to the output of this section.

A small expansion of the Bombay factory building was completed and occupied while construction of an additional floor to the Bombay administrative block was started. These additions will facilitate improved plant layout and develop to the full the existing Worli site.

The transfer of plant to Faridabad was largely completed during the year; only a small reforming operation now remains at Azadpur. The availability of power did not improve as anticipated and in order to work a day shift generating equipment had to be installed.

BOARD CHANGES

In April 1961 Mr. R. W. Westbrook retired to return to an appointment in the United Kingdom. A member of the Board for fifteen years and Managing Director for the last three, he had served your Company with great loyalty, enthusiasm and skill for over twenty-five years. It was with regret that we said farewell to him.

The Board have appointed Mr. H. K. S. Lindsay as Managing Director and Mr. J. N. de N. Cochrane-Barnett as Deputy Managing Director. Both have wide knowledge and experience of the Company's affairs. Mr. Lindsay has been a Director since 1951 and Mr. Cochrane-Barnett since 1957.

EMPLOYEE RELATIONS

Good relations between management and employees have continued: it is gratifying that the latter and their representatives have as much faith in bipartite negotiations as the former. In pursuance of the Company's policy of keeping well abreast of area practices, agreements were concluded on the reclassification of occu-

pations, wages and salary, dearness allowance, and other conditions of service. Regrettably the daily rated employees in Madras constitute a solitary exception to this pleasant picture: for the third consecutive year no bipartite negotiations have been possible notwithstanding the settlement of a five year agreement covering the revision of salaries and grades with the Madras monthly rated employees.

Training remains an important feature of personnel policy. During the year the Company strengthened its own training arrangements and took every available opportunity for its staff to participate in suitable outside seminars, productivity teams and courses calculated to improve job knowledge, performance and potential for promotion. The scope of this activity has covered literally every category of personnel from the Daily Rated Worker to the Managing Director. The latter, for example, attended the ILO/NPC Conference of Industrial Leaders convened for "heads of organisations of national importance" in the public and private sectors. Other participants in outside courses were two members of top management in the NPC's Three Day Seminar

on Top Management; one manager at The Administrative Staff College in Hyderabad; three in advanced management courses; sixteen in courses for middle and junior management and salesmen. Nineteen of our Indian managers and technologists went abroad; three to programmes sponsored by the NPC and sixteen under training, one holding a short-term appointment, with our U.K. associates. Arrangements have been concluded under which the Company's training staff were able to commence regular residential courses of two to three weeks' duration for managers, management trainees, salesmen and foremen. So far thirty-four have undergone residential courses, twenty-eight men other training courses. The Company has continued to support the Workers' Education Scheme: Calcutta No. 1 has been the most active, their Unit Level Centre has now trained its third batch of workers.

It is gratifying for me to record the valuable co-operation of the Company's employees in our growing activities and I thank them and management for a year of hard and constructive work.

THE NEW GREAT INSURANCE CO. OF INDIA LIMITED

SPEECH OF MR. AMBALAL KILACHAND

Mr. Ambalal Kilachand presided over the Eighteenth Annual General Meeting of the Shareholders of the Company held at Baroda on the 23rd June, 1961, in the unavoidable absence of the Chairman, Mr. Tulsidas Kilachand. In his speech, Mr. Ambalal referred to some of the problems facing the Insurance Industry.

REMOVAL OF RESTRICTIVE REGULATIONS

He appealed to the Executive Committee to recommend to the Government to review the Insurance Act as a whole, remove all the provisions such as restriction on commission etc. and to enact new Insurance legislation in a simplified form based more or less on the laws prevailing in a highly developed country like the United Kingdom as, in his views, it was the existing restrictive regulation which hampered the smooth working of the Insurance Industry.

QUANTUM OF EXPENSES LIMIT

Mr. Ambalal also appealed to the authorities to re-examine the provisions of Section 40C of the Insurance Act and Rule 17E of the Insurance Rules pertaining to the quantum of expenses which were fixed over ten years ago at a time when the cost of living and the prices of commodities were very much lower, and to effect the necessary changes in the formula by making it more flexible, so that the Industry could conduct the business smoothly under the present-day conditions.

COMPULSORY CESSIONS TO APPROVED REINSURERS

Mr. Ambalal then referred to the passing of the Insurance (Amendment) Act whereby Government have made it compulsory for all Insurers in India to reinsure a certain percentage of their business with the Indian Guarantee & General Insurance Co., Ltd., in addition to the reinsurance already being placed with the India Reinsurance Corporation which had been formed a few years ago at the instance of the Government by Companies working in India who subscribed to the Corporation's capital and also undertook to reinsure with it a certain agreed percentage of business. He mentioned that Companies were spreading out their liability in as wide a geographical area as possible and were getting reciprocity to the fullest extent, particularly in the Fire Department, which had enabled them to build up a profitable reciprocal portfolio. On the other hand,

they would be receiving only 50 per cent reciprocity from the India Re. and the Indian Guarantee. As the main object for which the Amendment Act was passed was to conserve and earn foreign exchange, and with a view to making good to the companies the reduction in reciprocity, Mr. Ambalal felt that the India Re. and the Indian Guarantee should concentrate on bringing to the Indian Market an increasing volume of profitable business from abroad.

COMPANY'S BUILDING

Mr. Ambalal took the opportunity to mention that there had been certain unavoidable delay and difficulties in starting the construction of the Company's Building but once we surmounted these initial handicaps, the building would be completed as quickly as possible.

COMPANY'S ACCOUNTS

Dealing last with the departmental accounts, Mr. Ambalal stated that the gross direct premium for the year 1960 was Rs. 48,14,879 in Fire, Rs. 37,24,835 in Miscellaneous Insurance, and Rs. 38,20,963 in Marine, whilst the net premiums were Rs. 42,24,023, and Rs. 31,99,405 and Rs. 19,50,504, respectively. After providing for losses and expenses and reserves at 50 per cent in respect of Fire and Miscellaneous Insurance and 100 per cent for Marine, and after adding the balance brought forward from the previous year, the net amount to the credit of the Profit and Loss Appropriation Account in all was Rs. 3,20,736. The Directors had transferred Rs. 40,000 to the Staff Gratuity Account and had proposed to pay Twelfth Dividend on Ordinary Shares at Rs. 2-50 per share less deduction of tax, amounting to Rs. 2,50,000.

N.B.: This does not purport to be a record of the proceedings of the Annual General Meeting of the Company.

THE TRAVANCORE CEMENTS LIMITED

NATTAKAM, KOTTAYAM

Speech Delivered by the Chairman

SRI C. S. LOGANATHAN

At the Fourteenth Annual General Meeting

Held on 23-6-1961

Gentlemen,

I have great pleasure in welcoming you all to the fourteenth Annual General Meeting of our Company.

The audited Balance Sheet as at 31st December, 1960 and the Profit & Loss Account for the year ended that date and your Directors' Report have been in your hands for some time and with your permission I shall take them as read.

Our net profit for the year 1960 is Rs. 5,21,843. Even though the operation of the factory during 1960 had been as efficient as possible, the cost of production had been high due to various factors which were beyond our control. The major increase in the cost is that of fuel, while other items like spare parts, hardware materials, lubricants, packing materials etc. have also become costlier inflating the cost.

As we are not getting our entire requirements of coal by rail, which is the cheapest mode of transport, we have been forced either to get part of our requirements of coal by steamer, which is very expensive, or use Furnace Oil, a very costly fuel. During 1960, due to the serious problem posed by the unsatisfactory coal supply position, we were forced to operate the factory more than half the time with Furnace Oil. If we had been enabled to obtain our entire requirements of coal by rail route and thus avoiding the use of Fuel Oil and Seaborne coal, our profit would have been more by about Rs. two lakhs. The Government of India is seized of the coal transport situation and there is a proposal of Government arranging supply of coal by steamer under a subsidised freight scheme, but it has not been put into practice so far.

The price of cement payable to each producer is fixed by the Government of India based on the cost of production and the price for our cement was last fixed in June 1958 and is in force till 30-6-1961. We have submitted to the Tariff Commission all facts and figures relating to our cost of production to revise the price payable to us from July 1961. The Tariff Commission will be holding meetings with the Cement Producers shortly to finalise their enquiry and submit their recommendation to Government for the revision of cement price.

While the cost of naked cement is usually revised once in three years, the cost of packing payable to the producers was revised once in three months — based on the actual cost of gunnies without altering the F.O.R. destination price of packed cement. When the price of gunnies shot up by about 60 per cent from the fourth

quarter of 1960, the Government felt that it was impossible to accommodate the increase within the then existing F.O.R. destination price and it was not possible for the industry also to run without an enhanced packing allowance. Under the circumstances the Government permitted the producers to use second-hand bags up to 30-6-1961 for packing cement with effect from 1-1-1961 which was not permitted till then. We are now allowed Rs. 18 per tonne of cement as packing cost as against Rs. 13 fixed for the fourth quarter of 1960. We are trying our utmost to collect as many second-hand bags as possible to avoid any loss under this item and it is hoped that the Government will permit the producers the use of second-hand bags even after 30-6-1961, the time limit fixed at present.

I am also very happy to report that our White Cement sale is gradually increasing and the users of our "Vembanad" brand cement are very much satisfied about the quality of our cement.

It was felt an Association of the Cement Manufacturers is necessary to promote and protect the Industry, to solve the various problems facing the Industry and to have a common policy of all the Cement Manufacturers in the interest of the producers, Government and the public, I am now glad to inform you that an Association of the Cement Manufacturers has been formed and your Company is also a member of this Association.

By the implementation of the recommendations of the Central Wage Board, the salaries and grades of the Operatives and Staff have been fixed on an All India basis and although we as an uneconomical unit do not produce so much quantity of cement as other cement companies produce, yet we are paying the same salaries and wages paid by others as recommended by the Central Wage Board and the employees of our Company are in par with the employees of other Cement Companies in India in the matter of their salaries. I am very glad to inform you that the Labour-Management relations have been cordial during the year 1960.

Gentlemen, I thank you all for coming here to attend this meeting.

I now request that the Directors' Report and the audited Accounts for the year 1960 may be taken up for consideration and adoption.

NOTE: This does not purport to be a record of the proceedings of the Annual General Meeting.

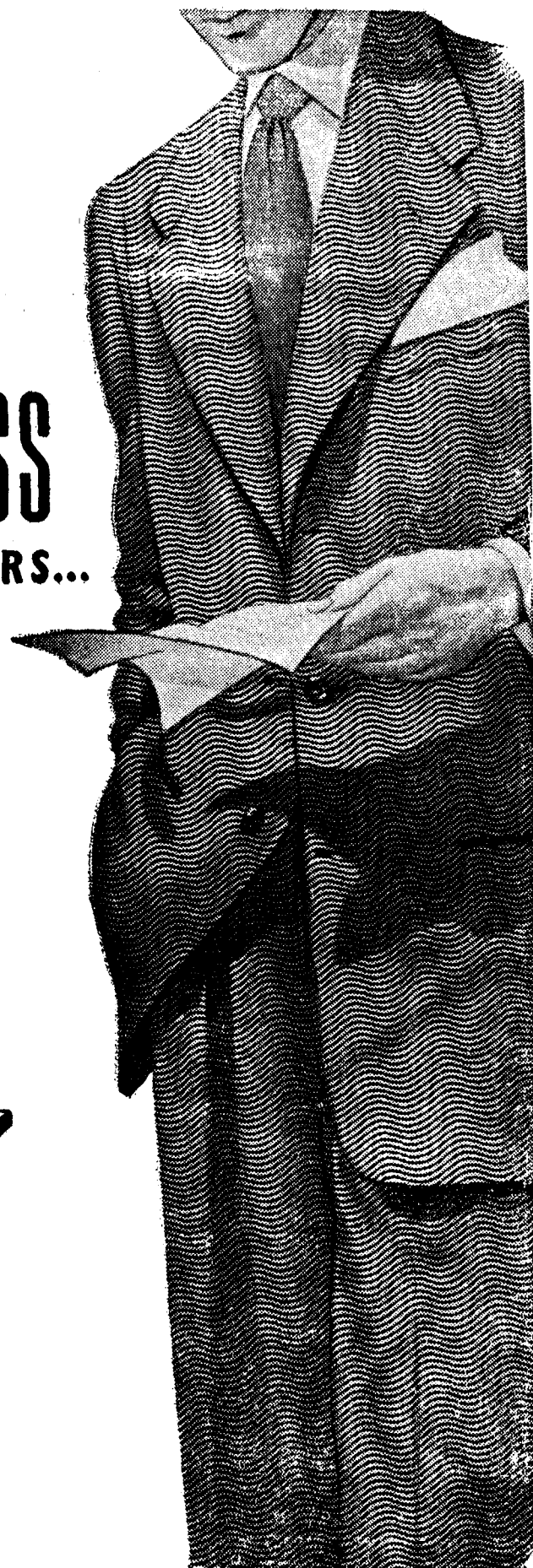
SMARTNESS THAT MATTERS...

"Clothes make the man" says the age-old Proverb. They not only impart smartness but also give that air of self-confidence to a man which is so necessary in all walks of life.

DIGJAM
WOOLLENS

stand in the forefront of today's finest Woollens and run the gamut of good taste.

Shree Digvijaya
Woollen Mills Ltd.,
Jamnagar



DV/NPS-55

BURMAH-SHELL REFINERIES LIMITED

Statement by Mr. L. D. Mudie, Chairman, at the Eighth Annual General Meeting held on 26th June, 1961.

Gentlemen:

1. The Directors' Report and Statement of Accounts for the year are before you. The crude oil intake of the Refinery was 366,035 metric tons more in 1960 than in 1959, with income from refining increasing from Rs. 10.91 crores in 1959 to Rs. 12.33 crores in 1960. As from 1st January, 1960, your Company ceased to benefit from the relief provided under Section 15(c) of the Income Tax Act and in consequence, has had to set aside Rs. 2.61 crores for taxation on 1960 profits as compared with Rs. 1.90 crores charged in the 1959 accounts.

2. An interim dividend of 15 nP. per rupee was declared and paid in November 1960 on the paid-up ordinary share capital absorbing Rs. 207.3 lakhs and the Board now recommend a final dividend of 5nP. per rupee which will absorb a further Rs. 69.10 lakhs; Income Tax at 20 per cent will be payable on these dividends.

3. I do not think further comments are required in respect of the details of our 1960 Statement of Accounts which are set out fully in the documents already circulated to you. I would now like to take this opportunity to give a few figures regarding the growth of Oil demand during the last five years under the dynamism of the Second Plan period and also project this picture into the Third Plan to see what contribution your Company has to make in this context.

4. In the process of the many-sided development through which the Indian economy has been passing, Oil has effectively played its part. Total inland oil consumption will have risen to about 7.8 million metric tons in 1961 from 4.9 million in 1956, a 59 per cent increase during this period. The percentage rise in consumption has varied from product to product; thus, demand for High Speed Diesel Oil will have risen by 162 per cent, while the demand for Furnace Oil will have gone up by 57 per cent, that for Light Diesel Oil by 48 per cent, Lubricants by 47 per cent and Kerosine by 36 per cent.

5. There appears to be much support for the view that we should provide for an annual compound growth rate of about 12 per cent during the Third Plan period, as compared to the rate of 10 per cent experienced in the Second Plan. These projections will naturally require revision at regular intervals, but it is generally recognised that energy is an essential overhead of economic growth and the growing importance of oil in the Indian pattern of energy consumption has been well demonstrated during the last decade.

6. At the meeting of the Oil Advisory Committee held in May this year, a figure of 13.55 million metric tons was agreed as the likely inland demand in 1966. Including the provision for international bunkers, total demand for refined petroleum products will be about 14.14 million metric tons representing a crude oil equivalent of about 15.27 million metric tons. The Oil Advisory Committee will review their forecasts at regular intervals and experience may well show an upward revision is necessary. Your Company attaches much weight to these figures, for with such targets before us, the exchange of ideas and plans between the public and private sectors is greatly facilitated, thus

leading, it is hoped, to an understanding that a full contribution from both sectors is essential, if the task ahead is to be completed in time.

7. While opinions may differ in regard to priorities, one incontrovertible fact emerges, namely that to meet a demand of the order of 15 million metric tons of crude equivalent by the end of the Third Plan, investment on a large scale in all phases of the business is required not only now but as a recurring need into the long-term future. The Oil Industry is highly capital intensive and experience has proved that to find, produce, refine and distribute to the consumer 1 million tons of Oil calls for a capital investment of approximately Rs. 60 crores. It is apparent, therefore, that an increase in consumption by about 7 million tons over the Third Plan period calls for a capital investment of some Rs. 400 crores if this increase alone is to be assured.

8. Investment is only one aspect of the problem. Equally important is the time factor; here, there are no short-cuts. There is no way of finding oil without drilling; the risk of failure is great and even successful ventures take many years and consume much money before the fruits of success in the form of commercial production of crude oil are ready to reach the consuming market.

9. From the moment of inspiration, to engineer, construct, staff, and bring on full stream a new refinery, is the work of years.

10. The distribution of oil presents its own special problems in a country the size of India; here is a railway system doing a magnificent job but nevertheless unable always to cater for the full traffic. The road system is still in the development stage. An oil distribution net work must therefore provide innumerable upcountry storage points to ensure the smooth flow of supplies throughout the country.

11. I am convinced that for prompt, effective action to meet these challenges there is need for a massive effort, attacking the problem from as broad a front as possible, and enlisting help from all who are willing to contribute, on terms which are reasonable and still in keeping with the avowed objectives of Indian economic development.

12. In his speech at this meeting last year the Chairman said that provided we were permitted to go ahead with our expansion proposal there might be room for further modification in the terms of the 1951 Refinery Agreement in addition to the Duty Protection which we had agreed to forego.

13. Arising from the above statement the Ministry of Steel, Mines & Fuel informed the Company that the question of revising the Refinery Agreement and a proposal to expand the capacity of the Refinery would have to be treated quite separately and that it would not be desirable to link them together. This letter was dated 14th September, 1960.

14. In February this year the Company received an official reply to its original proposal for the expansion but in this instance Government stated that they were unable to consider any proposal for the expansion

of the refinery in terms of the 1951 Agreement. The letter went on to state that, as the total refinery capacity likely to be available by the end of the Third Five-Year Plan period would be about 10.75 million metric tons and product demands at that date had been variously indicated as 10 to 14 million metric tons per annum, Government had decided, subject to reconsideration in the light of a more accurate forecast of product demand by the Oil Advisory Committee, that further increase in refining capacity in the Private Sector was not considered necessary. As mentioned earlier, the Oil Advisory Committee has now estimated product demand in 1966, including international bunkers, at about 14.14 million metric tons.

15. Revised cost estimates, which have more recently been communicated to Government, show that the additional million tons of refining capacity will cost only Rs. 2.83 crores, a fraction of the cost of constructing a new refinery of comparable capacity, and that the project to manufacture Lubricating Oil, now stepped up from 60,000 to 100,000 metric tons capacity per annum, will cost Rs. 6.47 crores. The total cost of the two projects has therefore been reduced by Rs. 2.28 crores and I would remind you that there will be no request to Government for foreign exchange, which will be provided from our own resources.

16. Despite the cool reception which these proposals have received so far I feel they are so sound and their acceptance is so much in the country's interest that we should be optimistic about the final outcome.

17. It will perhaps be useful again to refer to the sustained increase in Middle Distillate production and reduction in yield of Motor Spirit achieved by your Company between its commencement of operations and the year under review.

	1955	1960
Motor Spirit (% production on crude intake on weight basis)	22	14.9
Middle Distillates (% production on crude intake on weight basis)	33.5	45.1

18. Continued improvements in manufacturing techniques increased Crude throughput, as already stated, by 366,035 metric tons to a total of 2,843,010 metric tons in 1960, producing an additional 295,000 tons of essential Middle Distillates and only a marginal extra quantity of Motor Spirit. This represents a substantial contribution towards minimising the import of deficit products. Today your Refinery is operating at a rate equivalent to an annual Crude intake of 3 million metric tons and this further achievement is in logical conformity with the concept of utilising the country's capital assets to the maximum—a cardinal principle in a capital hungry world.

19. While there will be a critical period of product imbalance with a considerable surplus of Motor Spirit following the commissioning of the Gauhati and Barauni Refineries, there are encouraging indications in the longer term. One favourable factor is the development of chemical and fertiliser industries based on a light petroleum feedstock and in this connection a contract has been concluded by our Marketing Associates with F.A.C.T. for the supply of naphtha to their Fertiliser Plant at Alwaye. Also of interest is a contract recently signed by our Marketing Associates with the Fertiliser Corporation of India for the supply of 50,000 metric tons of refinery gas annually to their Trombay Plant.

20. Before I close, I would like to refer to four further points of interest.

21. During last year, negotiations were undertaken with Government for permission to manufacture Jute Batching Oil and I am happy to report that the necessary licence has now been received and the Refinery has already commenced production of a high quality which conforms to the very special requirements of the Jute Industry.

22. Our Marketing Associates are in negotiation with the Oil and Natural Gas Commission for processing at our Refinery indigenous crude from the Ankleshwar oilfields. Many important details have yet to be settled, but the Railway Authorities have in hand the laying of sidings at the refinery site to handle this crude oil traffic in tankwagons.

23. Your Company offered to train 18 operators for the Gauhati Refinery and also to accept two of their senior staff for study visits. These offers have been accepted and training will commence shortly.

24. Your Managing Director, Mr. G. B. S'anger, was honoured to accept the invitation extended to him last year by the Council of Scientific and Industrial Research to serve as a member of the Governing Council of the Indian Institute of Petroleum. I have no doubt that he will bring to bear on the deliberations of the Council his wide experience in the Oil Industry acquired over many years in different countries.

25. It remains for me to thank the Managing Director and those who worked for him for the considerable achievements of the year under review. The encouraging financial and technical results referred to earlier are the result of their hard work and ingenuity and in the full expectation that these qualities will be with us in the years to come, we look to the future with confidence.

CHANGE IN BOMBAY REPRESENTATIVE'S ADDRESS

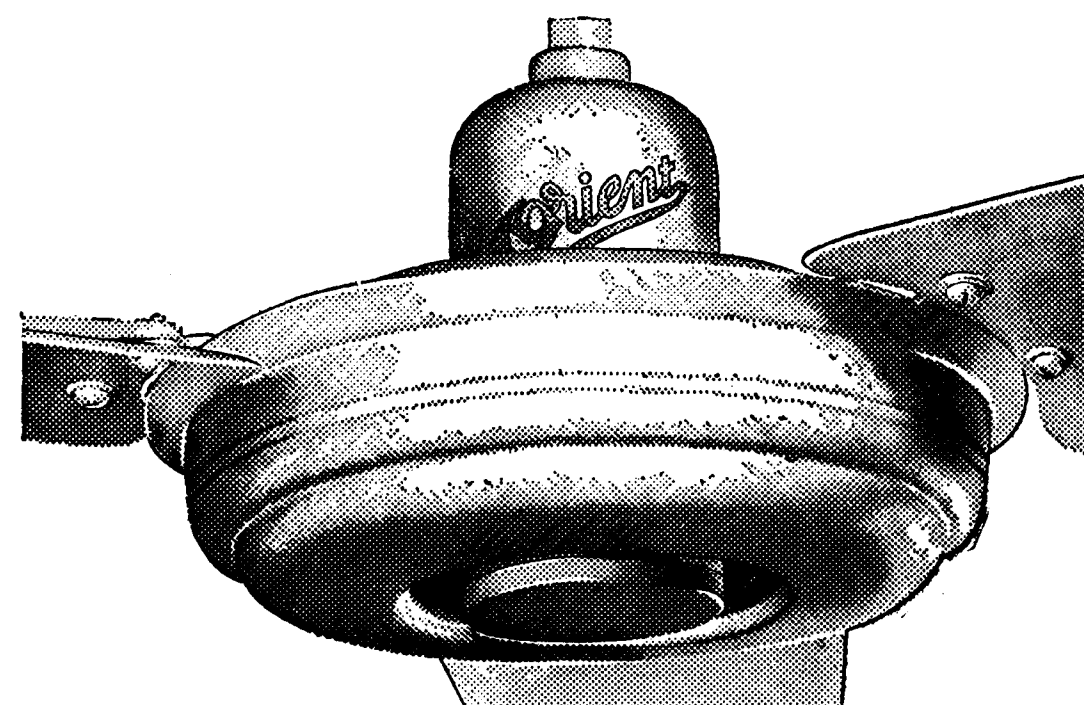
Please note that our BOMBAY OFFICE has moved to:

**United Commercial Bank Bldg.,
1st Floor,
359, Dr. Dadabhai Naoroji Road, Bombay-1**

All correspondence, etc. to our Bombay office from now onward should be addressed at the above-mentioned address.

ISSUED BY THE HEAD OFFICE OF
THE EASTERN ECONOMIST LIMITED

United Commercial Bank Bldg., Parliament Street, New Delhi.



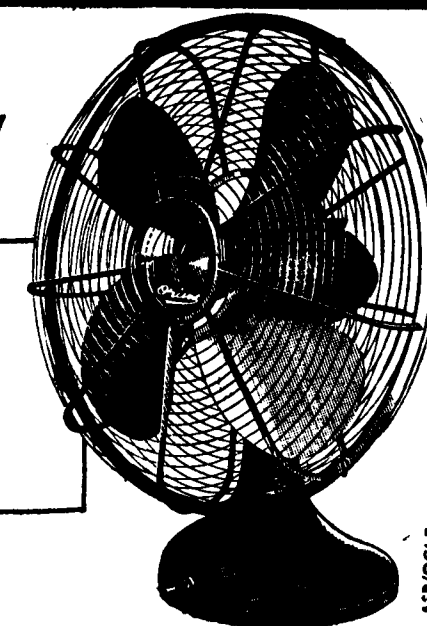
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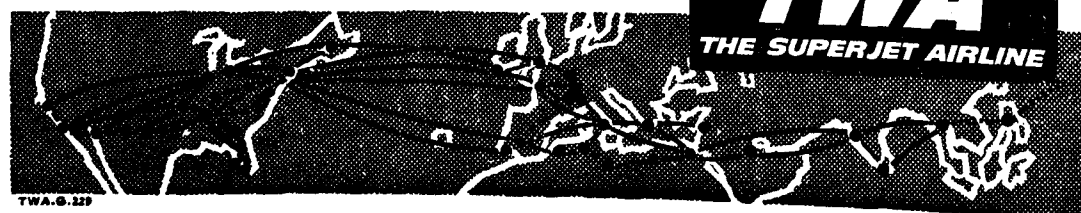
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THE TRAVANCORE RAYONS LIMITED

Speech delivered by Sri Ar. Ramanathan, Chairman of the Travancore Rayons Limited, at the Fifteenth Annual General Meeting of the Company held at Rayonpuram on June 28, 1961.

Dear Shareholders :

I am happy to extend to you all a warm welcome on the occasion of this Fifteenth Annual General Meeting of your Company. With your kind permission, I propose to take as read the Annual Report and Accounts for the year ended December 31, 1960.

TEMPO OF PROGRESS MAINTAINED

The results of the year 1960 show that the tempo of progress has been well maintained. The working for the year has resulted in a profit of Rs. 61.62 lakhs, after providing a sum of Rs. 36.47 lakhs for depreciation, Rs. 15.70 lakhs for Dev. Rebate Reserve, and Rs. 1.50 lakhs for gratuity reserve, and after paying Rs. 23.95 lakhs as excise duty.

DISTRIBUTION OF REVENUE

With the balance of Rs. 2.29 lakhs brought forward from the previous year, the total profit amounted to Rs. 63.90 lakhs and your Directors recommend the following appropriations:

	(Lakhs)
(1) Provision for taxation	Rs. 27.30
(2) Additional dividend for 1959 on the Preference shares, @ 1.5%	0.75
(3) Dividend on Preference shares for 1960 @ 6.5%	3.25
(4) Dividend on Equity shares at 20%	20.00
(5) Transfer to General Reserve	10.00

The balance of Rs. 2.61 lakhs will be carried forward.

The dividends, both preference and equity, when declared, will be paid subject to the statutory deduction of 30 per cent at source as per Sec. 18(3D) of the Income Tax Act.

Having regard to the expansion of the Company which has already taken place, it is only legitimate that you should expect higher returns on your capital. But, you will appreciate that the heavy Development Rebate Reserve we had to set apart during the period under review, the need for more funds for expansion and rehabilitation, the steep rise in the excise duty on rayon and imposition of excise duty on cellulose film, have underlined the need for great caution and conservatism. Hence, your directors have been obliged to maintain the equity dividend at the last year's level.

The Central Government have, in their last budget, increased the excise duty on rayon steeply, by 66-2/3 per cent and also imposed an equally high excise duty of 20 per cent ad valorem on our cellulose film. Further, by a recent notification, the spinning units have been asked to bear 60 per cent of the increase in the duty on rayon, and pass on only 40 per cent to the consumers. This, coupled with the fact that the cost of manufacture of rayon yarn is already going up on account of increase in the cost of raw and auxiliary materials bearing excise duty, is harsh and I share the view that this rather exceptional treatment to rayon yarn producers alone is not fair. The profits earned by a few units because of certain initial advantages should not lead the Government to a wrong impression; and it has also to be remembered that rehabilitation of machinery at the current increased prices will involve

the rayon yarn manufacturers in considerable capital expenditure. I would appeal to the Government to reconsider their decision taking all facts into consideration.

FINANCIAL POSITION

As all of you may be aware, the Preference shares (Regulation of Dividends) Act, 1960 has been put on the Statute Book and, according to it, the preference dividend has been increased to 6.5 per cent subject to the statutory deduction of 30 per cent tax. The benefit of this increased rate has already been given in respect of the 1959 dividend also. The financial liability to the Company on this account has gone up by Rs. 75,000 per annum.

You will notice that your directors have transferred a sum of Rs. 10,00,000 to General Reserve, bringing this Reserve up, to Rs. 70,00,000. Together with the sum of Rs. 26,55,000 under Development Rebate Reserve and the Gratuity Reserve of Rs. 4,00,000, the total reserves stand at Rs. 1,00,55,000 which is about 67 per cent of the paid up capital of the Company. The Debenture and loan liabilities to the Kerala Government have been completely wiped out as on date. You will appreciate this is a good achievement, especially as the amount originally borrowed was as much as Rs. 96,00,000. Besides, we have made fixed capital additions to the tune of about Rs. 95 lakhs during the last year.

PRODUCTION

The production of your factory, as a whole, has been satisfactory and the upward trend has been maintained during the year under review also. In October 1960, a third plant for production of cellulose film was opened by His Excellency the Governor of Kerala, Sri V. V. Giri. This machine is a modern, high speed machine. With the installation of this third machine, the total production capacity for film has risen to 10 tons per day. I might say with confidence that the Travancore Rayons can, not only meet the entire demands of the country for cellulose film, but also export some quantity. The sulphuric acid plant, which was commissioned over a year ago, has helped the Company to become self-sufficient in its needs of sulphuric acid, leaving also a surplus for sale outside.

THIRD FIVE - YEAR PLAN AND EXPORT PROMOTION

We have now just entered the Third Five-Year Plan, which has as its target a total investment of Rs. 10,200 crores, of which Rs. 6,200 crores will be in the public sector and Rs. 4,000 crores in the private sector. The principal aim of the Third Five-Year Plan is to secure a marked advance towards self-sustaining growth. Increasing efforts will have to be made to develop the basic and heavy industries and machine-building capacity. This leads to the need for large foreign exchange during period of such development. It is heartening to find that the progress which the country has made so far and the way the monies have been usefully spent, have infused great confidence in the outside world and many friendly countries are coming forward to help India with foreign aid. At the same time, it is obviously quite necessary that the means of increasing exports have to be developed to the greatest extent possible. You will be pleased to know that your Company is also making a modest beginning in this direction.

The establishment of an export market for our cellulose film is being seriously pursued, although this may mean that, for the time being, some loss may have to be suffered in facing the severe competition by long-standing and established industrial countries with vast resources and advancement. But, for ultimate success in this endeavour, Indian industries will have to keep abreast of the latest technological progress and, what is more, the efficiency of the Indian labour will have to improve quite a lot. I am one of those who believe in giving to labour an increasing share of the Industry's fortunes, but production has, obviously, to precede distribution. Production of quality goods at cheap cost is the need. It is an acknowledged fact that at the moment the productivity of the Indian labour is very low, compared to other advanced countries.

EXPANSION PLANS

The expansion plans of your Company are progressing well. I have already referred, earlier, to the inauguration of a third cellulose film plant. The cotton linter plant, about which I mentioned at the last General Meeting, is scheduled to go into production by the latter part of 1962. To start with, we will produce 3600 tons of linter pulp per year. Provision is being made to enable increase of the output to 7200 tons per year. This project will stand us in good stead by reducing our dependence on imports, by saving foreign exchange for the country and by giving superior quality pulp and, hence, better quality yarn and film.

Our application to the Government of India for licence for increasing our rayon yarn by 5 tons per day has been sanctioned and negotiations are in progress for implementing the scheme. The increase in capacity is expected to take effect only from the end of 1962 or early in 1963 as all the necessary formalities, import and erection will take time. With this increase,

our total capacity for rayon yarn will rise to 13.6 tons per day.

INCREASE OF CAPITAL

To meet the rupee funds which may be needed to meet all these expansion schemes, your directors are considering the issue of further capital but they have not so far come to a definite decision. I have thought it better to mention this at this Meeting as there is considerable speculation in the market regarding this.

LABOUR RELATIONS

Your Company has done its best to foster cordial relations with labour, but I regret to inform you that despite the 1958 long-term agreement (which will expire on December 31, 1961), more demands have already been made on the company and in certain cases the management had to yield, thereby imposing additional burden on the Company. Recently, a Time and Motion Study was made in a few departments, and it is found that in certain departments the efficiency is only about 30 to 35 per cent, and in some 40 to 45 per cent.

With this state of affairs, and especially now, when the company is called upon to meet heavy tax liabilities, it is to be seen how efficient the factory's working results will be in the future. The wastage of valuable materials and indifference to work is more evident not only in the lower cadre of employees but also at the middle management level. I hope that all concerned will appreciate the position; and if better production and quality are not maintained, they will only be killing the goose that lays the golden egg. I now propose that the Directors' Report, balance-sheet and Profit and Loss Account for 1960 be approved and adopted.

NOTE: This does not purport to be the report of the proceedings of the General Meeting.

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS.

No subscriptions are invited on the basis of this announcement. Intending subscribers should obtain from the Registered Office or any of the Bankers or brokers referred to hereunder, copies of the Prospectus, and the Forms of Application.

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 of the Company. It must be distinctly understood that in giving this consent the Central Government do not take any responsibility for the financial soundness of any scheme or for the correctness of any of the statements made or opinions expressed with regard to them.

A Licence was obtained from the Central Government for the establishment of this new industrial undertaking at Bombay, a copy of which is also open to public inspection at the Head Office of the Company. Subsequently, a fresh Licence has been obtained from the Central Government for the change of location to Satna, a copy of which is open to public inspection at the 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 or opinions expressed in regard to it.

A copy of the Prospectus, along with documents attached thereto, has been delivered to the Registrar of Companies, W. Bengal, as required, by Section 60 of the Companies Act 1956.

The shares of the Company are already quoted on the Delhi Stock Exchange. Applications have been made to the Calcutta and Bombay Stock Exchanges for permission to deal in and for official quotations of the shares of the Company.

THE SUBSCRIPTION LIST WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS ON MONDAY THE 3RD JULY, 1961, AND WILL CLOSE AT THE CLOSE OF BANKING HOURS ON SATURDAY, THE 8TH JULY, 1961 OR EARLIER AT THE DISCRETION OF THE DIRECTORS, IF THE ISSUE IS FULLY SUBSCRIBED, BUT NOT BEFORE THE CLOSE OF THE BANKING HOURS ON WEDNESDAY THE 5TH JULY, 1961.

UNIVERSAL CABLES LTD.

(Incorporated on 6th March, 1945 at Calcutta under the Indian Companies Act 1913.)

SHARE CAPITAL AUTHORISED

Rs. 5,00,00,000 divided into 30,00,000
Equity shares of Rs. 10/- each, and
2,00,000 Preference shares of Rs. 100/-
each Rs. 5,00,00,000

SUBSCRIBED AND PAID UP CAPITAL

3,49,725 Equity Shares of Rs. 10 each.
These shares are fully paid up, payment having been received in cash .. Rs. 34,97,250

PRESENT ISSUE

7,00,000 Equity Shares of Rs. 10 each
at par Rs. 70,00,000

Out of the Present Issue:

(a) Offered to the existing members of the Company pursuant to Section 81(1) of the Companies Act, 1956, 3,49,725 Equity shares of Rs. 10 each for cash Rs. 34,97,250

(b) Offered to the Public under the prospectus for subscription in cash 3,50,275 Equity shares of Rs. 10 each Rs. 35,02,750
.. .. . **Rs. 70,00,000**

Such of the shares offered to the existing members of the company as are not taken up by them and/or their nominees will also be available for subscription to the public.

(The aforesaid new Equity shares shall rank in all respects *pari passu* with the existing ordinary shares of the company except that they shall not be entitled to share in any dividend in respect of the year ending 31st March, 1961 or any previous period. The dividend payable in any year would be in proportion to the amount paid on the shares from time to time).

DIRECTORS

Name	Address	Occupation and Description
1. Shri M. P. Birla	18, Gurusaday Road, Calcutta.	Industrialist and Merchant.
2. " D. P. Goenka	145, Mukhtar Babu Street, Calcutta.	Industrialist and Merchant.
3. " A. M. M. Arunachalam.	'The Laurels', Chittaranjan Road, Madras-18.	Industrialist and Merchant.
4. " Arvind Narottam Lalbhai.	'Shalimar' Shahibagh, Ahmedabad.	Industrialist and Merchant.
5. " P. R. Sarker.	P/165, Block 'C', New Alipore, Calcutta.	Industrialist and Merchant.
6. " K. N. Tapuria	2, Brabourne Road, Calcutta.	Industrialist and Merchant.
7. " H. P. Barot.	14, India Exchange Place, Calcutta.	Stock Broker and Partner of M/s. G. M. Pyne, Calcutta.
8. " S. K. Birla.	8, India Exchange Place, Calcutta.	Industrialist and Merchant.

JAYSHREE TEA

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"INDIA EXCHANGE",
CALCUTTA-1

Managing Agents :
BIRLA BROTHERS PRIVATE LIMITED

(PROPOSED) MANAGING AGENTS:

BIRLA GWALIOR PRIVATE LIMITED,
Baijal's Kothi, Morar,
GWALIOR.

Subscribed and Paid-up Capital — 2,50,000 Ordinary
Shares of Rs. 10 each .. **Rs. 25,00,000.**

REGISTERED OFFICE:

8, India Exchange Place, Calcutta-1.

BANKERS FOR THE ISSUE:

1. The State Bank of India, 1, 2, & 3, Strand Road, Calcutta.
2. The United Commercial Bank, Ltd., 2, India Exchange Place, Calcutta.
3. The Central Bank of India Ltd., 33, Netaji Subhas Road, Calcutta.
4. The Bank of Baroda Ltd., India Exchange Place, Calcutta.
5. The Bank of India Limited, 23-B, Netaji Subhas Road, Calcutta.

SOLICITORS:

M/s. Khaitan & Co., 1 & 2, Old Post Office St., Calcutta.

AUDITORS:

M/s. S. R. Batliboi & Co., Ch. Accountants,
1B, Old Post Office Street, Calcutta.

BROKERS:

1. M/s. G. M. Pyne,
14, India Exchange Place, Calcutta.
2. „ Jhawar & Co.,
7, Lyons Range, Calcutta.
3. „ Navalchand T. Shah & Co.,
102, Stock Exchange New Building, Apollo
Street, Fort, Bombay.
4. „ Chimanlal J. Dalal & Co.,
Stock Exchange Building, Dalal Street, Fort,
Bombay.
5. „ Devkaran Nanjee & Co.,
Horniman Circle, Fort, Bombay.
6. „ Batlivala & Karani,
Union Bank Building, Dalal Street, Fort,
Bombay.
7. „ A. Pandit & Co.,
32, Apollo Street, Fort, Bombay.
8. „ Harbans Singh Mehta & Co.,
33, Regal Buildings, New Delhi.
9. „ Maconochie & Co.,
Mercantile Bank Building, 16, First Line Beach,
Madras-1.

The consents in writing of the abovenamed Bankers, Solicitors, Auditors and Brokers to act in their respective capacities have been filed with The Registrar of Companies.

APPLICATIONS AND SUBSCRIPTIONS

Applications for shares by members of public must be for a minimum of 25 shares or multiples of 25 shares.

TERMS OF PAYMENT OF ABOVE SHARES

On Application .. Rs. 5/- per share.
Balance .. Rs. 5/- per share on call to be made
not earlier than 6 months
after allotment.

Rs. 10/- PER SHARE.

BORROWING POWERS

The Directors may borrow and secure the payment of money for the purposes of the Company within the limitation imposed by Section 293 of the Companies Act 1956 in such manner and upon such terms and conditions in all respects as they think fit.

OBJECTS AND PROFITABILITY OF THE COMPANY

The particular immediate object is to manufacture Paper Insulated Lead Covered Power Cables with an annual capacity of 624 miles.

India's dynamic growth under the First and Second Five-Year Plans and the progressively increasing tempo under the Third Plan is associated with the rapid expansion of electricity in the country in which cables play a vital role. If power is not available in ample sufficiency to meet demand, a very serious restriction on the proper growth of all industries will occur and its effect will be even more seriously felt in the processing industries which offer the greatest scope for increasing employment. Equally, if agricultural improvement and rural development take place as they should, there will be a vast and important demand for increasing quantities of power for villages and agricultural development. Therefore, a concern such as this, should do well in a country which has huge electrical programme in hand. The phenomenal progress of electricity has led to a corresponding demand for cables.

Power development has been given top priority in the Third Five-Year Plan. It is proposed to increase the total generating capacity of power from 5.8 million KW at the end of the Second Plan to 13.4 million KW at the end of the Third Plan. It is expected that 25,000 additional towns and villages will be electrified during the Third Plan period bringing the total to 44,000.

POTENTIAL DEMAND

Distribution of this power load to consumers — industrial and domestic — would involve heavy requirements of Paper Insulated Cables. The production target of these cables at the end of the Third Five-Year Plan has been laid down at 4,000 miles per annum. Indigenous production in 1960 was only 570 miles and there is, therefore, a considerable gap between supply and demand. Hitherto, a major requirement of these cables was being met by imports from foreign countries, which have had to be severely curtailed owing to the shortage of foreign exchange. Therefore, there should be no difficulty in selling the company's total output.

The industrial advancement of a country is measured in terms of per capita consumption of electric energy and from this point of view, our present consumption of electricity is awfully low. Both in the 'take off' stage as also in subsequent plan periods, rapid industrialisation would mean a substantial increase in the production of PILC Cables to bring the energy to the consumers and, as such, prospects for future expansion of this industry are excellent.

The Company has also been investigating the prospects of production of other electrical items used for the dissemination of electric energy and on the basis of such investigations application for the required Industrial Licence under the I.D.R. Act has already been made.

Production in the normal course is expected to commence by December 1962. The Directors hope that barring unforeseen factors, they will be in a position to pay a reasonable dividend on the equity capital.

TECHNICAL COLLABORATION

British Insulated Callender's Cables Ltd. of U.K. are the foreign technical collaborators in this project.

They are specialists in this line and as is well-known, are the largest manufacturers of cables in the world. The U.K. collaborators will assist in setting up the Factory and shall provide technical assistance, know-how, use of patents and processes to ensure that the Company's products are of the highest quality. British Insulated Callender's Cables will send technicians from U.K. to the Company's Works to train Indian personnel and also to assist in the production. B.I.C.C. will keep the Company in the fore-front technically and would permit employees of the Company to be trained in their U.K. factories and laboratories.

The Central Government's approval has been obtained for their appointment.

TERMS OF APPOINTMENT OF PROPOSED MANAGING AGENTS

Subject to the approval of the Central Government and of the Company in General Meeting, it is proposed to appoint Messrs. Birla Gwalior Private Limited as the Managing Agents of the Company for a period of 10 years with effect from 1st April, 1961 on the following terms as to remuneration:

A Commission at the sliding scale ranging from 10 per cent of the net profits of the Company on the first Rs. 10 lakhs down to 4 per cent or any sum over one crore of rupees in any Financial Year or part thereof computed in the manner provided under Sections 349 and 350 of the Act.

In the case of absence of inadequacy of the profits in any financial year, a minimum remuneration of Rs. 50,000/- to be paid in eleven monthly instalments of Rs. 4,000/- and the balance sum of Rs. 6,000/- to be paid at the end of the last month of each financial year.

LOCATION

The Plant shall be located at Satna in the State of Madhya Pradesh. Satna is geographically well situated and enjoys all the facilities of rail and road transport. The site has excellent facilities in regard to power and water and sufficient land is available to provide for the present needs and also for future expansion. A Railway Siding already exists near the site which shall be extended to our Works at a small cost.

INTEREST OF DIRECTORS

All the Directors will be interested to the extent of any shares subscribed by and allotted to them in the Company.

Shri M. P. Birla is a member and Director of M/s. Birla Gwalior Private Ltd., the proposed Managing Agents of the Company.

Shri H. P. Barat is a partner of M/s. G. M. Pyne, one of the Underwriters and Brokers named in the Prospectus.

Shri S. K. Birla is a member of M/s. Birla Gwalior Private Ltd., the proposed Managing Agents of the Company.

None of the Directors has any interest in any property acquired by the Company within 2 years of the date of this Prospectus or proposed to be acquired by it.

UNDERWRITING

The entire issue of Rupees Seventy Lakhs has been fully underwritten, the names of the Underwriters and the amount of the shares underwritten by them being as stated below:

Names	Amount Underwritten (Rupees in Lakhs)
-------	---

1. M/s Investment Corporation of India Ltd. 22.00
'Ewart House,' Bruce Street, Bombay-1.

2. M/s. G. M. Pyne, 8.00
14, India Exchange Place, Calcutta-1.
3. „ Navalchand T. Shah, & Co., 8.00
102, Stock Exchange New Building,
Dalal Street, Bombay-1.
4. „ Chimanlal J. Dalal & Co., 8.00
Stock Exchange New Building, Dalal
Street, Bombay-1.
5. „ Devkaran Nanjee & Co. 8.00
Horniman Circle, Bombay-1.
6. „ Batlivala & Karani, 8.00
Union Bank Building, Dalal Street,
Bombay-1.
7. „ A. B. Pandit & Co., 8.00
32, Apollo Street, Bombay-1.

In the opinion of the Directors, the resources of the said Underwriters are sufficient to discharge their underwriting obligations.

UNDERWRITING COMMISSION

A commission at the rate of 2.5 per cent shall be paid to the underwriters in the case of 3,50,275 Equity Shares offered to the Public and also a commission at the same rate shall be paid on such Equity Shares which are not taken up by the existing shareholders or their nominees and are allotted to the Public.

BROKERAGE

Brokerage will be paid by the Company to members of the recognised Stock Exchanges and to banks at the rate of 1 per cent on the nominal value of the aforesaid Equity Shares offered to the Public in respect of the shares allotted against applications bearing their stamps. No brokerage is payable in respect of the shares which may be allotted to the existing shareholders and/or their nominees as right shares.

Brokerage on the same basis will be payable to the Underwriters who are also brokers to this issue in respect of the shares, allotted against applications made or procured by them provided that the relative forms of application bear their respective stamps, and in such case no brokerage will be payable to any other party in respect of the shares so allotted.

CAPITAL REQUIREMENT

Capital out-lay for the project is given below:-

	Rs. (in lakhs)
Land	3.00
Buildings	28.50
Plant and Machinery	135.97
Preliminary Expenses	2.53
Working Capital	80.00
	250.00
The above sum will be met in the following manner:-	
From Equity Share Capital	105.00
„ Foreign Exchange Loans ICICI and CDFC (under negotiation)	80.00
„ Borrowings from Banks	65.00
	250.00

The minimum subscription in respect of the present issue on which the Directors will proceed to allot is Rs. 70/- lakhs which is the total amount of the present issue offered to the existing members and to the public.

IMPORT LICENCE AND FOREIGN EXCHANGE

The Company has made an application for import licence for the requisite plant and machinery.

Applications have been made to Messrs. ICICI, Bombay, and Messrs. CDFC, London, for foreign exchange loan to the value of Rs. 80 lakhs, and the same are under their consideration.

INSPECTION OF DOCUMENTS

The following agreements and documents can be inspected at any time during the usual business hours at the Registered Office of the Company until seven days after the opening of the subscription list:

1. Copy of the Memorandum and Articles of Association.
2. Licence No. L/5(6)-17/EEI/61 dated 31st January, 1961, issued by the Government of India under the Industries (Development and Regulation) Act and Rules in favour of the Company.
3. Licence No. L/5(6)-30/EEI/61 dated 24th May, 1961, issued by the Government of India for change of location.
4. Consent Order No. R. 42-CCI/61 dated 9th May, 1961, and an amendment letter No. R. 42-CCI/61 dated 14th June, 1961 issued by the Controller of Capital Issues in favour of the Company.
5. Correspondence exchanged between the Underwriters and the Company containing the terms of the Underwriting Agreement.
6. Draft Managing Agency Agreement with M/s. Birla Gwalior Private Ltd.
7. Technical Collaboration Agreement to be executed by the Company with B.I.C.C.
8. Balance Sheet and Profit & Loss Accounts for the last five years.

APPLICATION AND ALLOTMENT

Applications must be for 25 shares or multiples of 25 shares. All applications must be made on the form accompanying this Prospectus which can be had from the Company's Bankers and Brokers. All appli-

cation forms properly completed must be lodged together with the amount payable on application with any of the following Banks or at their branches mentioned below:-

BANKS IN BOMBAY

1. The State Bank of India.
2. The United Commercial Bank Ltd.
3. The Central Bank of India Ltd.
4. The Bank of Baroda Ltd.
5. The Bank of India Ltd.

BANK'S MAIN OFFICES AT:

Calcutta, Bombay, Delhi, Madras, Ahmedabad, Rajkot, Poona, Bangalore and Bhopal.

The remittance should be made by cheque or draft drawn on any Bank in the aforesaid towns (i.e. Calcutta, Bombay, Delhi, Madras, Ahmedabad, Rajkot, Poona, Bangalore and Bhopal) only and deposited with the above Banks or their above Branches.

Cheques or drafts should be drawn in favour of any of the above banks. A/c. The Universal Cables Ltd. For the applicant's protection cheques or drafts should be crossed 'Account Payee only'. A separate cheque or draft must accompany each application.

Allotment will be notified by the despatch of an allotment letter, but the Directors reserve the full uncontrolled right of accepting or rejecting any application in whole or in part in either case without assigning any reason. Where an application is rejected or not accepted in full, the whole or any balance of the application money received will be refunded within two months from the date of the closing of the Subscription list, to the applicant, in which event Bank commission, if any, will be payable by the applicant.

ISSUE OF SHARE CERTIFICATES

Certificates for shares allotted in terms of this offer will be ready for delivery in exchange for the letters of allotment within nine months after the date of allotment.

Current Statistics

INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Average of months/ Average of weeks ended Saturdays		Fuel Power			Industrial Raw materials	Manufactures			All Commo- dities
		Food articles & Tobacco	Liquor	Light and Lubricants		Inter- mediate Products	Finished Products	Total	
1953-54	..	106.7	98.7	99.2	109.7	98.5	99.0	98.9	104.6
1955-56	..	86.6	81.0	95.2	99.1	100.1	99.6	99.7	92.5
1956-57	..	102.3	84.3	104.2	116.0	110.9	105.5	106.3	105.3
1957-58	..	106.4	94.0	113.5	116.5	107.3	108.2	108.1	108.4
1958-59	..	115.2	95.4	115.4	115.6	110.3	108.4	108.4	112.9
1959-60	..	119.0	99.5	116.5	123.7	113.8	111.3	111.7	117.1
1960-61	..	120.0	110.0	119.6	145.4	130.5	122.8	123.9	124.8
February	1960	118.0	96.0	117.3	131.6	120.5	115.6	116.3	119.5
March	"	117.0	96.4	117.8	131.9	121.3	116.1	116.6	118.9
April	"	118.6	103.1	118.1	134.2	123.2	116.9	117.8	120.4
February	1961	116.3	111.2	119.8	159.4	134.2	128.4	129.2	126.7
March	"	117.6	114.2	121.3	159.1	137.2	128.1	129.4	127.5
April	"	117.5	112.0	122.3	152.9	136.0	125.3	126.8	125.7
13-5-1961	..	117.6	108.4	122.3	153.7	136.9	124.7	126.5	125.7
20-5-1961	..	117.4	98.9	122.4	153.2	136.7	124.1	125.9	125.2
27-5-1961	..	117.4	98.9	122.7	152.0	137.1	124.3	126.1	125.1
3-6-1961	..	118.0	101.9	122.8	149.1	137.7	123.8	125.8	124.9
10-6-1961	..	118.7	100.3	122.8	147.1	139.3	121.8	124.3	124.5

*Revised.

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

Period	Bombay		Delhi	Ben- gal	U.P.	Central Provinces		Madras June 1936=100	Ludhiana†	Jamshedpur†	All India†
	Bombay	Bombay June 1934=100				Nagpur	Jubbulpur†				
1939 (Aug.-Dec.)	103	—	—	—	105	104	—	106	—	—	—
1954	342	359	244	138	327	408	373	139	341	148	138
1955	322	338	217	130	321	371	364	133	321	134	132
1956	336	352	244	142	347	424	397	151	358	152	145
1957	352	368	259	150	364	448	422	162	374	157	152
1958	376	394	274	159	384	468	447	165	401	157	161
1959	393	412	308	158	384	469	498	163	429	166	173*
1960	401*	420*	296	158*	397*	476*	512*	165	462*	167	171*
1960 July	404	423	302	160	406	484*	515	165*	467	169	174
August	402	421	304	160	410	484*	515	163	470	169	174
September	399	418	302	161	403	489	520	163	472	167	173
October	402	421	304	162	396	488	517	163	477	171	173
November	404	423	300	159	392	489	509	163	484*	171	171
December	400	419	297	160	385	478*	507	163	488*	169	171*
1961 January	400	419	296	161	385	480	—	165	470*	171	166*
February	401	420	—	163	389	487	491	165	474*	172	164*
March	404	423	—	164	392	483	488	—	479*	—	167*
April	—	—	—	165	389	—	—	—	482*	—	170*
May	—	—	—	166	—	—	—	—	—	—	—

†Base 1944=100. *Provisional.

PRICES OF GOLD AND SILVER IN BOMBAY (SPOT) WEEK ENDED

	23-6-1961			16-6-1961			9-6-1961			2-6-1961		
	High	Low	Average	High	Low	Average	High	Low	Average	High	Low	Average
Gold (per 10 grams)	122.20	120.80	121.18	122.50	119.85	121.03	119.90	119.10	119.48	119.90	118.45	119.23
Silver (per kilogram)	204.05	202.75	203.25	204.00	201.70	203.17	203.25	199.75	201.77	201.40	198.30	199.33

Superior



UMBRELLA CLOTH

BY

Century Spg. & Mfg. Co., Ltd.
Bombay

Contact:

SHREEKANT
Trading Co.
Private Ltd.
1-3, Brabourne Rd.,
Calcutta - 1

The pioneer Manufacturers of all types of quality UMBRELLA CLOTH



NPS-70

SCHEDULED BANKS

(Rs. in Lakhs)

Period	LIABILITIES			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. Secur- ities in India (11)	
	Demand	Time	Total (2+3)							Cash (Note + Coins)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
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	60.68	339,74
1955-56 ..	608,64	407,95	1,016,59	34,64	52,52	8.69	514,37	118,08	63.02	370,71
1956-57 ..	653,34	453,92	1,107,26	36,94	50,23	7.96	626,08	155,56†	71.39	359,35
1957-58 ..	723,89	619,19	1,343,08	39,34	77,55	8.72	723,79	167,32†	66.77	385,54
1958-59 ..	735,93	860,33	1,596,26	40,30	83,99	7.74	766,56	133,27†	56.37	565,14
1959-60 ..	745,83	1086,79	1,832,62	44,84	75,81	6.58	842,75	144,49†	53.87	725,20
1960-61* ..	794,49	1155,87	1,950,36	47,04	93,09	7.17	995,75	162,94	59.48	688,52
Average of Fridays										
December 1960	794,20	1128,10	1,922,30	45,61	91,21	7.12	991,46	155,21†	59.65	662,44
January 1961	793,54	1103,32	1,896,85	44,79	78,39	6.49	1042,22	169,59	63.89	621,24
February 1961	803,25	1092,13	1,895,38	45,46	71,07	6.15	1071,18	183,27	66.19	593,27
March 1961	820,31	1074,28	1,894,59	45,14	70,03	6.07	1107,98	197,93	68.92	566,54
April 1961	854,21	1093,17	1,947,33	47,78	74,18	6.27	1111,89	205,35	67.64	553,13
May 1961	845,27	1108,21	1,953,48	48,43	73,26	6.23	1085,24	194,17	65.49	548,23
Week Ending										
12-5-1961 ..	844,23	1109,68	1,953,91	49,73	72,15	6.24	1108,73	198,16	66.88	552,65
19-5-1961 ..	838,76	1110,55	1,949,31	48,00	71,08	6.11	1103,58	190,22	66.37	543,31
26-5-1961 ..	838,89	1114,94	1,953,83	47,25	73,94	6.20	1018,48	188,18	61.76	549,83
2-6-1961 ..	827,09	1120,61	1,947,70	46,60	78,96	6.45	1101,40	187,16	66.16	550,45
9-6-1961 ..	822,87	1127,70	1,950,57	46,37	76,76	6.31	1102,88	185,61	66.06	537,11

† Including foreign bills purchased and discounted.

MONEY SUPPLY WITH THE PUBLIC

(Lakhs of rupees)

Last Friday		Deposit money with the public					
		Money supply with the public	Total currency with the public	Total	Demand liabi- lities of banks	Other depo- sits with Reserve Bank†	Total variations in money supply
(1)		(2) = (3) + (4)	(3)	(4)	(5)	(6)	(7)
1953-54	.. ..	1,793,97	1,229,43	564,54	549,83	14,71	+ 29,26
1954-55	.. ..	1,920,63	1,311,77	608,86	599,16	9,71	+126,65
1955-56	.. ..	2,184,32	1,505,09	679,23	567,22	12,01	+263,69
1956-57	.. ..	2,312,89	1,556,50	756,39	744,74	11,65	+128,57
1957-58	.. ..	2,388,83	1,606,60	782,22	762,36	19,87	+ 75,94
1958-59	.. ..	2,498,76	1,724,53	774,23	754,98	19,25	+109,92
1959-60	.. ..	2,703,13	1,862,72	840,41	818,62	21,79	+204,38
October	1960	2,660,69	1,823,80	836,89	812,18	24,71	+ 30,08
November	"	2,668,68	1,843,44	825,24	804,15	21,09	+ 7,99
December	"	2,737,29	1,898,73	838,56	813,05	25,50	+ 68,60
January	1961	2,792,66*	1,944,99*	847,67	821,72	25,94	+ 55,38*
February	"	2,815,17*	1,966,85*	848,32*	827,78*	20,54	+ 23,79*
March	"	2,908,07*	2,028,18*	879,89*	860,93*	18,96	+ 91,70*
April	"	2,940,58*	2,025,87*	914,71*	868,56*	46,15	+ 38,57*

* Provisional.

† Excluding balances held on I.M.F. Amount No. 1.

Source: Monthly Bulletin of Reserve Bank

PURPOSE-WISE DISTRIBUTION OF SCHEDULED BANKS' ADVANCES: 1955-60

(Amount in lakhs of Rupees)

	Dec. 31, 1955	Dec. 31, 1956	Oct. 25, 1957	Oct. 31, 1958	Oct. 30, 1959	Oct. 28, 1960
I. Industry						
Cotton Textiles (Ginning, Pressing Spinning, Weaving etc.)	49,69 (7.7)	81,48 (10.2)	111,18 (12.6)	122,06 (14.7)	120,02 (12.8)	127,48 (11.6)
Jute Textiles	14,53 (2.3)	26,48 (3.3)	28,17 (3.2)	23,05 (2.8)	18,36 (2.0)	22,91 (2.1)
Rayon, Nylon and Silk Textiles	—	—	—	6,40 (0.8)	7,22 (0.8)	9,32 (0.8)
Other Textiles	15,45 (2.4)	21,02 (2.6)	26,05 (3.0)	12,02 (1.4)	12,33 (1.3)	11,06 (1.0)
Iron and Steel	7,09 (1.1)	7,73 (0.9)	16,87 (1.9)	21,58 (2.6)	28,15 (3.0)	32,81 (3.0)
Coal, other Mining & Quarrying	6,80 (1.1)	7,86 (0.9)	9,21 (1.0)	9,92 (1.2)	13,78 (1.5)	14,24 (1.3)
Engineering	31,13 (4.8)	58,36 (7.3)	67,90 (7.7)	72,02 (8.7)	82,82 (8.9)	98,72 (9.0)
(i) Heavy Engineering and structural	—	19,76 (2.5)	32,26 (3.7)	39,03 (4.7)	38,71 (4.1)	40,94 (3.7)
(ii) Light Engineering	—	38,60 (4.8)	35,64 (4.0)	32,99 (4.0)	44,11 (4.7)	57,78 (5.3)
(a) Automobiles and parts	—	—	—	9,03 (1.1)	11,00 (1.2)	15,02 (1.4)
(b) Wire and wire products	—	—	—	1,46 (0.2)	2,51 (0.3)	3,59 (0.3)
(c) Bicycles and parts	—	—	—	3,94 (0.5)	4,73 (0.5)	6,97 (0.6)
(d) Others	—	—	—	18,56 (2.2)	25,87 (2.8)	32,20 (2.9)
Sugar and Gur	25,33 (3.9)	32,45 (4.1)	27,79 (3.2)	23,85 (2.9)	17,19 (1.8)	42,05 (3.8)
Vegetable Oil Crushing and Refining (including Vanaspati, Soap etc)	11,28 (1.8)	10,55 (1.3)	10,26 (1.2)	9,86 (1.2)	11,93 (1.3)	13,91 (1.3)
Chemicals, Dyes and Pharmaceuticals	9,72 (1.5)	14,59 (1.8)	14,88 (1.7)	14,27 (1.7)	19,64 (2.1)	30,67 (2.8)
Concerns producing electrical goods and accessories	—	—	—	3,97 (0.5)	5,94 (0.6)	13,00 (1.2)
Cement	3,98 (0.6)	2,80 (0.3)	9,68 (1.1)	13,29 (1.6)	14,40 (1.5)	15,96 (1.4)
Public Utilities, (e.g. transport and Communications, gas, electricity, etc.)	10,61 (1.7)	5,99 (0.7)	7,71 (0.9)	7,06 (0.8)	9,51 (1.0)	25,56 (2.3)
Paper and paper products	—	—	—	6,84 (0.8)	9,63 (1.0)	13,07 (1.2)
Rubber and Rubber Products	—	—	—	1,60 (0.2)	3,92 (0.4)	6,95 (0.6)
Leather and Leather Goods	—	—	—	3,70 (0.4)	2,42 (0.3)	3,35 (0.3)
Fuel Oil	—	—	—	3,09 (0.4)	3,14 (0.3)	4,15 (0.4)
Plantation	—	—	—	—	—	34,30 (3.1)
Others	35,36 (5.5)	36,23 (4.5)	54,00 (6.1)	43,53 (5.2)	38,07 (4.1)	43,26 (3.9)
TOTAL OF INDUSTRY	220,96 (34.3)	305,53 (38.5)	383,71 (43.6)	398,11 (47.9)	418,48 (44.7)	562,76 (51.2)

PURPOSE-WISE DISTRIBUTION OF SCHEDULED BANKS' ADVANCES 1955-60 (Contd.)

(Amount in lakhs of rupees)

	Dec. 31, 1955	Dec. 31, 1956	Oct. 25, 1957	Oct. 31, 1958	Oct. 30, 1959	Oct. 28, 1960
II. Commerce						
(a) Trade						
Wholesale Trade	214.97 (33.3)	270.78 (34.1)	254.13 (28.9)	212.39 (25.5)	251.94 (26.9)	268.29 (24.4)
(i) Agricultural Commodities	91.01 (14.1)	104.87 (13.2)	80.04 (9.1)	61.92 (7.4)	71.60 (7.7)	72.47 (6.6)
(1) Foodgrains	—	19.36 (2.4)	15.07 (1.7)	10.22 (1.2)	12.26 (1.3)	14.23 (1.3)
(2) Raw Cotton	23.45 (3.6)	34.89 (4.4)	20.90 (2.4)	12.73 (1.5)	13.65 (1.5)	16.31 (1.5)
(3) Raw Jute	10.66 (1.7)	10.29 (1.3)	9.25 (1.1)	4.33 (0.5)	4.66 (0.5)	4.68 (0.4)
(4) Oilseeds	8.19 (1.3)	7.08 (0.9)	9.02 (1.0)	7.43 (0.9)	12.46 (1.3)	6.98 (0.6)
(5) Other Agricultural Com- modities	36.46 (5.7)	14.65 (1.8)	12.09 (1.4)	14.08 (1.7)	17.10 (1.8)	19.63 (1.8)
(ii) Non-Agricultural Commodities	123.95 (19.2)	165.91 (20.9)	174.09 (19.8)	150.47 (18.1)	180.34 (19.3)	195.82 (17.8)
Retail Trade	14.33 (2.2)	14.22 (1.8)	14.67 (1.7)	12.62 (1.5)	15.45 (1.7)	19.28 (1.8)
(b) Financial	61.27 (9.6)	58.90 (7.3)	69.06 (7.8)	58.82 (7.0)	77.44 (8.2)	69.64 (6.3)
TOTAL OF COMMERCE (in- cluding others)	323.17 (50.1)	376.81 (47.5)	375.85 (42.7)	312.54 (37.6)	373.55 (39.9)	395.28 (35.9)
(iii) Agriculture	11.30 (1.8)	13.85 (1.7)	24.18 (2.7)	21.56 (2.6)	25.72 (2.7)	6.59 (0.6)
(iv) Personal	*	59.08 (7.4)	55.62 (6.3)	58.90 (7.1)	68.15 (7.3)	86.66 (7.9)
(v) Professional	55.38** (8.6)	8.42 (1.1)	5.76 (0.7)	7.40 (0.9)	9.83 (1.1)	10.12 (0.9)
(vi) All others	34.12 (5.3)	29.87 (3.8)	35.45 (4.0)	32.97 (4.0)	40.00 (4.3)	38.63 (3.5)
TOTAL ADVANCES	644.94 (100.0)	793.55 (100.0)	880.56 (100.0)	831.49 (100.0)	935.71 (100.0)	1100.04 (100.0)

Note: (1) '—' denotes non-availability of data.

(2) Figures in brackets indicate percentages to total.

THE PATTERN OF SCHEDULED BANKS' ADVANCES : 1950-60

(By Major Groups)

(Rs. lakhs)

Groups	Dec. 1950	Dec. 1955	Dec. 1956	Oct. 1957	Oct. 1958	Oct. 1959	April 1960	Oct. 1960
1. Industry	152.36 (32.0)	220.96 (34.3)	305.53 (38.5)	383.71 (43.6)	398.11 (47.9)	418.48 (44.7)	533.31 (47.4)	562.76 (51.2)
2. Commerce	246.13 (51.7)	323.17 (50.1)	376.81 (47.5)	375.85 (42.7)	312.54 (37.6)	373.55 (39.9)	444.17 (39.4)	395.29 (35.9)
(a) Trade	175.21 (36.8)	261.90 (40.5)	317.91 (40.2)	306.79 (34.9)	253.72 (30.6)	296.11 (31.6)	369.31 (32.8)	325.65 (29.6)
(b) Financial	70.92 (14.9)	61.27 (9.6)	58.90 (7.3)	69.06 (7.8)	58.82 (7.0)	77.44 (8.3)	74.86 (6.6)	69.64 (6.3)
3. Agriculture	10.96 (2.4)	11.30 (1.8)	13.85 (1.7)	24.18 (2.7)	21.56 (2.6)	25.72 (2.7)	19.36 (1.7)	6.59 (0.6)
4. Personal and Professional	42.15 (8.9)	55.38 (8.5)	67.50 (8.5)	61.38 (7.0)	66.30 (8.0)	77.98 (8.4)	88.95 (7.9)	96.78 (8.8)
5. All others	24.03 (5.0)	34.12 (5.3)	29.87 (3.8)	35.45 (4.0)	32.97 (4.0)	40.00 (4.3)	40.23 (3.6)	38.63 (3.5)
Total Advances	475.63 (100.0)	644.94 (100.0)	793.55 (100.0)	880.56 (100.0)	831.49 (100.0)	935.71 (100.0)	1,126.02 (100.0)	1,100.04 (100.0)

Note: Figures in brackets indicate percentages to total.

DESIGN...

for finest performance

Of all aspects of industrial endeavour the most intriguing is thermo-dynamics, for it is this medium that provides industry with its greatest power—steam. Therefore, wherever high pressure steam-raising plant is used, there is a story...a story of experience, analysis and design.

Varying Conditions

Wherever new steam-raising plant is to be installed, either for generating power or in industry, it is essential that skilled investigation and analysis be carried out to ensure that the plant is *tailor-made* to give optimum performance under varying local conditions and requirements.

Fuel

Having established the purpose for which the steam power created will be required, it is necessary for the design engineer to identify the type of fuel to be used, either oil, gas or coal. Coal is by far the most widely used fuel, but its thermal content varies and it is therefore necessary to make an analysis to establish the percentage of principal heat-producing elements present. The thermal content of fuel has an important bearing on the designing of the kind of plant to be installed. Generally low-grade coal is used with anything up to 50% ash content. It should be remembered that steam must be raised as economically as possible.

Waste fuel

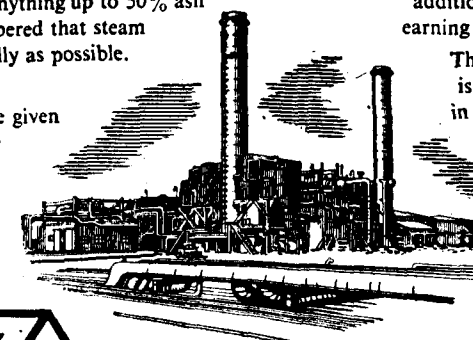
Particular attention has to be given to industries that wish to use waste material as fuel. For instance, the sugar industry absorbs vast quantities

of waste material in the form of bagasse for fuel; again in the pulp and paper industry it is now the practice to combine the processes of chemical recovery and steam raising by burning the 'black liquor' from the digestors in a special type of boiler unit. Of course, these industries cannot keep their steam-raising plant functioning entirely on waste materials. So, in their designing and planning, the technicians and design engineers must allow for varying fuels to be used and at the same time achieve optimum performance.

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The new and powerful industrial group of ACC-Vickers-Babcock Ltd., with its vast resources of technical knowledge and the rich, wide experience of its partners, will undoubtedly prove a powerful ally in achieving the high target set by the government for the installation of boiler and thermal power plant during the third Five-Year Plan. AVB will be able to draw on the finest engineering minds to study, design and draw up plans that will *tailor-make* not only vital steam-raising plant but also heavy mining and cement-making machinery which will help meet the exigencies of industrial expansion and, in addition, ultimately contribute towards the earning of foreign exchange through export.

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The Indian Economy in 1960

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A Year of Significant Achievements

THE calendar year 1960, with all its trials and tribulations, must still be reckoned a magnificent economic success. This is because the national income of the Indian Union has responded splendidly to a successful agricultural year in 1960-61, and daring statisticians, willing to predict the national income for 1960-61, before the year is over, are inclined to believe that the figure will be of the order of Rs. 13,110 crores at 1952-53 prices. Per capita income will pass, they say, the Rs. 300 mark. The instruments of this success are both agriculture and industry, but particularly agriculture. Foodgrains production is for the first time believed to be reaching the 75 million ton mark which was the first target of the Second Five-Year Plan. Industrial production has risen nearly 10 per cent within the year, at least reckoned until August; the great pace-makers were iron and steel, general engineering and chemicals, with the old retainers, cotton textiles and jute, running disappointingly low in terms of the rate of rise. All in all, a spurt of dynamism of this order has carried the Second Plan — or at least the revised (reduced) Plan — to a triumphant conclusion.

Beneath the happy general conclusion that national income has reached the revised (and reduced) target, there are less comforting factors to note and inwardly digest. The first of these is the precarious position of foreign exchange, greater than any other weakness in our armour, as we approach our Third Five-Year Plan for which the gap, inclusive of repayments, is reckoned at Rs. 2,000 crores. During the year — in fact in September — sterling balances reached an all time low of Rs. 139 crores and, while they have recovered owing to gifts from Germany and a special allo-

cation of Rs. 6.67 crores from the U.K., the prospect is by no means happy. It may be, however, that the target set for Rs. 180 crores at the beginning of the Third Plan might be achieved because of the favourable seasonal character of the next three months. Nevertheless, the future of all import policies is bleak if one of the tests of rigour is to be found in the availability of "untied" credits. Of such credits, there is an increasing scarcity which is now, likely to be made more difficult by the United States balance of payment crisis.

Next to foreign exchange, there is the behaviour of prices during the year. The general index of wholesale prices reached an all-time peak of 122.5 in October, 1960, recording a rise of nearly 8 per cent on the average 1959-60 figure. It has since declined; the large stock of wheat under P.L. 480 and the favourable agricultural year, which includes an excellent rice crop, holds out the hope that this is more than the current seasonal effect on the prices. Nevertheless, it was noted during the year that food no longer dominated the index. Industrial raw materials and manufactures both rose steeply, the former more than the latter, and fuel and power also exhibited an uncomfortable rise. All in all, the inflationary elements of the economy remain, and have not been cushioned by any acts of official policy.

Not, indeed, that the Reserve Bank of India has been inactive during the year. On the contrary, it has been more than active in imposing a restriction of bank deposits and regulating advances. The total effect at the moment has not been great, but experiment and trial and error at least show a likely sense of respon-

sibility which should be subdued. What has militated against the Reserve Bank's effort has been a jolt to the banking system, first with the failure of the Palai Bank, and then with a number of withdrawals which seem to suggest that the general public is by no means so sure of the banking system as earlier in the year. The banking system is, of course, basically sound. But this has not prevented a steep decline in the rate of rise in deposits and, in some months, there has actually been a fall.

If the factors counted above stood by themselves they would cause some little concern. Standing next to India's Third Five-Year Plan, which shows no disposition to contract, and is occasionally driven upward both by enthusiastic States as well as the exigencies of transport and power, which cannot be resisted, one

might argue that the problems of resources is now likely to be acute both on the foreign exchange and rupee account. It does no good to pretend, because the Second Plan is fulfilled, that the Third Plan is half done. The fact is that the problems with the Third Plan are far more serious than the Second and the order of the magnitude of the new effort required by the country has not been appreciated. Perhaps, it is as well that the country should put itself in a frame of mind of a continuing crisis. Unless a crisis effort similar to that produced by a state of war takes hold of the minds of those responsible for economic policy, it is difficult to see how 1961 can be even as good as 1960. Yet, in the mirror of India's expectations it is deemed to be much higher. It also cannot be forgotten that an election in 1962 has been arranged further to display popular discontent on the year's failures.

Agricultural Production

THE most notable event of the year 1960 in the sphere of agriculture was the conclusion, by the Union Minister for Food and Agriculture, of the massive deal with the Government of the U.S.A. for the import of 17 million tons of foodgrains against rupee payment. It is an indication of the correct comprehension at long last of the problem of food supply under a developing economy. In the form of this agreement, the Government of India has taken the essential step of providing a strong initial support for the country's agricultural plan. The two-fold objectives of this massive deal, it has been stated, are to help the Government of India effectively to implement its agricultural plan for reaching a target of 110 million tons of foodgrains by the end of the Third Plan and to hold the price line so as to contain inflationary pressures. If we could achieve these objectives, India would really make a remarkable advance in her march towards economic progress. However, as the Vice-President of the Indian Merchants' Chamber, Bombay, aptly said in June, 1960, when Mr. S. K. Patil returned to India after signing the PL 480 Agreement in Washington, this is not easy enough, for "the magnitude of the problems in reaching the objectives is not only great, but the path towards progress is intricate and we have to cross several hurdles and break many barriers."

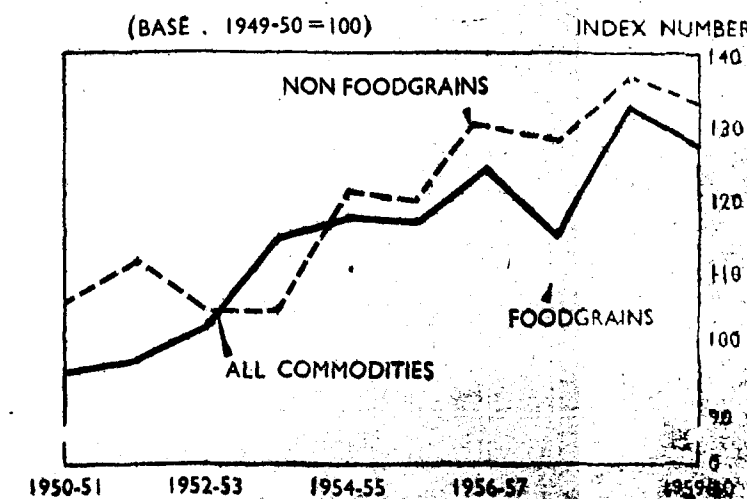
Despite the attention it has been receiving, agriculture has continued to pose many challenging problems. Almost since Planning began in this country in 1951 and even before, for that matter, agricultural development has started receiving high priority. In the first Plan, for example, nearly 34% of the Plan investment was devoted to agriculture and allied activities. Unfortunately, presumably swept off their feet by the results of the First Plan, the authorities made a departure in the Second Plan and accorded more emphasis to industry than to agriculture. From 14.8 per cent in the First Plan, investment in agriculture was reduced to 11.3 per cent in the Second Plan. This inadequate allotment to agriculture and the unfortunate seasonal failures in 1957-58 combined to create a situation which forced the powers-that-be to revise their attitude towards agricultural production. Fortunately—or is it unfortunately?—compelled by the rapidly rising population forced upon them by the rapidly rising population (estimated to reach 480 millions at the end of 1966), the authorities were not slow to accept the suggestion of the Ford Foundation Team to Plan for a foodgrains output of a minimum of 110 million tons. This is also what has been provided for under the Third Five-Year Plan, but the Planning Commission has provided for an investment of only Rs. 2,000 crores on agriculture and allied schemes. Even this investment does not mark a significant advance over the position under the Second Plan. Apart from the outlay, there are other aspects, technological, administrative and distributive, which call for concentrated thought and attention.

Judging from the latest available estimates one gets the impression that, by and large agricultural production has been maintained. The index number of agricultural production (1949-50=100) which was 132.3 for 1958-59, has dropped to 127.2 in 1959-60 and, on the basis of available estimates for 1960-61 so far, it can be safely assumed that there will be a rise in output, subject to only unforeseen factors, such as floods and draughts. Under individual commodity groups, the year is expected to end up with a record output of as much as 75 million tons, but this still falls short of the Second Plan target of 80 million tons. Although there has not been any great fluctuation in acreages under foodgrains, except in wheat, thanks to improvements effected in agricultural practices and greater use of fertilisers, overall production has not been adversely affected to an appreciable extent. With more and more acres being brought under the Japanese method of cultivation, the latest rice crop is expected to rise from 29.3 million tons in 1959-60, and cross even the peak level of 30.5 million tons recorded in 1958-59. The prospects of wheat crop are also considered promising. The latest foodgrains stock position with the Government (2.7 million tons) is the highest in recent years. With comfortable stocks thus, and the recent reversion to a freer movement of foodgrains, there has been a significant fall in cereal prices generally and of rice prices in particular, as is clearly reflected in the index number of prices. The latest All-India Index for the foodgrains group is 120.2 as against 121.4 a year ago. In coarse cereals, like jawar and bajra on the other hand, there were perceptible declines, both in acreage and output, but the position improved in the case of maize. Presumably because of the relatively poor 'rabi' harvest in pulses, the total All-India position of pulses supplies in 1959-60 was slightly affected (by a little over 5 per cent), though not to such an extent as to upset the overall position seriously.

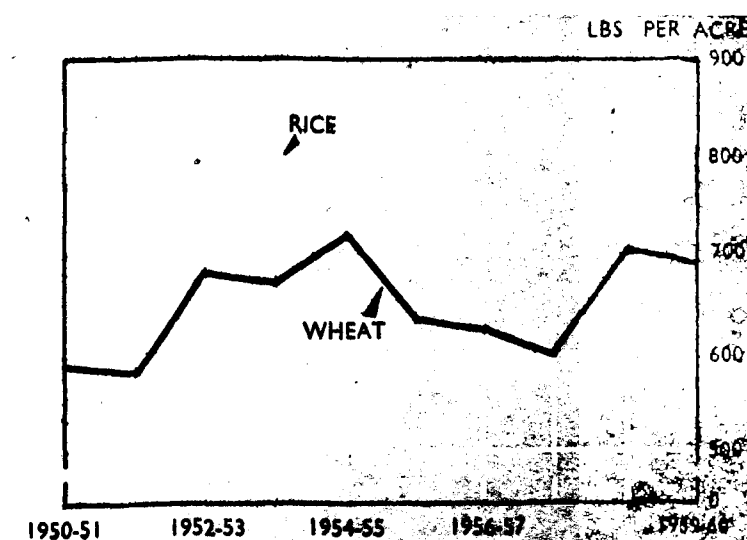
In commercial crops, whereas the position of oilseeds, except castor seed and linseed — even here to a very small extent only—in 1959-60 was more or less unchanged, there was hardly any improvement in jute; actually, there was some deterioration. But the latest estimates of cotton production disclosed by the Union Minister for Commerce and Industry in the Lok Sabha reveal a marked recovery from the low level of 37 lakh bales in 1959-60 to nearly 50 lakh bales in the current season. Other commercial crops like sugarcane and tobacco, which registered appreciable gains in 1959-60 over the previous year, have continued to maintain their position. In sugarcane, demand has more than kept pace with supplies as a sequel to the increased demand for cane generated by the steady additions to the existing number of sugar factories. Thanks to this admittedly encouraging development, the Indian Sugar Industry today can boast of a sizable export surplus.

INDIAN AGRICULTURE

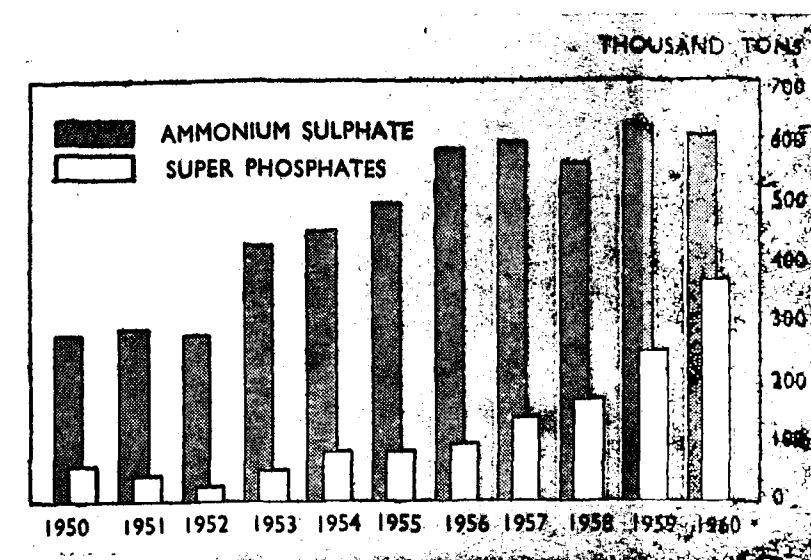
AGRICULTURAL
PRODUCTION
1950-51-1959-60



PRODUCTIVITY
RICE AND WHEAT
1950-51-1959-60



CONSUMPTION
OF
FERTILIZERS
1950-1960



* ESTIMATED

Industrial Production

THE record of Industrial Production in 1960 must be regarded as eminently satisfactory, considering the several handicaps that industries continued to experience, not to speak of the new difficulties that arose during last few months. Owing to the further deterioration in our foreign exchange reserve, the policy of enforcing drastic cuts in imports was tightened still more and, at the rate at which our foreign assets have been declining, there does not appear to be any near prospect of a reversal of this position, except to the extent of inflow of foreign aid. Perhaps the most pronounced hurdle in the way of maintaining industrial production in the year under review came from the series of credit restraints imposed by the Reserve Bank of India. The resulting cut in the availability of funds, on the one hand, and the rise in prices of raw materials, wages, etc., on the other, operated like the two blades of a pair of scissors to affect industrial production adversely. Industrial output was also hit by the loss of man-hours due to unrest in certain sectors of industry, notably the jute and the basic metal industries.

Notwithstanding these handicaps, however, it is gratifying to note, the seasonally adjusted General Index of Industrial Production (base 1951=100) touched an all-time peak of 170.9 in August. It is not known whether this level has since been maintained, but the probability of some setback, consequent on the decline in production of jute goods and cement, especially, the former because of the acute shortage of raw jute, cannot be ruled out. The controversy with regard to textile prices and repeated price reductions—there were three reductions, all in the latter half of the year—must also have affected, to some extent the output of cotton textiles. Even so, it is a safe bet to affirm that the overall industrial production for the whole of 1960 would register a rise of about 15 points as compared to the previous year.

The actual trend of production in some of the major industries during the year under review may now be noted. To take first cotton textiles, which is our biggest and largest organized industry. The overall production of this industry in the first eleven months of the current calendar year, which it was at one time apprehended might hardly be maintained because of difficulties of short supplies of cotton, etc., actually showed an increase of 106 million yards over that for the corresponding period of the previous year. The eleven-month total amounted to 4,597 million yards, as against 4,491 million yards for the corresponding period of 1959.

Although almost every industry has been complaining of inadequate and indifferent supplies of coal, the total coal production in the country for the first ten months of the current year was higher than in the previous year at 42.9 million metric tons; the corresponding total for 1959 was 39.6 million metric tons. For the major part of the year, however, coal production was plagued by anxieties and uncertainties about the size of the targets of production of the private and public sectors, respectively, in the Third Five-Year Plan. But, towards the close of the year, the Govern-

ment of India outlined a more realistic approach to the question and also revised the target figures. Even after the revision, it is true, the quota is weighted heavily in favour of the public sector, but, then, private collieries have been allowed an opportunity to raise more coal than under the original dispensation.

According to the Indian Sugar Mills' Association, the total sugar production in the country for the season 1959-60 (November 1959-October 1960) amounted to 24,20,000 tons, as against 19,18,000 tons for the 1958-59 season. (These figures exclude 51,000 tons produced prior to November, 1960, for the season 1960-61, as against the corresponding figure of 31,000 tons in the preceding season for the 1959-60 season's account.)

Although the installed capacity of the cement industry during the Second Five-Year Plan period has fallen woefully short of the original target—9.5 million tons as against 16 million tons!—the average monthly level of cement production during 1960 has throughout been higher than in 1959. But for the indifferent supplies of coal, both as regards quality and timely arrival, cement production might have been considerably higher. As it is, the estimated total production under review would be a little below 7.6 million tons.

As regards steel production, again, the monthly average output of finished steel as well as of pig iron in 1960 was higher than either in the previous year or in 1958. But even this record would have been excelled, had there been no difficulties with regard to raw materials and transport which handicapped this industry particularly.

Contrary to apprehensions of a decline in total production of jute goods in 1960, because of difficulties regarding availability of raw jute, the monthly average level of jute production was more or less maintained. During some months, the monthly average even crossed the 90,000-ton level, but the level of production during the last quarter might not show the same trend. Even so, the total production for 1960 could be estimated at over one million tons.

There was a further increase in the level of production in several new industries, particularly chemicals and general engineering industries. The overall increase in these industries in 1960 as compared to the previous year must have been considerable. But, as is well known, this will not materially affect the economic structure unless production in the organised industries also keeps pace. The extent to which the continued prevalence of the many difficulties experienced by the major industries affected the overall industrial production during the year under review in particular and for the whole of the Second Five-Year Plan period generally should soon be available.

The production of lead-zinc ores in India during Jan-Sept. 1960 was 1,15,000 metric tons, as compared to 1,21,000 metric tons in the corresponding period of the preceding year, according to the Indian Bureau of Mines. Similarly, the production of lead metal during the first nine months of 1960 was only 2,441 metric tons as against 3,028 metric tons in the corresponding period of 1959.

Transport

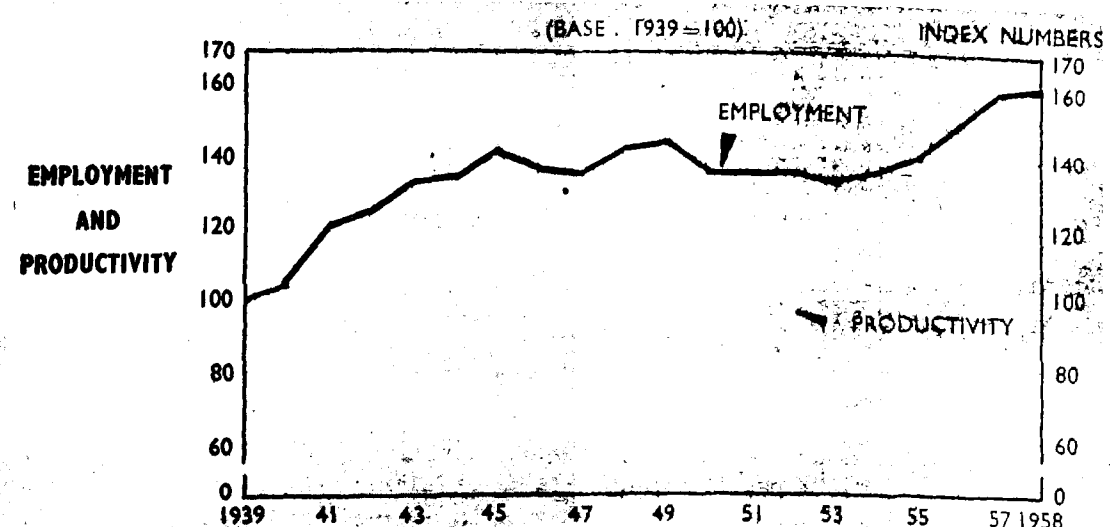
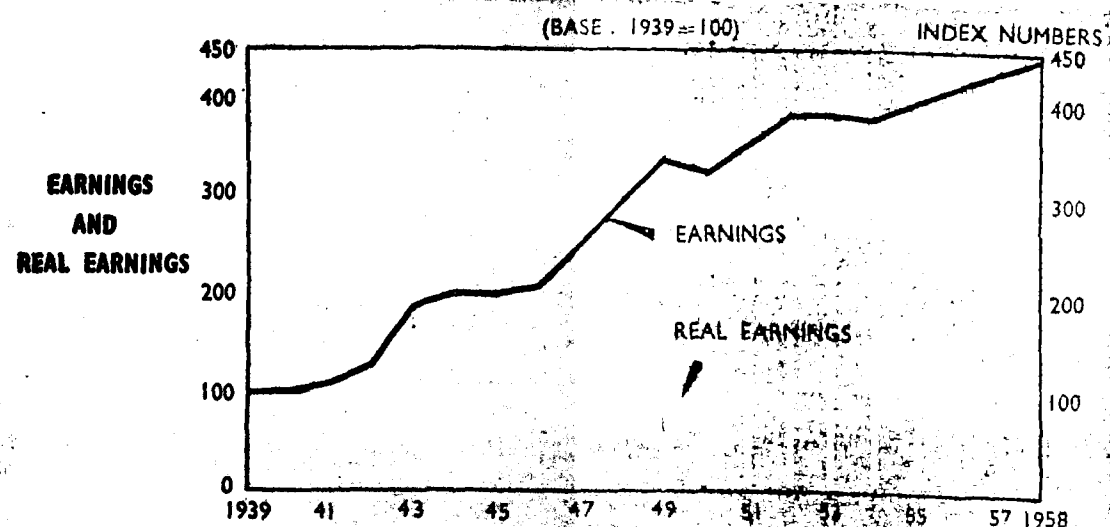
RAILWAYS

DESPITE the Central Government employees strike in July, which did not leave the railways unaffected (the lifeline was maintained though by a few loyal transport men), the year 1960 will go down in the annals of India's transport history as a memorable year. All forms of transport not only received pro-

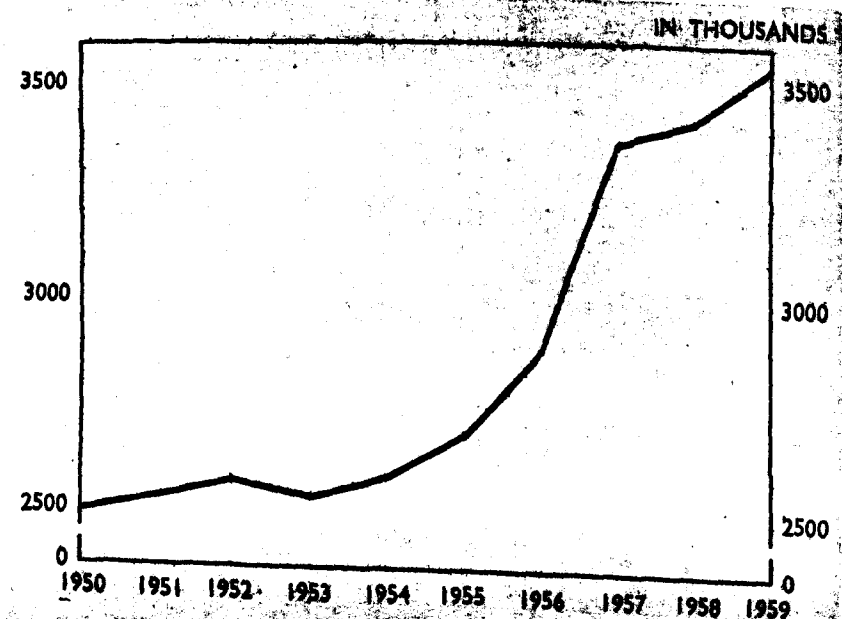
minent — though not as much as each of them, specially shipping deserve — attention, but also recorded achievements.

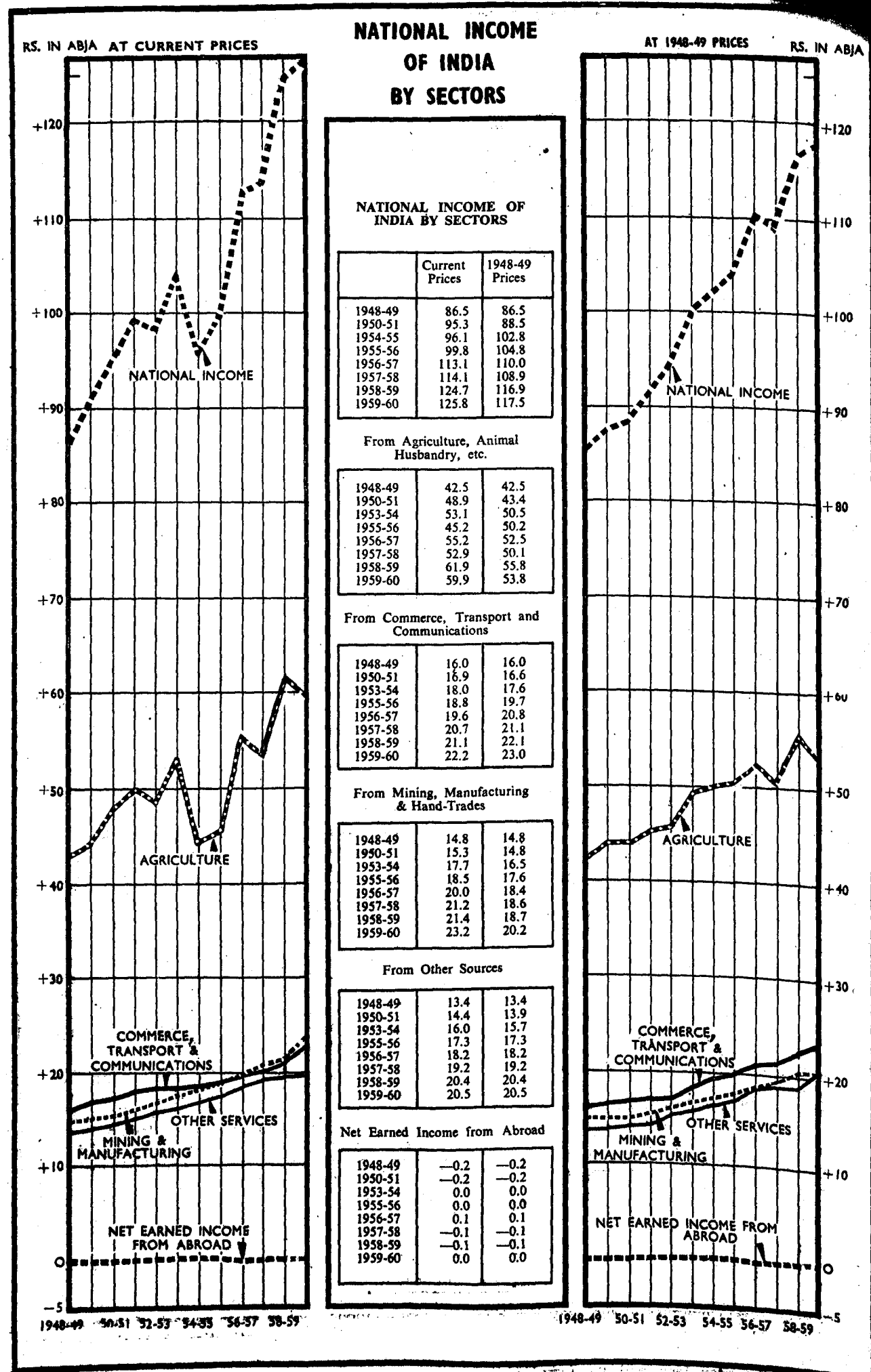
To take the Railways first. Although not reaching the original targets with regard to freights and passen-

INDIAN LABOUR



FACTORY EMPLOYMENT 1950-1959





gers carried, the Indian railways, it can now be safely stated, will be more than able to achieve the revised targets. Thanks to the visit of the World Bank Mission to study the transport position in India and the \$70 million loan made by the World Bank in July last, it has been possible for the Railways to cover the greater part of the foreign exchange required for the final year of their programme under the Second Five-Year Plan. It is gratifying to note that the railways' own contribution is expected to result in a saving of about Rs. 90 crores. As against the original foreign exchange estimate of 893 million dollars, the latest figure is \$718 million as a result of the increased availability of railway equipment in India. According to the Second Five-Year Plan, it may be recalled, the targets to be reached were to raise freight capacity from 114 million tons to 162 million tons a year and to increase passenger capacity by about 15 per cent. The programme also included the acquisition of 2,161 locomotives, 8,836 passenger cars, and 1,11,739 goods wagons, besides the doubling of 1,300 miles of mainline track, the replacement of 8,000 miles of track, the construction of 830 miles of new lines, particularly to give access to coal and iron ore fields, and the electrification of 886 miles of main lines in regions of high density passenger and freight traffic. As against Rs. 900 crores (+Rs. 225 crores by the railways themselves) of investment envisaged for this programme, actually, Rs. 870 crores were expended during the first four years of the Plan, while, in the current and final year of the Plan, another Rs. 230 crores is expected to be expended making a total outlay for the entire period of Rs. 1,100 crores.

The railway finances also fare much better than the Union Minister for Railways had anticipated when he presented the Budget for the current year. Evidently he must have felt that if he did not paint a gloomy picture as he did, he would not get the supplementary changes on freights proposed by him accepted by Parliament. Anyway, in the event, the railways' earnings for the seven months ended October, 1960, aggregated Rs. 253.36 crores, as against Rs. 235.87 crores for the corresponding period of 1959, thanks to an all round increase. Thus passenger traffic receipts rose from Rs. 73.54 crores in 1959 to Rs. 77.4 crores during the current year and those from other coaching from Rs. 13.84 crores to Rs. 15.05 crores. Earnings from goods traffic, as well as others, also improved from Rs. 144.14 crores and Rs. 4.35 crores, to Rs. 155.94 crores and Rs. 4.87 crores, respectively. These results are unquestionably gratifying, considering that the Indian railways have had to bear the additional incidence of the Pay Commission's recommendations to the tune of Rs. 13

crores annually. Thus, by and large, the Indian railways bid fair to end the current year on an optimistic note, as also to complete the targets laid down under the Second Plan.

Among the other important developments in relation to our railways during the year under review, mention must be made of the revision of the Railway Convention. Following the recommendations of the Railway Convention Committee, 1960, the rate of contribution by the railways to the Central Exchequer is to be raised from 4 per cent to 4.25 per cent on the capital-at-charge. At the same time, the annual loss on the working of the strategic lines (estimated at Rs. 1.15 crores) is to be borne by the General Revenues, while the rate of dividend payable on the capital-at-charge of portions of the North-East Frontier Railway is to be only at the average rate of borrowing of the Government until such time that the line becomes productive or the next revision of the Convention, whichever is earlier. Although Parliament has ratified the recommendations, there has been sharp public criticism that the rate of dividend payable by the railways to the exchequer was not raised more substantially. Another recommendation of the Railway Convention Committee which has evoked criticism is the proposal to merge the passenger tax at the existing rates with passenger fares as from April, 1961. To compensate for the resulting loss of revenue to the States, a subvention of Rs. 12.5 crores per annum is proposed to be paid by the railways to the States for the next five years, 1961-66.

With the approaching end of the Second Plan period, the programme of the railways for the Third Plan naturally assumes interest. If the rehabilitation of the railways, which had suffered much damage on account of the War and the Partition, was the main purpose of the First Plan, extensive development to match with the building up of basic industries like coal, steel and cement, on which emphasis was laid by the planners, formed the principal objective of the Second Plan. The programme of the railways under the Third Plan also envisages a continuation of the latter, with special regard to the requirements of the further industrial development during the Third Plan period. With this end in view, a total outlay of Rs. 890 crores (plus Rs. 330 crores to be found by the railways out of their own resources) is contemplated, and this is expected to provide for an increase in passenger train miles from 124 million at the end of 1960-61 to 143 million by 1965-66, and freight carried from 162 million tons to 235 million tons.

ROADS

ROAD transport must be said to have come more into its own during the year 1960 than even last year. There has been a steadily growing appreciation of the role of road transport, as witness the statement of Mr. Raj Bahadur, Minister of State for Transport and Communications, at the All-India Conference of State Transport Commissioners and Controllers, held in Bombay recently. He then categorically declared that the case for the expansion of road transport industry had been accepted and that, as a corollary to it, expansion and improvement of roads would follow automatically. The increasing importance given to roads is also evident from the fact that the National Council of Applied Economic Research has been asked to undertake an investigation into the relationship between road transport and industrial development, not to speak of the reported recommendation of the Neogy Committee on Transport Co-ordination urging a larger role for road transport. Also of significance to road

transport interests is the reported complaint of Mr. Raj Bahadur himself about the non-implementation still of many of the Masani Committee recommendations. These recommendations have ere now been accepted by the All-Indian Transport Conference. Mr. Raj Bahadur was also critical of the meagre allocation for road transport, although he seemed to want to mollify the Planning Commission for having said so by hastening to add that the Commission had agreed to a target of 60,000 commercial vehicles by the end of the Third Plan. When this target is reached, according to him, it will bring the road transport industry to the "take off" stage, that is a stage after which it can expand to any extent.

Road transport interests also have been critical of the Third Plan allocation to roads of only Rs. 250 crores (excluding local road development programmes) which is the same as that provided for under the Second

Plan. Many were under the impression that the experience of all the transport difficulties that developed during the Second Five-Year Plan would leave their impact and provoke the authorities to demand of the Planning Commission a greatly increased allocation. But neither this, nor the fact that the target for roads fixed under the old Nagpur Plan has been reached would appear to have made any impression on the Planning Commission. It is, therefore, doubtful if the declared aim of the Third Plan to consolidate and extend the achievements under the Nagpur Plan will be fulfilled. Of course, no one expected the Planning Commission to accept in toto the Chief Engineers' Twenty-Year Plan, but provision could have been made for at least a fourth of these targets to be completed by 1966, and the finance needed therefor earmarked for the purpose. Instead, the amount allotted for roads, namely Rs. 250 crores, falls short of the estimated finance required, that is a fourth of the total outlay contemplated by the Chief Engineers, namely Rs. 325 crores. Road transport circles wonder whether, with an outlay of only Rs. 250 crores, the Planning Commission's targets of 20,000 miles additional surfaced roads (which is less than either in the Second Plan (22,000 miles) or in the First Plan (24,000 miles) will be possible of fulfilment. While allotting funds for roads, the Planning Commission, which glibly talks of providing additional employment and has failed to realise its targets under two successive Five-Year Plans, should at least have taken into account the large employment potential of road building in deciding upon the allocation.

As important as the roads are the vehicles that have to use these roads. In addition to raising the surfaced road mileage from 144,000 at the end of March 1961 to 164,000 at the end of March 1966, accordingly, the Third Five-Year Plan provides for the production of 30,000 passenger cars, 60,000 commercial vehicles (inclusive of 4,000 vehicles by Ordnance Factories) 10,000 jeeps and station-wagons, and 48,000 motor vehicles, scooters and three-wheelers, nearly every one of which, again, is considered to be on the low side. What seems worse is the meagre allocation of foreign exchange to facilitate this programme. Have the authorities made sure that what they have provided for will enable the manufacturers to utilise their installed capacity fully? The question that inevitably arises then is: how far will road transport be able to supplement the railways in transporting all the traffic that is estimated to be offered during the Third Five-

Year Plan of some 300 million tons, even after making allowance for the transport of 80 million tons of goods by bullock carts and 18 million tons by water transport? This, incidentally, does not take into account over 225 million tons of feeder traffic to railheads and 20 million tons of feeder traffic to waterheads.

We may slightly digress at this point to refer to the proposed scheme of small car manufacture by the Government of India. In spite of all that Mr. Manubhai Shah, Union Minister for Industry, has been saying in Parliament and outside, it is difficult for us to resist the feeling that a venture like this, involving avoidable foreign exchange without the certainty of a commensurate benefit to the country, is at best a luxury that we can well afford to postpone to more propitious times.

Taking all circumstances into consideration, the fact stands out, however much the Government may try to disabuse the fear that it is partial to the railways in the matter of allotments of funds under the Plan, that, even in Free India, we do not appear to have got over the pre-independence complex of rail-road conflict. There can be no question of a conflict between road and rail transport, and not until we have a fully co-ordinated programme of all forms of transport development can we hope to tackle successfully the problem of overall economic development. It must not be forgotten that no amount of spoon-feeding any one form of transport at the cost of another, even if it be the railways, which is admittedly the country's single largest national undertaking, will compel the consumer to prefer the latter to a readily available and relatively more economic type of transport. This undoubtedly explains the pronounced preference lately for road transport, especially for carrying goods over certain routes. An irrefutable evidence of this preference was provided by the Chairman of the Hindustan Levers at the last annual meeting of the company when he disclosed to the shareholders that, whereas, in 1950, the company's normal method of despatch of finished goods was by rail, last year, as much as 50 per cent of its despatches were made by road! The simple explanation for this diversion from the railways is the saving, both in the average transit time and in the relatively greater safety to cargo, guaranteed by road transport. When will the powers-that-be realise that our roads are as great a national asset as any other form of transport, not excluding the railways, and accord to them the same treatment and facilities as they are only too ready to extend to the railways?

SHIPPING

If roads have not received adequate allocation under the Third Five-Year Plan as stated above, the allocation of only Rs. 55 crores for shipping in the Third Plan is not only atrocious but hardly sufficient to meet the requirements laid down by the country's highest authority on shipping, the National Shipping Board. It will be recalled that the National Shipping Board recommended a target of 14.2 lakh tons (to be reached by 1965-66) made up of 10.8 lakh tons for overseas trade (as against Rs. 6.13 lakh tons at the end of 1960-61) and 3.4 lakh tons for the coastal trade as against 2.92 lakh tons at the end of the Second Plan). In other words, the additional tonnage to be acquired to reach this target amounts to 5.2 lakh tons (G.R.T.). In addition, it felt, provision should be made to the tune of 1.7 lakh (G.R.T.) for replacement of overaged ships. The cost of all this is estimated at Rs. 118.8 crores. The Planning Commission, has, however, estimated that, with its provision of Rs. 55 crores plus Rs. 4 crores likely to be available from the Shipping Development Fund and the contribution of Rs. 7 crores from the shipping companies (that is, a total of only Rs. 66 crores),

about 2 lakh G.R.T. could be added, after meeting the replacement requirements during the Third Plan. This means that, as against 5.2 lakh tons recommended by the National Shipping Board, the Planning Commission has contented itself to provide for only 3.7 lakh tons G.R.T. The net addition, therefore, during the so-called "take off" Plan period will be no more than a net addition of 2 lakh G.R.T., as against an addition of 4.25 lakh G.R.T. during the Second Plan. No wonder the Indian shipowners bitterly complain that they have little to enthuse over the shipping targets under the Third Plan. No other than Mr. G. L. Mehta, Chairman of the National Shipping Board, has himself observed: "Considered from the point of view of national security, or integrated national transport system, or augmenting their foreign exchange resources, by all accounts, shipping deserves a high priority than the authorities in Delhi are prepared to give it."

What our national interests now require, according to another great authority on shipping, Mr. M. A. Master, is that the Government should accept the targets recommended by the National Shipping Board and im-

plement the recommendations of the Rail-Sea Co-ordination Committee. The Government should also shed some of its mistaken beliefs such as that the offering of higher rates of freight to Indian ships or giving them financial assistance is an act of flag discrimination, or that the tanker trade and the tramp trade need be

retained only for the public sector. It is his contention that every encouragement, including economic rates, should be given to Indian shipping to enable it to build a balanced tramp fleet. This is but an elementary piece of justice to those who carry on the business of shipping, as he says.

AVIATION

BY far the most heartening feature about our aviation is that, as a commercial proposition, it has at last turned the corner. It is no small satisfaction to find that the Indian Airlines Corporation has emerged from an era of depressing losses to a period of uninterrupted profits, however small. Three years ago, when the Corporation suffered a loss of more than a crore of rupees, the Corporation officials still seemed to believe that the worst was not yet over. But, fortunately, these prophets were proved false, and there was a favourable turn in the tide of the fortunes of the Corporation almost from the very next year. While, in the first year itself after the peak year of losses, there was a sizeable decline, in the second year thereafter, there was actually a small profit; in the current year, again, the record seems to have been further improved upon.

For the Air-India International, the year 1960 marks its proud entry into the Jet Age. In April, 1960, A.I.I. introduced fast, long-haul, large-capacity Boeings on the India-U.K. route. Before very long, Air India

will have acquired four Boeing 707 Inter-continentals. In the wake of the acquisition of the Boeings has come also an intensive jet training programme for A.I.I. pilots. After experimenting with deputation of teams of flight crews and ground personnel for training abroad, A.I.I. has now a Boeing 707 simulator of its own, by the use of which it hopes to be able "to cut down training cost and the actual time required to check out a pilot by at least 40 per cent and also provide the best in the familiarisation of the crews."

A great landmark in the history of aviation not only for India but world aviation generally is the growing co-ordination of schedules of a number of airlines and the free interchange of tickets among them. While, towards the end of 1959, an agreement to this effect was reached between A.I.I., B.O.A.C. and Q.E.A., this year has seen a similar agreement among a number of continental air services with offices in this country. These agreements have undoubtedly benefitted the travelling public.

Foreign Trade

THERE was a further increase of Rs. 37.49 crores in the country's adverse balance of trade for the first ten months of 1960, as compared to the corresponding period of the previous year. Last year also, it may be recalled, the gap between our imports and exports had widened (to Rs. 59 crores) over the preceding year. The slightly lower increase in the adverse balance of trade during the year under review was the net result of the further restrictions on imports and some improvement in our exports, as also in the terms of trade for the greater part of the year. The performance in 1960 was a slight improvement over the previous year in yet another respect, in that, although imports in 1960 also continued to increase at a faster pace than exports, the pace of such increase was slightly retarded; as against an increase in imports of over 11 per cent and an increase of exports of only 2 per cent in 1959, the increases in imports and exports in 1960 were of the order of 9 percent and 3 per cent, respectively.

The total imports for the period January-October 1960 amounted to Rs. 761.72 crores; as against Rs. 701.84 crores for the same period of the previous year, or an increase of Rs. 59.88 crores. Exports, including re-export, also improved from Rs. 495.92 crores in 1959 to Rs. 518.21 crores, representing an improvement of only Rs. 22.29 crores for the same ten-month periods. Unlike in 1958 or 1959, there was not even one month in all the ten months of 1960 for which figures are available when the balance of trade happened to be in favour of India. As a result, the gap between imports and exports over the period amounted to Rs. 37.49 crores, having risen from Rs. 206.02 crores in 1959 to Rs. 243.51 crores in the year under review.

A detailed analysis of the composition of our imports shows that, by and large, there has not been much difference as compared to 1959, except perhaps in the case of food imports. Here, too, while imports of wheat declined over the latest official half-year (by Rs. 26.77

crores) those of rice registered an increase of Rs. 2.91 crores over the same six-month period). But it is significant that the food, beverages and tobacco group as a whole accounted for a sizeable decrease (of about 28 per cent) during the half-year ended September 1960. As expected, there was a further increase in maintenance imports of raw materials, semi-manufactures and manufactured goods alike. The main items that accounted for an increase in imports in 1960 were raw cotton and jute, oilseeds and crude rubber, mineral oils (excluding petroleum products), base metals, sulphur and organic chemicals, coal tar dye-stuffs and medical and pharmaceutical products. The relative improvement in exports generally during the year under review was due partly to the increased offtake by India's main importers, especially, the U.K., the U.S.A., Canada, Japan and Egypt, and by Italy and Germany, and partly to the higher prices that the traditional exports of our country commanded in these markets, at any rate during the first half of the year. As the year progressed, however, the latter advantage tended steadily to decline, if not disappear altogether.

Among the individual items that registered increases in exports, mention may be made of cotton textiles, especially to the U.K., jute bags, spices, non-essential vegetable oils, oilseeds, iron and steel scraps, rayon goods, and Indian films. In certain items such as iron ore, sillimanite, tobacco (unmanufactured) and coir mattings, despite an increase in the volume of exports, there was a decline in value. On the other hand, notwithstanding a decline in the volume of exports in tea, hides and skin, leather and leather manufactures, thanks to the better prices realised, there was a perceptible improvement in value.

It has become fashionable in official circles these days to stress diversification of exports and make too much of the increase in the exports of non-traditional items. While both these trends are to be certainly welcomed, these need not necessarily be accompanied

by a slackening in our efforts to maintain, if not increase, our traditional exports, as seems to be happening, unfortunately. Informed business circles estimate that a more imaginative policy with regard to imports, of raw jute can bring in a spectacular rise in the export of jute goods. Exports of tea, textiles and hides also could be improved further, according to them. Similarly, it is stated, a rational and more liberalised policy of imports of certain items of plant and machinery could yield a sizeable foreign exchange for the country.

While the developmental and other requirements of our predominantly industrially-biased economic plans have brought down our foreign assets to the lowest level consistent with safety, the Third Five-Year Plan, which envisages a further increase in total investment of over 50 per cent as compared to that under the Second Plan, does not hold out prospects of a reversal of this pattern of trade. It has been estimated by the Planning Commission that, during the Third Plan period, India would need to import Rs. 1,900 crores worth of machinery and equipment for the Plan projects, besides components, intermediate products, etc. valued at Rs. 200 crores. To these must be added imports required for the maintenance of the economy estimated at Rs. 3,570 crores, although maintenance imports during this period have been assumed to work out at a slightly lower annual average rate than during the Second Plan period, thanks to increases in production of certain items within the country itself, such as caustic soda, soda ash, carbon black, iron and steel, and aluminium. Our total export earnings during the Third Plan period, on the other hand, are not expected to yield more than Rs. 3,570 crores, which is the value of just our maintenance imports. Other means must, therefore, be found to finance repayment of the loans to the tune of Rs. 500 crores during the period and also developmental imports of the order of Rs. 21,100 crores. The Third Five-Year

Plan would thus be even more dependent than either of the first two Five-Year Plans on foreign aid. It is still "aid and not trade" and not "trade and not aid", as many would want.

(Rs. crores)

	Imports	Exports (including re- exports)	Balance of Trade
1959			
January	66.58	45.34	-21.24
February	59.79	42.90	-16.89
March	65.60	47.03	-18.57
April	59.98	41.73	-18.25
May	66.12	44.49	-11.63
June	77.18	43.54	-33.64
July	62.94	51.46	-11.45
August	58.37	58.52	+00.15
September	69.33	60.27	-9.06
October	65.12	59.75	-5.32
Total	701.84	495.92	-206.02
1960			
January	62.68	52.06	-10.62
February	69.12	49.81	-19.31
March	75.58	53.37	-22.21
April	82.00	48.58	-33.42
May	82.77	50.74	-32.03
June	84.95	48.94	-36.01
July	73.70	48.54	-25.16
August	82.73	57.04	-25.69
September	75.28	53.09	-22.19
October	72.91	56.04	-16.87
Total	761.72	518.21	-243.51

Prices

OF the many disquieting features in the economic scene of 1960, the price situation gave perhaps the utmost cause for concern, notwithstanding the fact that the powers-that-be made determined efforts to remove the main causes, including a cut in the volume of deficit financing. Not only was the deficit finance for the current official year — 1960-61 — placed much lower than in previous years, but, for the whole of the Third Five-Year Plan period also, the extent of deficit financing has been sought to be kept down at only Rs. 550 crores. Another realistic approach of the authorities was the decision to go slow with State Trading even when official spokesmen were declaring it as the avowed policy of the government. Also in line with this realistic trend was the decision, albeit belated, to do away with food zones. On the top of all these was the satisfactory overall food production, in spite of floods and droughts in some parts of the country. But the most decisive factor was the massive 17-million-ton foodgrains deal with the U.S. Government, not to speak of the much smaller but the latest deal with Burma to import 30,000 tons of rice.

The index of wholesale prices (1952-53 = 100) showed a rise of 6.5 per cent for the 11 months ended November, 1960, as compared with a rise of only 3.6 per cent for the corresponding period in 1959. There was a particularly sharp increase in the industrial raw materials index which rose from 130.9 to 148.0. The rise here was practically continuous, except for a slight break between June and August. The increase in the

index number of prices of industrial raw materials was naturally reflected in the index numbers of intermediate products as well as of finished goods. The former for November 1960, was as much as 16 points higher than the index number for the corresponding month of 1959; the index number of finished products also went up by almost a like extent, that is, by nearly 15 points. The indices of liquor and tobacco and fuel, power, etc. also registered further increases. But the index number of food articles closed the year ended November, 1960 at 120.2, that is 1.3 points lower than that for November, 1959. However, the decline came only after July, for which month actually the index number was as high as 124.0, after having declined earlier, the lowest level recorded having been in March, when the index number stood at 117.

As prices continued to rise in the face of an increase in industrial production, the expansion in money supply was regarded as the villain of the piece, and this provoked the Reserve Bank to take further measures to control credit. Not finding the selective controls employed by them all along as effective as they had anticipated, the authorities resorted to quantitative credit restrictions and even wielded the weapon of variable reserve ratios, for the first time, on March 11, 1960, when 25 per cent of the deposits accruing to the scheduled banks after March 12 were impounded with the Reserve Bank (this was, of course, over and above those required to be maintained under the Reserve

Bank Act normally). Hardly two months had elapsed (May 6, 1960) when this percentage was doubled.

The Reserve Bank also sought to restrict scheduled banks' access to the lender in the last resort. Accordingly, as from October 1, ceiling limits were fixed for borrowings at the bank rate, with quotas for each bank (at 50 per cent of the average of the reserves required to be kept under Section 42(1) of the Reserve Bank of India Act); over and above this limit, borrowings were charged at progressively higher (penal) rates of interest. The banks were also required to raise their lending rates by at least half per cent with the minimum lending rate at 5 per cent. However, in anticipation of the busy season (some critics say this

is an admission of failure of the measures) the credit restraint was slightly relaxed.

The Consumer Prices Index also moved in line with the trend of wholesale prices. Starting the year at 168 (August 1939 = 100) the index number declined by a point in March, but, thereafter, it went on rising steadily, except for the slight setback of one point in September, to reach 174 (provisional) for October last. There was thus an increase of six points over the first 10 months of the year which, incidentally, compares favourably with the extent of increase recorded in 1959. This is at best a statistical solace, for, actually, the common man feels today more oppressed by the rising costs of living than ever before.

Banking

THE year 1960 will go down in history as a memorable year for monetary restraint and discipline. A series of monetary measures was enforced during the year to arrest the market expansion in money supply and bank credit which had its impact on the stock and commodity markets as well as on the general price level. On March 11, 1960, the Reserve Bank tightened the existing credit control measures and wielded, for the first time in Indian monetary history, the weapon of variable reserve ratios. By the latter regulation, the scheduled banks were compelled to keep with the Reserve Bank 25 per cent of the increase in deposit liabilities subsequent to March 11, 1960. This was in addition to the customary balances with the Reserve Bank of India of 5 per cent of demand and 2 per cent of time liabilities. This measure was tightened further on May 5, 1960, when the percentage of additional deposits was raised to 50 per cent (this was, however, brought down again to the level prevailing prior to May 6, 1960). Also, on the eve of the slack season, the Governor of the Reserve Bank informally asked the banks—which seems to have become a hardy annual with him for this part of the year—to effect a reduction of Rs. 100 crores in bank credit. He is also believed to have indicated to some of the bigger banks

even the broad order of contraction of credit which each of them could conveniently bring about. But, presumably, as these measures did not result in any significant reduction in credit, the Reserve Bank resorted to restriction on scheduled banks' recourse to the Bank to a minimum and levered up the lending rates of scheduled banks. On September 11, 1960, for example, quotas were fixed for each scheduled bank, borrowings within which limit only being allowed at the usual rate; borrowings beyond the quota were to be charged penal rates of interest at progressively higher rates. Also, effective from October 1, 1960, scheduled banks were required to raise their average lending rates by half a per cent with a fixed minimum of five per cent. It is too early yet to say whether these measures have had the desired effect, but money market circles already seem convinced that the game has not been worth the chase, although they concede the severe limitations of the conditions in India in which these measures have to be operated.

The changes in money supply and in scheduled banks' data during the year and during the busy and slack seasons are seen in the following table:—

MONEY SUPPLY AND SCHEDULED BANKS' DATA
(in crores of rupees)

Items	Outstanding as on December 9, 1960	1959	1960	Variations during 1959-60		1959-60	
				Busy season	Slack season	Busy season	Slack season
I Money Supply	2728	+170	+207	+291	-111	+277	-80
(a) Currency	1900	+147	+146	+220	-57	+201	-89
(b) Deposits	828	+23	+61	+71	-54	+76	+3
SCHEDULED BANKS							
II A Liabilities							
1. Aggregate Deposit							
Liabilities (net)	1892	+254	+65	+116	+106	+131	-28
(a) Demand	773	+23	+56	+66	-53	+70	+7
(b) Time	1119	+231	+9	+50	+160	+61	-35
2. Borrowings from Reserve Bank of India	24	+1	+12	+25	-13	+30	-27
B. Assets							
1. Cash & Balances with the Reserve Bank of India	135	-5	+21	-15	-21	+30	+3
2. Investments in Govt. securities	674	+150	-113	-3	+178	-52	+104
3. Bank credit	1120	+99	+156	+182	-79	+189	-20

During the year under review, there was a further rise in the rate of expansion in money supply and bank credit. Money supply with the public moved up by Rs. 207 crores (or 8.2 per cent) to Rs. 2,728 crores on December 9, 1960, the date for which the latest data are available. This may be compared with a rise of Rs. 170 crores in 1959 (or 7.2 per cent). The increase in currency with the public was of the same

order as last year at Rs. 146 crores, while that in deposit money was more at Rs. 61 crores than in the previous year of Rs. 23 crores.

Scheduled bank credit registered a rise of Rs. 156 crores during the year to Rs. 1,120 crores. There was a record expansion of bank credit during the 1959-60 busy season. It was of the order of Rs. 189 crores.

which surpassed even the previous year's record rise of Rs. 182 crores. The contraction in credit during the subsequent slack season, on the other hand, was only nominal at Rs. 20 crores, as compared to Rs. 79 crores and Rs. 118 crores, respectively, in the 1959 and 1958 slack seasons. The smaller decline in credit was accounted for by a sharp rise in advance against non-seasonal securities, such as cotton and jute textiles and iron, steel and engineering products; this rise served to offset the usual decline in advances against seasonal commodities, such as raw cotton, raw jute, food grains, sugar, oilseeds, etc.

Technically speaking, deposit liabilities of scheduled banks registered a smaller rise of Rs. 65 crores (demand Rs. 56 crores and time Rs. 9 crores) at Rs. 1,892 crores, compared to a rise of Rs. 254 crores (demand Rs. 23 crores and time Rs. 231 crores) in 1959. But this was really due, in the main, to the change in the accounting procedure of the deposit accruals arising out of PL 480 imports. With effect from May 12, 1960, it may be noted, these counterpart funds,

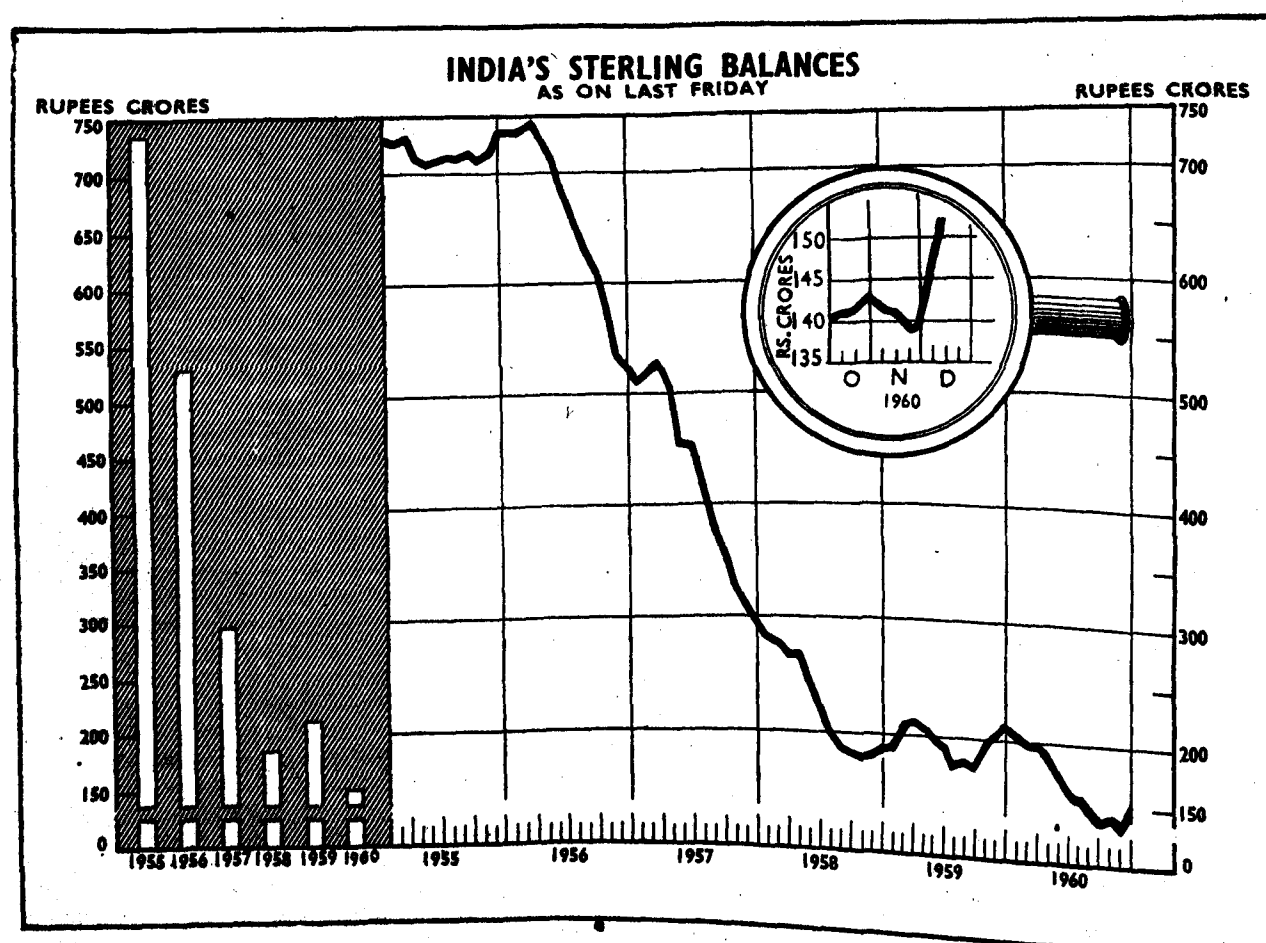
which were till then being deposited with the State Bank of India, are being deposited with the Reserve Bank of India. Beginning from July, 1960, the past accumulations of these funds with the State Bank of India also are being transferred to the Reserve Bank of India in monthly instalments of Rs. 12 crores each. Inasmuch as these funds were being invested by the State Bank in Government securities, the new procedure is naturally reflected in the fall in investments of scheduled banks by Rs. 113 crores to Rs. 674 crores, as compared to a rise of Rs. 150 crores in the previous year. Owing to more funds being impounded by the increased reserve requirements, the liquidity of banks showed a rise over the year of Rs. 21 crores to Rs. 135 crores, compared to a decline of Rs. 5 crores in 1959. Thus, the cash ratio improved from 6.2 per cent to 7.4 per cent. The increase in bank credit, coupled with a decline in deposits, put up the credit-deposits ratio from 52.8 per cent to 61.1 per cent. The investments-deposits ratio, however, declined from 43.1 per cent to 36.8 per cent.

INDIA'S STERLING BALANCES

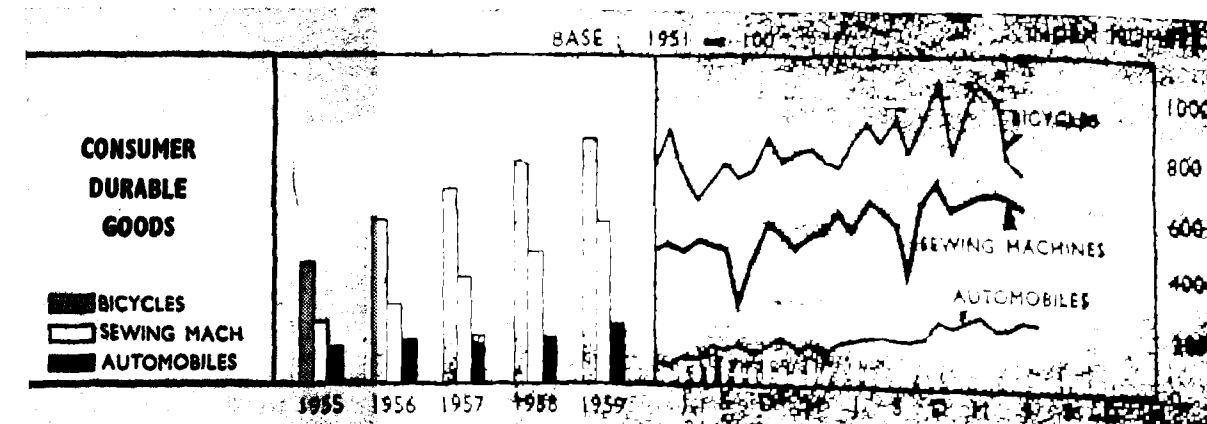
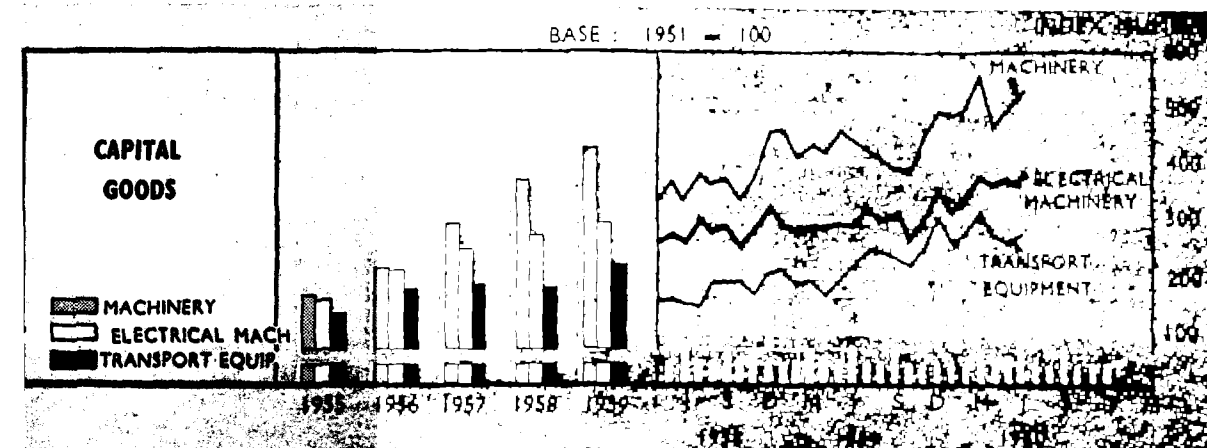
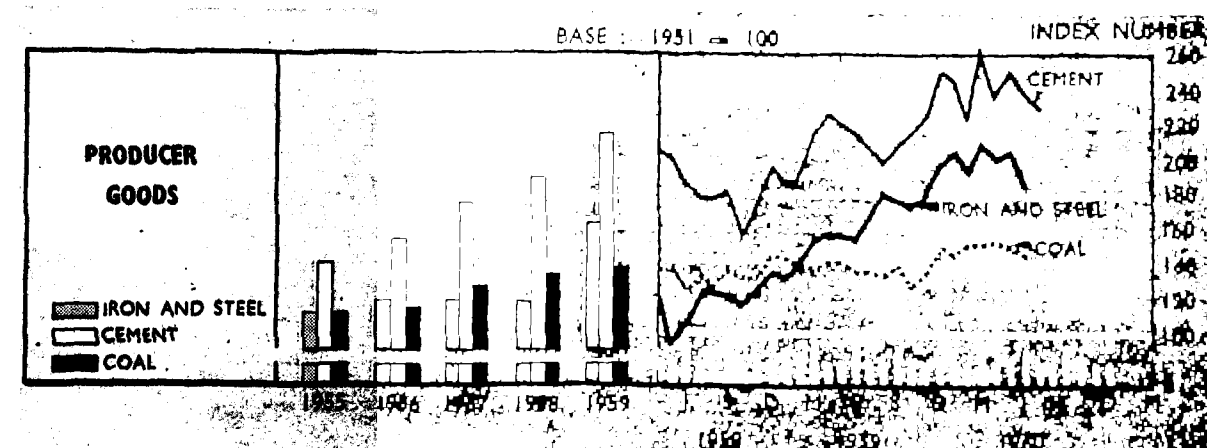
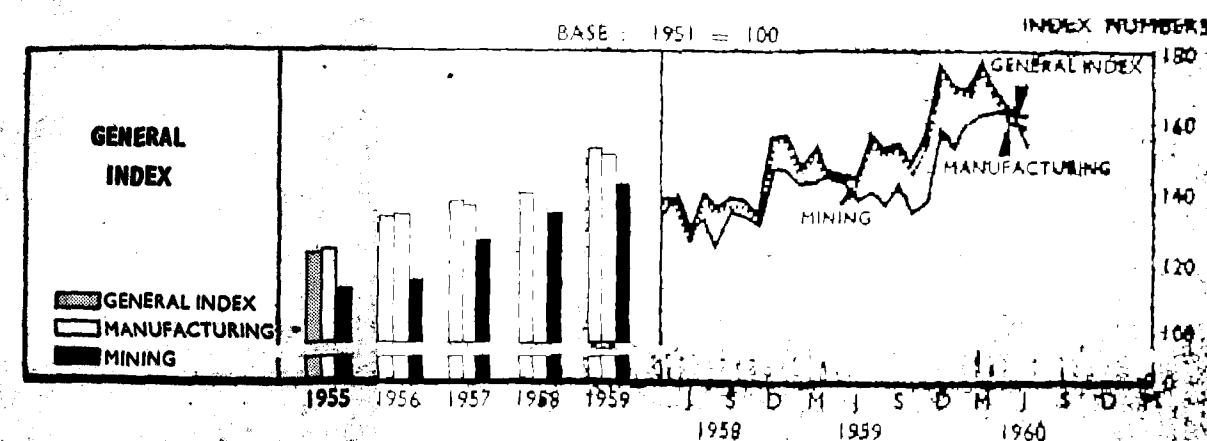
(Rs. Crores)

Average of Fridays	Foreign Securities	Balance held Abroad	Sterling Balances
1948-49	907.47	307.78	1215.25
1949-50	647.04	180.91	827.95
1950-51	624.70	207.70	832.40
1951-52	625.27	187.14	812.41
1952-53	564.40	133.56	697.96
1953-54	594.02	123.31	717.33
1954-55	648.81	87.53	736.34
1955-56	656.52	66.96	723.48
1956-57	545.61	64.77	610.38
1957-58	329.65	40.47	370.12
1958-59	182.04	25.57	207.61
1959-60	167.62	28.97	196.59
November, 1960	123.01	17.49	140.50

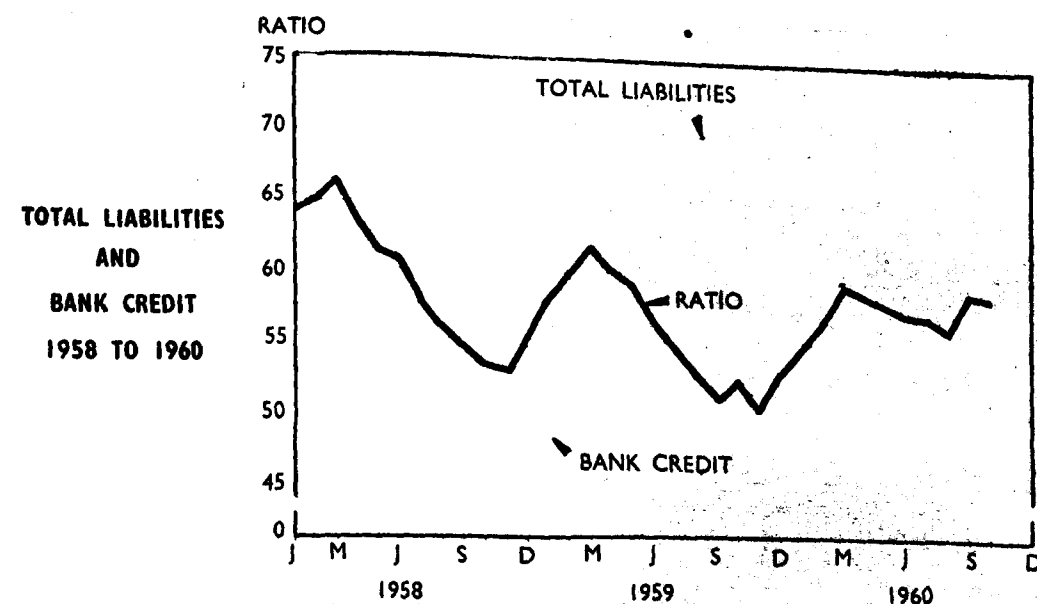
Source: Reserve Bank of India.



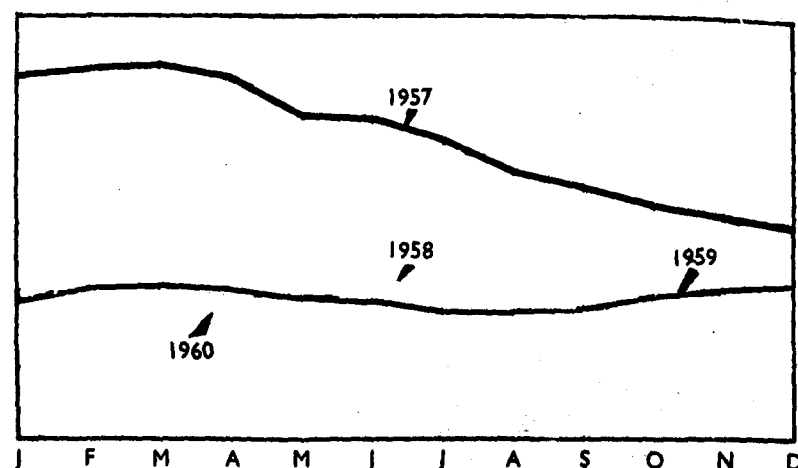
INDIAN INDUSTRY



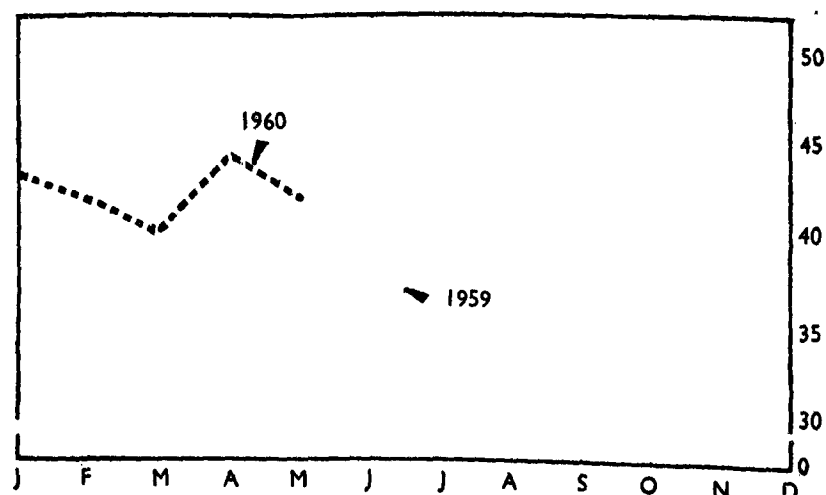
INDIAN BANKING AND FINANCE



STERLING BALANCES



VELOCITY OF CIRCULATION



THE REVISED INDEX OF INDUSTRIAL PRODUCTION

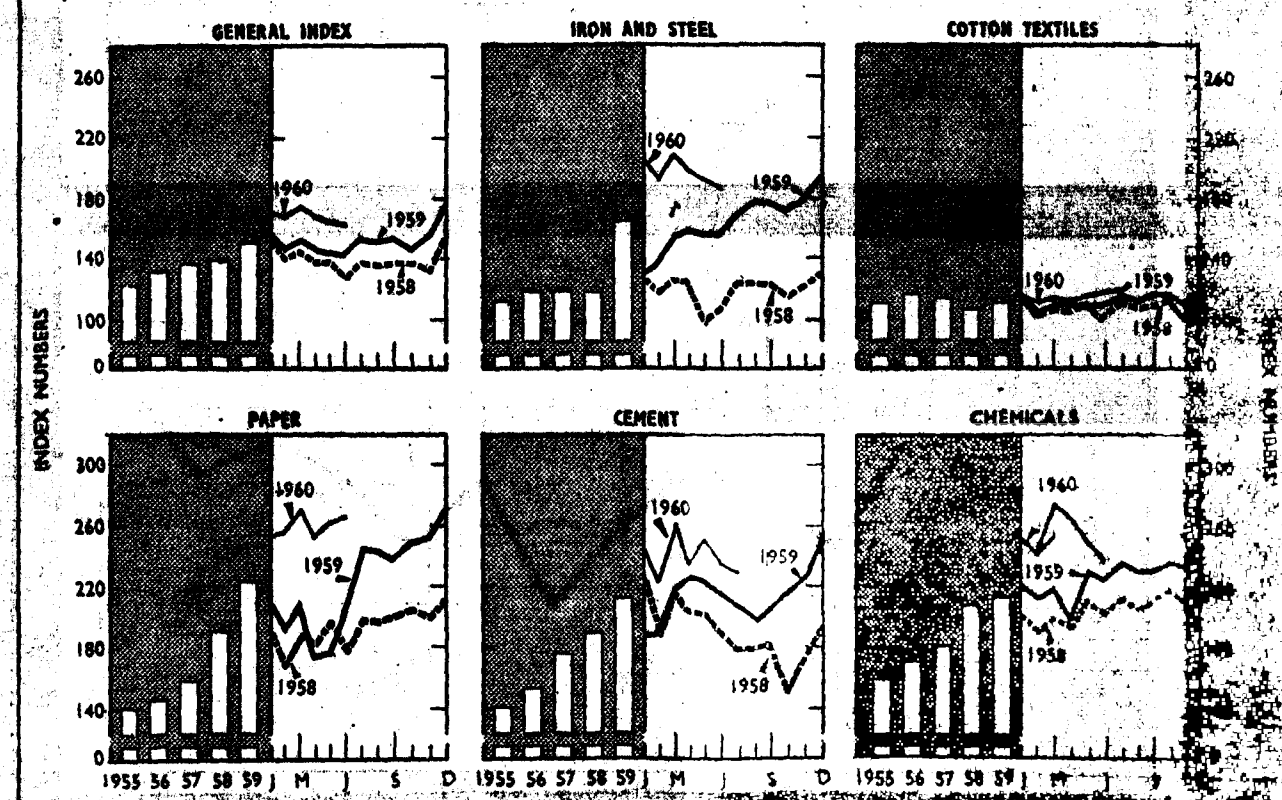
(Base 1951 = 100)

Year and month	Index General	Coal	Cotton Textiles		Jute	Chemicals	Cement	Iron and Steel	Gen.* Engring	Paper	Sugar	Tea	Electricity		
		Total	Yarn	Cloth											
		1	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	105.9	115.8	98.7	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	102.0	127.0
1955	...	122.4	111.4	111.9	117.3	109.2	118.9	159.0	140.4	113.3	183.3	140.2	143.0	106.2	144.5
1956	...	132.6	114.9	117.5	122.0	115.2	127.3	171.1	154.2	119.4	218.1	146.6	166.5	106.0	164.1
1957	...	137.3	126.8	115.6	127.5	109.7	120.5	181.3	175.3	119.3	241.3	159.3	185.5	105.9	184.9
1958	...	139.7	132.2	108.9	123.1	101.8	123.9	206.2	189.9	119.1	254.1	191.8	175.5	113.8	209.0
1959	..	151.0	137.1	111.5	128.2	103.1	125.4	214.3	213.6	163.1	282.6	222.9	186.8	112.6	248.5
March	1959 ..	151.2	138.3	109.2	126.3	100.7	121.8	218.8	219.8	154.3	264.6	210.9	394.5	19.5	239.9
April	...	145.2	139.3	109.3	125.0	101.5	122.0	195.7	226.1	158.0	294.6	173.9	187.6	56.1	241.1
May	...	143.3	140.4	108.6	123.5	101.1	126.0	229.0	222.6	154.5	279.5	177.7	34.8	109.4	254.3
June	...	142.2	133.4	108.7	122.7	101.8	120.3	223.9	215.0	155.1	271.9	206.0	0.2	140.1	245.9
July	...	153.9	135.0	115.3	131.6	107.1	129.7	236.9	207.7	168.5	293.7	245.9	4.8	184.0	256.2
August	...	150.8	131.2	111.5	128.2	103.1	124.2	230.0	197.8	179.2	288.1	242.1	10.0	207.6	254.8
September	...	153.1	137.7	114.6	131.7	106.1	130.3	230.4	206.8	176.3	292.2	239.5	11.1	213.4	253.4
October	...	146.5	126.2	114.3	131.1	106.0	123.6	236.3	215.0	172.0	242.4	248.1	21.5	201.9	259.4
November	...	155.1	132.5	107.6	126.4	98.2	123.9	232.2	226.7	178.0	309.8	252.2	193.0	136.8	253.1
December	...	175.3	160.2	119.0	189.3	108.8	132.4	247.7	250.2	196.6	335.4	273.8	403.7	47.1	266.5
January 1960	...	169.9	144.0	114.2	131.8	105.4	123.7	248.6	244.0	204.0	305.2	253.9	536.4	20.2	265.8
February	..	168.8	150.3	111.1	128.3	102.5	123.5	240.8	222.0	192.6	320.0	255.1	509.7	17.2	256.5
March	..	176.4	152.6	113.9	130.9	105.4	130.7	270.4	260.8	209.2	340.8	270.8	477.8	26.7	271.8
April	...	168.9	153.3	112.8	128.8	104.8	130.8	263.0	237.9	199.0	320.3	254.8	285.6	76.2	271.5
May	...	161.2	152.2	113.8	130.8	105.4	131.8	250.0	249.9	192.8	342.3	260.1	82.3	80.1	284.9
June	..	160.7	144.8	115.7	133.3	107.0	128.9	243.0	237.4	185.0	339.9	249.1	3.1	151.7	283.6
July	...	161.0	139.7	118.1	137.4	108.5	125.5	247.7	229.3	195.0	343.4	255.0	5.6	157.2	275.1
August	...	169.0	—	—	—	—	—	—	232.3	—	—	—	—	205.1	266.8

* General Engineering including Electrical Engineering. Source: Directorate of Industrial Statistics, Calcutta.

REVISED INDEX OF INDUSTRIAL PRODUCTION

BASE: 1951=100



INDEX NUMBERS OF AGRICULTURAL PRODUCTION

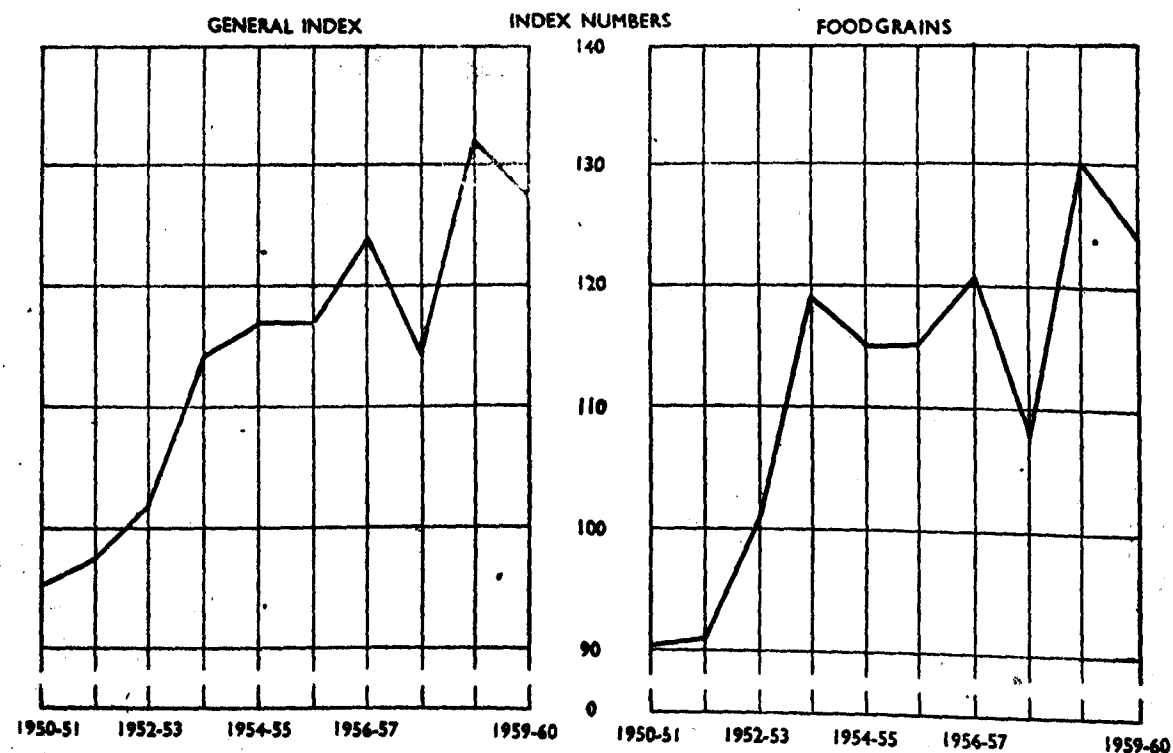
(Base: Crop year ending June 1950=100)

Items	Weights 1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60
I. Food Grains (1)								
i. Rice	35.3	96.8	118.6	105.8	114.2	120.4	104.8	127.6
ii. Wheat	8.5	112.7	120.0	135.4	131.3	140.7	116.5	147.1
iii. Total Cereals ..	58.3	101.4	120.1	114.5	114.9	120.5	108.5	129.3
(b) Pulses (2)								
i. Gram	3.7	109.2	125.4	145.9	138.9	159.8	129.7	179.1
ii. Total Pulses ..	8.6	98.3	112.0	118.5	118.4	122.9	104.2	135.2
iii. Total Food Grains	66.9	101.1	119.1	115.0	115.3	120.8	107.9	130.1
II. Other Crops								
(a) Oilseeds (3)								
i. Groundnuts ..	5.7	85.3	100.3	123.6	112.4	127.2	131.5	142.7
Total Oilseeds ..	9.9	91.9	103.7	122.6	108.6	120.3	115.6	133.4
(b) Fibres (4)								
i. Cotton	2.8	121.0	151.8	163.6	153.9	181.2	179.7	178.0
ii. Jute	1.4	148.6	100.0	94.8	135.8	138.7	131.0	158.6
iii. Total Fibres ..	4.5	128.4	132.1	140.4	149.7	170.7	165.5	175.0
(c) Plantation Crops								
i. Tea	3.3	115.4	100.6	110.4	107.2	108.7	116.9	122.9*
ii. Coffee	0.2	125.9	146.5	151.8	196.1	204.1	229.8	241.2*
iii. Rubber	0.1	106.1	131.8	127.6	146.1	143.4	140.1	143.4*
iv. Total Plantation Crops	3.6	115.7	104.0	113.2	113.2	115.0	123.8	130.0
(d) Miscellaneous (5)								
i. Sugarcane ..	8.7	101.6	89.5	115.9	119.8	137.2	134.7	139.4
ii. Tobacco ..	1.9	91.3	101.5	95.1	112.9	113.7	89.8	99.7†
iii. Total Miscellaneous	15.1	101.5	97.4	115.8	120.1	129.2	126.1	129.0
(e) Total Other Crops	33.1	103.8	104.7	120.9	119.9	130.6	128.1	136.7
III. General Index	100.0	102.0	114.3	117.0	116.8	124.0	114.6	132.3

(1) Includes Jowar, Bajra, Maize, Ragi, Small Millets, and Barley, besides Rice and Wheat. (2) includes Gram, Tur and other Pulses. (3) Includes Groundnut, Sesamum Rape and Mustard, linseed, and Castorseed. (4) Includes Mesta. (5) Comprises Sugarcane, Tobacco, Potato, Pepper, Chillies and Ginger. (a) Provisional. *Based on provisional estimates. †Based on final estimates. Source: Ministry of Food and Agriculture.

AGRICULTURAL PRODUCTION

BASE: 1949-50 = 100



Minor Irrigation in South India

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Work Study and Minor Irrigation Works

THE current issue of "The Eastern Economist" Blue Supplement deals with the application of what has come to be called "work study" in relation to minor irrigation works in the four southern States of the Indian Union. Only the four southern States have been chosen because it is there that tanks exist in abundance, and it would seem that, in most cases, they admit of the utilisation of the simple principle which has proved most effective in reducing capital costs in tank maintenance in the country. This principle is the utilisation of revolving fund to do desilting, which reclaims a portion of the tank bed, the sale of which provides most of the resources for the desilting operation. In one particular case, that of Hebbal tank in Mysore State, the process has been finally completed and the original project triumphantly vindicated. Something like a minor miracle has been achieved. Whereas the original estimate by leading Mysore engineers suggested that for desilting of the minor tanks of the Mysore State alone over a hundred crores of rupees would be required in the form of a fund, it now transpires, using the new principles—fully explained in the following article, "Hebbal, A Case History"—a revolving fund of Rs. 5 crores might be sufficient. This discovery has been made by the application of inspired commonsense to a particular challenge, and calls for no superior engineering knowledge or mystifying technological courses in work study and management.

The moral is, that great savings of capital in a country which is desperately short of capital, and great additions to employment in a country which is desperately in need of employment, need not wait in every case upon the receipt of foreign exchange and technological know-how from abroad. Collectively, the desilting of India's tanks and the maintenance of canals will accomplish as much as all our irrigation under

"major" works in the first two Plans. This is a sobering and, at the same time, an exciting thought. Not indeed, that major irrigation works can be abandoned, since they have flood control and power implications no less than irrigation potential. But quite an issue of planning is involved in the choice of irrigation works and the extension and maintenance of minor irrigation works when capital is desperately short and foreign exchange even more so. One of the most interesting results of the present developments effected under the inspiration of the Committee of the Plan Projects has been a recognition that major headway can be made in the economy of both foreign exchange and rupee capital so far as irrigation and building are concerned.

The current Blue Supplement deals only with the problems of minor irrigation works, but it very far from exhausts even the sub-section of construction. Seeing the remarkable economies that have been effected in this area, one is tempted to argue that the whole field of construction, particularly, factory buildings and dams might come within the orbit of similar capital-saving suggestions. Indeed, a remarkable instance has already been put in operation in the factory of Heavy Electricals at Bhopal.

In publishing this first Blue Supplement on the application of these methods to minor irrigation works "The Eastern Economist" wishes to pay belated tribute to the remarkable work which is being inspired by the Organisation and Methods Division in the Home Ministry, the Economy Division of the Finance Ministry and the Committee on Plan Projects. One of the most dramatic achievements of the Second Five-Year Plan is the creation of this unit, small and unpretentious, but effective beyond description.

Hebbal: A Case Study

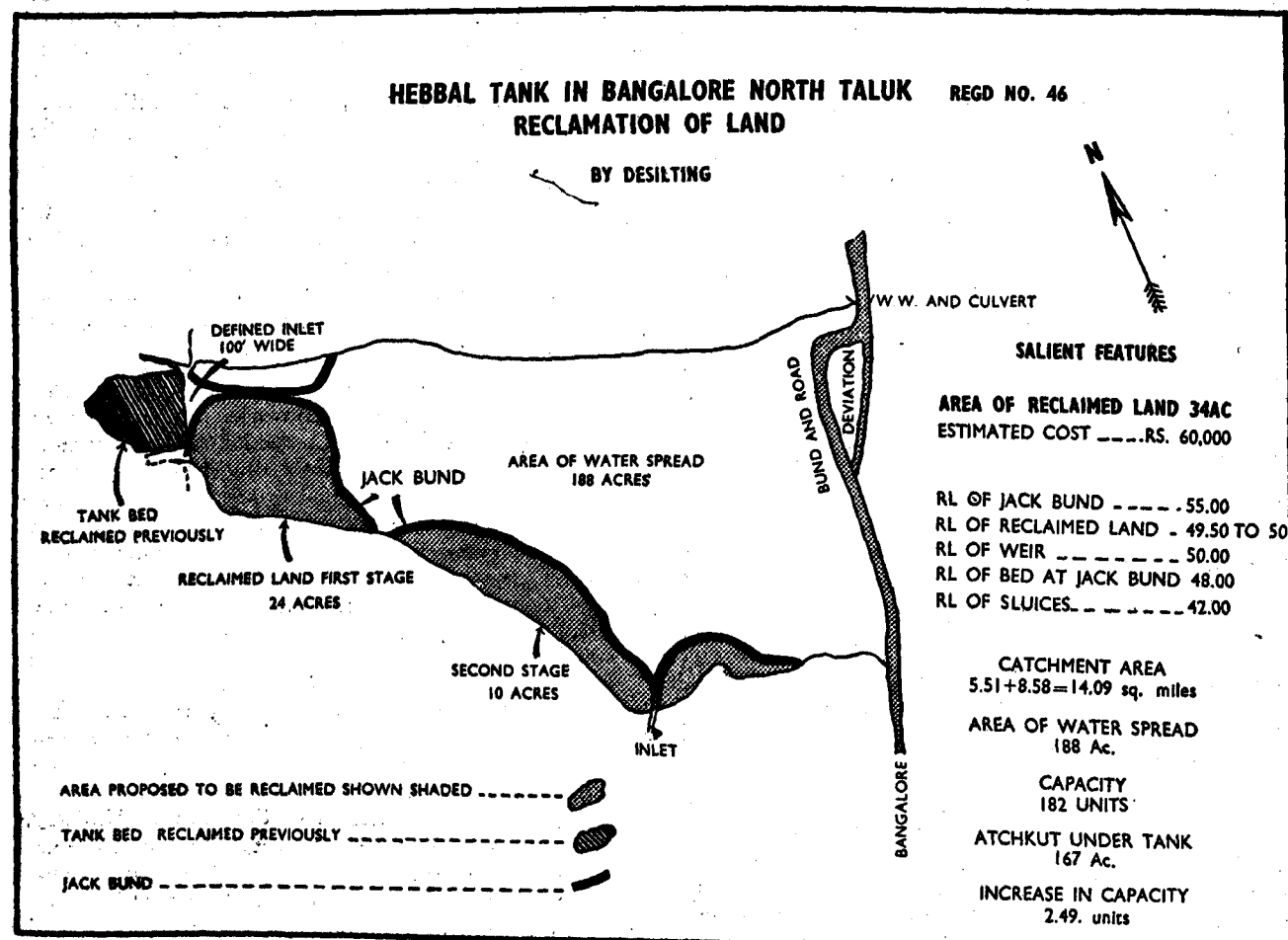
THE Minor Irrigation Team of the Committee on Plan

Projects in its report on minor irrigation works in Mysore State has suggested that desilting of the tanks be combined with reclamation of land. The advantages of this would be that there will be saving in evaporation losses on reducing the water spread by reclamation of the land near the foreshore. The lands so reclaimed will be available for cultivation. It would also increase the capacity of the tanks which will provide more assured water to the ayacut and restore the ayacut which might have gone out of tank cultivation due to the siltation of the tanks. The present position is that there are 35,000 tanks in the integrated State of Mysore. Some of these tanks have got water spread many times more than the ayacut commanded by them. On account of considerable siltation in these tanks, their effective capacity has been considerably reduced with the result that the settled ayacut cannot be irrigated properly. The team has suggested that the reclaimed land wherever it belongs to the Government should be sold and the returns thus obtained be utilised towards taking up similar schemes on other tanks. In this way a revolving capital fund is expected to be created which will enable the restoration of tanks to a greater extent than what is possible at present.

For experimental purposes two tanks, namely, Hebbal and Sulebele were chosen and work was started on these in April 1959. So far as Hebbal tank is concerned it has a capacity of 107 units with a water spread of 180 acres and an atchket of 169 acres. In case of this tank where the full tank level is not being raised the total quantity of earth to be desilted is the equivalent of 7.6 units giving an actual gain in the capacity of the lake of 2.49 units. The area to be reclaimed is 41 acres. The area released for cultivation (vide map below) is near the Agriculture College and is expected to fetch a price of Rs. 4,000 to Rs. 5,000 per acre. In case of Sulebele tank the full supply level of

the tank is being raised by 2 ft. by increasing the height of the main bund. This is being combined with reclamation of some marginal lands. The original capacity of the tanks was 74 units and the present capacity is 26.5 units. The new capacity would be 61.5 units. In this particular case the increase in capacity is mainly due to raising of the full supply level. An area of 39 acres is proposed to be reclaimed on this land. In the two tanks where experimental work had been taken up a jack bund 4 ft. above full tank level is being put on the periphery of the land reclaimed. Thus some silt from the bed of the tank is put in the jack bund above the full tank level, which adds to the capacity of the lake. The question is whether the jack bund is desirable or not. The jack bund constructed on the side of the valley from where the water enters the lake will serve to guide the water but on the foreshore there is a possibility of this jack bund obstructing the drainage of marginal lands.

It may be noted that tanks in Mysore State not only store water to be utilised directly for irrigation but also help in raising ground water-table downstream of the tank. This raised ground water-table comes in handy in doing irrigation by means of open wells. This aspect is quite important as the existence of a tank in many cases has enabled more irrigation to be done than obtained by direct flow from the tank. The progress so far at Hebbal tank is that about 7,500 c. yds. of silt have been removed and about 41 acres of land has been reclaimed in the foreshores of the tank thus reducing the evaporation losses by about 26%. At Sulebele tank about 1,19,400 c. yds. of silt has been removed from the tank bed and about 16 acres of fertile land has been reclaimed in the foreshore of the tank. The balance of area will be reclaimed in 1961 and land raised to the required level when the water level goes down. The outlay so far incurred is Rs. 1,10,000 against an esti-



mated cost of Rs. 1,22,500. Evaporation losses are said to have been reduced by about 37½%. Though the cost of reclamation is Rs. 1,500 per acre, it is found that the adjoining lands are worth Rs. 8,000 to 9,000 per acre.

The team has further suggested that before any reclamation or desilting work is undertaken, a contour survey not only of the tank but of the marginal lands for some distance above the full tank level should be made. This will help in selecting the land for reclamation. In a tank where water is coming from all sides of the foreshore the construction of a jack bund may cause obstruction to drainage of the surrounding lands. Careful observation should be made of the flow of water into the lake where reclaimed lands have been surrounded by jack bund. Where no jack bund is built the reclaimed land should be raised and given a reverse slope to prevent the fresh earth from washing into the tank. Along the periphery a strip of about 20 ft. put

under grass as soon as the earth work is finished. The desilting should be as far as possible be done from the lowest level corresponding to the sill level of the irrigation outlet. But this may increase lead considerably, where work is done by the manual labour, the borrow-pits should be about 50 ft. away from the periphery of the reclaimed land. These borrow pits dug preferably to sluice sill level should be connected with the deeper part of the lake so that they will get drained as the lake level goes down. The cheapest methods for desilting should be adopted and the desilting work should be started in good time. The use of suitable wheel-barrow where lead is long should be considered. In view of the results of the experiments so far conducted the team holds the opinion that the scheme of desilting-cum-reclamation may be implemented according to a phased programme for the restoration of large number of tanks in the State forming an integral part of the Irrigation schemes in the Third Five-Year Plan.

Minor Irrigation in Madras State

MINOR irrigation has received greater attention in Madras State than in many other States of the Indian Union for the simple reason that the average rainfall in the different districts of this State has been very low, ranging below 38" and going as low as about 32" in more than half out of its thirteen districts. Another compelling factor is the marked concentration of large-scale irrigation works which has tended to be confined in the Western region of the State. The State Government has shown great energy, determination and drive in preparing schemes for different types of minor irrigation works and implementing them. It will be news to many that the benefits of technological aids have been carried in the realm of minor irrigation and Madras State can boast of the highest number of electrically operated pumps for well irrigation in this country. An important feature of minor irrigation development in Madras is a high degree of correspondence between schemes of expansion or revival adumbrated in the Second Plan and their execution. The State Government has a clear picture of its requirements of restoration, consolidation and development of minor irrigation programmes. This picture has been made still clearer by the neatly prepared technical report of the Minor Irrigation Team, appointed by the Committee on Plan Projects.

Trends in the fluctuating conditions, which different types of irrigation works have undergone from time to time in Madras State, disclose that the pattern of irrigation has become fairly well-defined and fixed (though not inflexible), owing to experience extending over the centuries. The most outstanding feature of river valley irrigation in Madras is that the rivers flowing through the State, whose waters are exploited to irrigate land, have their sources in Mysore State. Nevertheless, a large degree of understanding, co-operation and accommodation in constructing works on these inter-State rivers was generally not lacking. As far back as 1892, the pre-reorganization States of Madras and Mysore concluded an agreement to define the limits within which irrigation works could be undertaken by Mysore State in the various river valleys because these inter-State rivers offer additional scope for expanded irrigation and held a promise of increasing the benefit to Madras State, situated as it is in the relatively disadvantageous position to enjoy riparian rights as the sources of the rivers are located Mysore State.

The pattern of utilization ought to be surveyed in brief. For several centuries past the anicut systems have been in vogue and water has been used to the

maximum availability for cultivation. The Grand Anicut and the Upper Anicut across the Cauvery are conspicuous instances of this system being in use over a very long time. The rivers from whose waters acreage in excess of 1,00,000 has been irrigated by means of the anicut systems are Cauvery (15,12,489 acres), Vaigai and Periyar (2,49,000 acres), Palar (1,72,746 acres), Tambaraparani (1,16,000 acres) and Vellar (1,06,230 acres).

Dams and channel systems have been constructed in relatively recent times with emphasis on large reservoirs and naturally they have been selected on the western side of the State to draw upon the waters of the Mettur, Lower Bhavani, Amaravathi, Krishnagiri, Satnur and Vaigai. The scope for sites for locating large reservoirs is now fairly exhausted and not much development in this direction can be expected.

In the flat regions of the State, water has been drawn from streams through the device of open channels. These inundation canals are largely used for feeding the tank systems and irrigating small areas. About 283 tanks were supplied by 58 channels of this type and they protected a total ayacut of 1,00,555 acres. Wherever beds of streams possess ample deposits of sand and also allow good surface flow of water, spring channels are dug below the belt from time to time. This type of irrigation is highly developed in the district of North Arcot and Chingleput.

Utilization of subsoil water is easily a popular means of minor irrigation because in Madras State, as in the rest of India, well irrigation is in vogue from time immemorial. But with the availability of power, lift irrigation from well water by means of power-driven pumps has been making remarkable strides. There is an aggregate of 7,09,004 wells in the State, of which the major proportion is privately owned, but as many as 4,214 wells are under Government ownership. An outstanding feature of well irrigation in Madras State is that among the private wells as high a number as 5,45,246 are pucca masonry wells. Well irrigation claims 21.2 per cent of the total irrigated area of the State. There are extremes in Madras in the matter of availability of lift irrigation facilities, depending upon the range of rainfall. In Coimbatore District, where total rainfall is as low as 28.21" per annum, wells have to be dug deep and wide, some of them being 100-150 feet deep.

Madras has captured the pride of place in the matter of rural electrification. By the end of the Second Plan at least half of the villages will be electri-

fied and total rural electrification is envisaged in the Third Plan. One of the most tangible benefits of rural electrification, which goes directly home to the peasant, is the utilization of electricity as motive power for well irrigation. The remarkably rapid extension for power lines from the State Electrical Grid has been responsible for giving an unprecedented impetus to the use of pump sets for well irrigation to replace the uneconomical, and cumbersome traditional mode of lift irrigation. Under the State Electrical Grid, 75,000 pump sets for well irrigation were electrically operated early in 1959 and by March this year a total of 1,00,000 pump sets under the same grid will be completed, in toto.

On the sea coast, where fresh water is available and sea water does not injuriously affect the areas, sandy regions get the benefit of installation of 'filter points'. This system of filter points on the coastline was started about 10 years ago and in the First Five-Year Plan 2,671 filter points were sunk, each point serving an area of 10 acres.

Easily the most outstanding feature of minor irrigation works in Madras State is the ancient system of tanks across the streams. Towards the end of 1959 there were as many as 32,318 tanks in the present Madras State out of which Ramnad District claimed the highest number of 6,686 tanks. A clear idea of the spread of the system of tanks in Madras State can be gathered from the following tabulation:

Name of District	Area in sq. miles	Number of tanks	Total Rainfall (Inches)
Madras	49.74	—	50.78
Chingleput	3,060	2,909	46.70
South Arcot	4,208	2,917	46.78
North Arcot	4,654	3,421	38.01
Salem	7,058	2,550	32.33
Coimbatore	7,090	127	33.61
Tiruchirappalli	5,505	5,656	34.70
Tanjore	3,738	859	44.39
Ramnad	4,825	6,686	31.71
Madurai	4,869	4,326	31.92
Tirunelveli	4,338	2,929	29.83
Nilgiris	989	—	74.45
Kanyakumari	640	1,107	40.00

Although tank irrigation has been the most familiar minor irrigation in Madras State, absolute and positive conclusions cannot be drawn merely on the basis of the above table. This is for the obvious reason that the thirteen districts in the State do enjoy, at least many of them, the benefit of other minor types of irrigation as well as of the major irrigation schemes. But certain broad inferences can be suggested. Where rainfall is very poor, as in Ramnad and Madurai Districts, the number of tanks which are sunk is conspicuously large. But we get the contrary case of Coimbatore district where the rainfall is low at 32.61", but, even so, the number of tanks is of the marginal order of 127—a little more than one-eighth of the number of tanks in Tanjore which enjoys fairly high rainfall of 44.39". South Arcot, Kanyakumari and Chingleput illustrate districts with relatively high rainfall, accompanied also by a large network of tanks. The explanation of the large number of tanks in spite of comparatively good rainfall is to be found in the popularity, economy and tangible results from tank irrigation.

But about tanks it would be an error to be guided about their present effective contribution to irrigation merely by their number. Most of the tanks until recently were zamin and as such they have fallen into

a condition of great disrepair owing to uninterrupted neglect and absence of escape arrangements. Over the decades, quite a large number of tanks have suffered serious deterioration due to continuous silting which has rapidly diminished their storage capacity. However, attention has been focused on improvement of these tanks and their full restoration and, in some cases, their resuscitation has been or is being taken in hand.

The immediate problem is to provide more facilities than the existing ones of small irrigation works in order to step up agricultural production in general and food production in particular. In this problem, restoration of storage capacity of tanks to its maximum by undertaking repair programmes etc. is certainly entitled to priority and in fact it has received it at the hands of the State Government. The Government has in its possession very useful documentary information in respect of tanks in the form of Memoirs. These Memoirs have been prepared several years back, and therefore, the work of planning schemes of restoration is being considerably facilitated. However, there is one handicap. Large irrigation sources, which belonged to zamindars, and are now taken over from them by the Government, have no Memoirs compiled in respect of them. To take this work in hand and bring it up-to-date is quite essential and it has already been started. In one respect data about tanks in Madras are incomplete. The ratio of waterspread area of tanks to area of ayacut is not available, but some sample surveys have been carried out. They cover 245 tanks which show that the ratio of waterspread to ayacut in the case of these 245 tanks works at 1 acre waterspread to 1.30 acres of ayacut. In Andhra State, which formerly formed part of Madras State, this ratio was the same, i.e., 1 acre of water spread to 1.30 acres of ayacut. The Team therefore has assumed that the ratio of 1:1.30 which has been worked out in the case of the 245 tanks may be taken as representative of the tanks in the State in general. On this basis the 33,687 tanks which have an ayacut of 22 lakhs may be presumed to have a waterspread area of 17 lakh acres. This large waterspread acreage raises problems of losses through evaporation as well as percolation. However, research into prevention of evaporation losses is in the experimental stage in India and this problem cannot be given priority at the present time.

The Madras Government has already started projects of desilting in selected tanks. At the present time, this work is being carried out on an experimental basis, but experience gathered so far and factual data compiled in its course are bound to prove of considerable help in strengthening and accelerating the programme. It is precisely in this sphere of restoration of tank capacity that concentrated effort and liberal outlay ought to be expended. Other works of improvement of minor irrigation projects are of relatively lower priority. At the present time the main purpose of the scheme of desilting is to restore the storage capacity of tanks and to bring the benefits of irrigation to rapidly increasing areas within the reach of tanks. Reclamation of land is not now included as the major objective of the tank improvement programmes. But the conviction is gaining ground that desilting and reclamation should be pursued as integral parts of a joint programme. The Team has strongly recommended that tank improvement projects should be given a positive re-orientation in the direction of desilting-cum-reclamation programmes. This would mean that the silt which is removed from the tanks would be used for raising the fore-shores of the tanks. This operation would result in deepening the tanks and reducing their size. Simultaneously with a reduction in the size of the tanks, it would be possible to reclaim areas of land now lying under them. The current costs of irrigation in the

State are high and on this score desilting is justified as providing extra irrigation.

Undoubtedly of great significance are certain estimates made by the State Government and the Team about the boost which desilting-cum-reclamation of tanks would give to food production. On the assumption that reclamation works would bring about 15 per cent of the land now lying under the tanks for cultivation, it would be possible for Madras State to release something like 2.5 lakh acres of cultivable land. Making the most conservative estimate that 1 acre would yield 1 ton of food grains, 2.5 lakh acres of land liberated from tank coverage would yield 2.5 lakh tons of foodgrains.

The benefits accruing from the joint operation of desilting-cum-reclamation schemes have so much impressed the Team that it has argued a strong case for strengthening the hands of the State Government in undertaking it on a bigger scale than at present. This scheme eliminates costly operations of acquisition of land for cultivation, saves large areas on the margin which are now water-logged by reclaiming and using them for irrigation and, above all, it makes possible to meet the outlay on the schemes by means of sale of reclaimed land — nearly 15 per cent now going to waste under the tanks.

To reduce current high cost of desilting schemes by combining reclamation with it, the Team has made

a very valuable recommendation. At the present time desilting-cum-reclamation schemes cover patta lands and the result is that, while the pattadars of the fore-shore land get permanent improvements to their lands by reason of the permission they grant to the Government to deposit the earth on their lands, the costs of the operation are borne by the Government. The Team has laid great stress on the fact that, since the beds of tanks also include peramboke land (government-owned land), reclamation should cover paramboke. The object is that such reclaimed paramboke could be put up to sale at high prices chargeable for irrigated land to meet a good part of the cost of the tank improvement schemes. In fact, extension of desilting-cum-reclamation schemes to paramboke lands is the most conspicuous and important recommendation made by the Team. This would expedite the completion of the operation of restoration of tanks to full capacity. Also, another suggestion has been made by the Team to the effect that the State should exercise the right of imposing the betterment levy in the case of patta lands which benefit from the scheme. As an alternative to the betterment levy it has suggested that a contribution lower in rate than the betterment levy should be recovered from the pattadars for the benefits they would receive from desilting operations. Reclamation of paramboke land now covered by tanks, it is urged, should be accomplished according to a phased programme during the Third Five-Year Plan. Schemes of other types of minor irrigation improvement have also been indicated.

Minor Irrigation in Andhra Pradesh

IN May last year, the report of the Minor Irrigation Team appointed by the Committee on Plan Projects for study and investigation of the minor irrigation works in the State of Andhra Pradesh was released. The main recommendations of the team were:

- to implement the Master Plan of restoring old tanks.
- to utilise the subsoil water as well as the drainage water from the existing irrigation works as an extra source of minor irrigation,
- to recover the capacity of tanks lost due to silting by raising the tank levels and adopting wherever feasible the Desilting-cum-Reclamation Scheme in order to reduce the area of submergence; and
- to revise water-rates to rational limits.

An attempt is made here to analyse the major recommendations of the Team.

Fiftythree per cent of the total irrigated area in Andhra Pradesh is covered by minor irrigation sources such as tanks, wells, etc., the rest of the 47 per cent being covered by major irrigation canals. The irrigated area, whether through major or minor sources of irrigation, constitutes hardly one-fourth of the total cultivated area. This may be illustrated with reference to the facts as they were at the end of the fiscal year 1959-60. Out of a total geographical area of 66.6 million acres, the cultivated area was 27.9 million acres—less than half of the total area. Out of the 27.9 million acres of cultivated land, the irrigated area was only 6.788 million acres. It will be seen thus that only 10 per cent of the total geographical area of the State was under irrigation.

The minor irrigation of these areas is predominantly carried out with tanks, which total 58,527 in number. The major crop raised is that of paddy.

Most of these tanks are under the supervision and control of the State. The Public Works Department looks after all tanks with an ayacut of 200 acres or more. The Revenue Department looks after the smaller tanks with ayacuts less than 200 acres. In the Telangana area of the State, all tanks with an ayacut of 100 or more acres are looked after by the ryots, but they are under the overall supervision of the Revenue Department.

The dependence of the State on the tanks for purposes of irrigation is too obvious to demand any amplification. It is necessary, therefore, to keep these tanks in good shape for increasing the output of paddy and other crops. In the Andhra region, not all the tanks are in good shape and they are much below the P.W.D. standard. So far only 40 per cent of the tanks have been improved so as to bring them upto the P.W.D.'s standards. Surveys need to be carried on for the remaining tanks for estimating the volume of repair needed in their case. Some of these tanks are in a very dilapidated condition, primarily because they were taken over by the State from the zamindars in 1950 and have not been looked after properly since then. There are no records available how these tanks were built and what their original standards were. In order to bring them to a level of efficiency fixed by the Public Works Department, it is imperative that systematic surveys of these tanks should be conducted so as to fix the standards up to which they are to be brought. Happily, in certain districts of the Andhra area, surveys of these tanks have already been taken in hand while in the other districts, the regular Public Works Department staff are supposed to be looking after.

A Master Plan has been prepared for the reclamation of these tanks. According to this Plan, a sum of Rs. 16 crores will be needed for the complete restoration of all the tanks and bridging the gap in irriga-

tion between "settled ayacut and actual irrigation". For the Telangana area, the estimated cost is Rs. 5 crores, while the cost for the Andhra region is estimated at Rs. 11 crores. The Second Plan provided for the Telangana region a sum of Rs. 1.6 crores and for Andhra region a sum of Rs. 0.7 crores. Total expenditure thus comes to Rs. 2.3 crores while a balance of Rs. 13.7 crores is needed for restoring all the tanks to P.W.D. standard. The entire task cannot be done in the Third Plan. A part of it, say, nearly 50 per cent will have to be done during the Third Plan, and the balance will be completed in the Fourth and the Fifth Plans.

The table below shows a detailed analysis of the manner in which estimates have been made in regard to the restoration of tanks under the Master Plan. The estimates are set out district-by-district, showing the total cost on the approximate basis of Rs. 160 per acre.

The Team has put in a strong plea to recover the capacity of the tanks lost due to silting. It has been suggested that in the case of such tanks, the level should be raised by building bunds, and waste-weirs. In order to reduce submergence, the desilting-cum-reclamation scheme which has been successfully practised in Madras, may be adopted. Another way to minimise the process of silting in the tanks is to cultivate crops in the areas surrounding the tanks.

Available statistics in regard to the development of irrigation between 1952-53 to 1957-58 show nearly 15 per cent rise in total irrigated area within six years.

MASTER PLAN FOR RESTORATION OF TANKS IN ANDHRA PRADESH

S. No.	Name of District	No. of existing tanks				Total No. of tanks	Settled ayacut under the tank	No. of tanks restored
		Below 10 Acres	10-50 Acres	50-100 Acres	100 to 200 Acres			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
I. Telangana Region								
1.	Warangal	1,585	1,594	633	317	228	4,357	2,21,784
2.	Khammam	531	798	210	97	66	1,702	93,186
3.	Karimnagar	3,080	2,827	648	263	176	6,994	2,69,554
4.	Adilabad	355	568	130	54	34	1,161	42,760
5.	Nalgonda	1,599	1,409	617	215	114	3,954	1,25,460
6.	Medak	2,817	2,605	910	544	64	6,940	1,93,395
7.	Hyderabad	498	1,211	306	149	10	2,174	61,706
8.	Nizamabad	300	547	304	162	102	1,415	1,09,863
9.	Mahboobnagar	1,653	1,660	534	277	159	4,283	1,83,280
Total		12,438	13,219	4,292	2,078	953	32,980	13,00,988
II. Andhra Pradesh								
10.	Srikakulam		7,324		1,914	78	9,316	2,44,950
11.	Visakhapatnam		2,394		118	106	2,618	3,25,420
12.	East Godavari		627		520	49	1,196	—
13.	West Godavari		302		116	27	445	—
14.	Krishna		456		107	37	600	4,13,561
15.	Guntur		179		98	8	285	1,39,770
16.	Nellore		238		69	215	522	2,42,146
17.	Kurnool		426		51	41	518	49,284
18.	Anantapur		1,497		628	112	2,237	1,08,305
19.	Cuddapah		1,029		106	49	1,184	31,580
20.	Chittoor		5,290		1,307	29	6,626	1,30,882
Total			19,762		5,034	751	25,547	16,85,898
Grand Total			49,711		7,112	1,704	58,527	29,86,886

Major increase has occurred in irrigation by tanks wherein the rise is of the order of 50 per cent; as against the irrigation of land by tanks at 1.9 million acres in 1952-53, it has risen to 2.7 million acres in 1957-58. It is anticipated that after the Third Five-Year Plan, large additional area will be brought under irrigation, both under minor and major. The major projects of Nagarjunsagar and Siddeswaram on river Krishna and Pochampadu Inchampalli and Ippur projects on river Godavari are anticipated to give a push to the process of irrigation in the State.

While it is necessary to conserve the available water resources available for irrigation in the State, the fact remains that a large cultivable area is likely to remain outside the irrigation pattern. In the case of such areas, possibilities of maximising agricultural output in terms of value needs to be explored. The team analysed the problem of return from various crops to the cultivator and came to the conclusion that non-paddy crops like maize, groundnut, cotton, ragi, wheat, vegetables and fodders yielded equally good returns per unit of area as compared to paddy. While the per acre return from paddy crop was estimated by the Agricultural Department at Rs. 40 to 70, the corresponding yields for other crops were:

Wheat : Rs. 60 to 90
Onions : Rs. 80 to 100
Tobacco: Rs. 140 to 300

Lift irrigation in the State also provides a good scope for irrigation. Pumps can be installed at the

MASTER PLAN FOR RESTORATION OF TANKS IN ANDHRA PRADESH (Contd.)

S. No.	Name of District	Ayacut under the tanks restored	No. of tanks to be restored	Tanks to be Restored		Actual irrigation under tanks during 1955-56	Gap	Cost on	
				under unre-restored tanks	Cost of restoration to PWD standard at Rs. 50 per acre in Rs. lakhs			gap at Rs. 160 per acre in Rs. lakhs	Total cost in Rs. lakhs (14+17)
		(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
I. Telangana Region									
1.	Warangal	1,85,108	2,973	14,678	7.34	199,786	21,998	33.0	40.34
2.	Khammam	81,987	1,239	8,235	4.12	90,222	2,964	4.45	8.57
3.	Karimnagar	1,33,500	5,931	58,745	29.37	192,245	77,309	115.96	145.33
4.	Adilabad	18,303	932	26,079	13.04	44,382	—	—	13.04
5.	Nalgonda	88,590	3,175	21,851	10.93	110,441	15,019	22.53	33.46
6.	Medak								
7.	Hyderabad	88,478	8,400	105,150	52.58	193,628	61,473	92.21	144.79
8.	Nizamabad	69,161	829	38,288	19.14	107,449	2,414	3.62	22.76
9.	Mahboobnagar	76,673	3,429	90,293	45.15	166,966	16,314	24.47	69.62
Total		7,41,800	26,908	363,319	181.67	1,105,119	197,791	296.24	477.91
II. Andhra Pradesh									
10.	Srikakulam	73,613	8,049	204,079	102.04	277,692	—	—	102.04
11.	Visakhapatnam	57,929	2,028	77,638	38.82	135,567	189,853	284.78	323.60
12.	East Godavari	85,727	5	47,867	23.93	133,594	—	—	23.93
13.	West Godavari								
14.	Krishna	75,552	864	176,198	88.10	231,750	181,811	272.72	360.82
15.	Guntur	29,950	77	15,216	7.61	45,166	94,604	141.91	149.52
16.	Nellore	138,367	165	170,667	85.33	309,034	—	—	85.33
17.	Kurnool	51,356	93	8,600	4.30	59,956	—	—	4.30
18.	Anantapur	137,202	1,471	—	—	91,273	17,032	25.55	25.55
19.	Cuddapah	93,276	—	—	—	73,025	—	—	—
20.	Chittoor	100,115	2,892	76,345	38.17	176,460	—	—	38.17
Total		843,087	15,644	776,610	388.30	1,533,517	483,300	724.96	1,113.96
Grand Total		1,584,887	42,552	1,139,929	569.97	2,638,636	681,091	1,021.20	1,591.87

existing successful wells, at the sites of new wells, in the low lying canal areas and in the streams. Lift irrigation, however, depends for its spread on electrification of the rural areas. Until electricity penetrates into the rural areas, diesel engine pumps could be pressed into service. Co-operatives could be encouraged for setting up these pumps so that even the small farmers could make use of these facilities.

Both these suggestions, namely, changes in the cropping pattern and lift irrigation will be advantageous in more than one way. They will not only bring more area under irrigation but will also provide larger income to the cultivators, higher revenue to the Government, increase the value of land, minimise the chances of water logging and institute improved utilisation of water which has hitherto not been exploited to the maximum.

Minor Irrigation Works in Kerala Economy

IN a State like Kerala which lies on the wind-ward side of the Western Ghats and where the minimum rainfall is about 60 inches, provision of irrigation facilities may sound an odd proposition. But since time immemorial need for providing irrigation in this State has been felt and not a few irrigation works have come down to the present day from the olden times.

The necessity of providing irrigation facilities in Kerala arises out of two factors. Firstly, though total rainfall is pretty heavy in all the districts of the State, its distribution over various months of the year is not uniform. Over half the annual rainfall is concentrated in the "Viruppu" season which starts in May and ends in August. Nearly one-third of the yearly rainfall is received in the "Mundakan" season, from September to December. The first four months of the year, from January to April, are mostly dry. The second imperative calling for provision of irrigation facilities is that the main crop that is produced in this State is paddy which requires large quantities of water to mature.

There are six types of minor irrigation works that

have been made use of in Kerala. The oldest type perhaps is the **spring-fed tanks**—large ponds excavated beneath ground-water level so as to tap the natural springs at the upper end. From these tanks water is let out at the lower end and fed to paddy fields during the times when rains fall. These tanks in reality are open wells which look like tanks because of their largeness, shallowness and presence of canal sluices at the lower end. Many such tanks lie across natural drainage valleys. To avoid breaches by storms, sometimes a part of the storm flow above a certain level is admitted into these tanks from the upper end and allowed to escape at the lower end through a "waste-weir."

The second type of minor irrigation works that have also come down from old times are **diversion weirs with channels**. They carry a good flow from May to February because of too heavy monsoons and deep soil mental.

Lately, of course, these two types of irrigation works have started yielding place to **lift irrigation** for which the topography of the State is eminently suited.

able. Kerala's is a land whose topography is predominantly undulating with alternating hills and valleys; it is very seldom that vast contiguous stretches of cultivable land are available in the mid-land portions of the river basins. There are a large number of small plots located on the fringes of the rivers and spread all over the State. These blocks of land cannot be commanded by flow irrigation schemes because of the intervening low levels. Lift irrigation from adjoining rivers or streams, however, provides a ready answer for cultivation of these tracts.

The latest type of minor irrigation works to arrive in this State are **surface reservoirs** whose designs have followed more or less the pattern obtaining in the neighbouring States of Mysore and Madras.

In the areas bordering the numerous lagoons, estuaries and the back-waters that lie in the coastal region of the State, the problem of irrigation is slightly different. Most of the land in this region is below the mean sea level. It is flooded by fresh water brought over by the rivers in the monsoon season and is subsequently inundated by salt water when the river flow dwindles. The problem of this region has been tackled in two ways; firstly, by construction of works which act as **salt water barriers** and secondly, by diverting inflow of monsoon waters.

In some of the low-lying tracts in the State, which get flooded during the monsoon season, attempts have been made to provide some sort of **drainage** system. These last two types of irrigation works have not yet made much headway as the cost of their construction has been considered to be too heavy.

An idea of how provision of irrigation facilities in Kerala has progressed during the recent years can be had from the table given below. But still there is much scope for providing irrigation facilities in the State and harnessing of the monsoon flow that goes waste.

LAND UNDER IRRIGATION IN KERALA STATE

(In acres)

Sources of Irrigation	1951	1956
Government Canals	317,874	327,871
Private Canals	68,074	68,113
Tanks	72,286	77,400
Wells	25,726	28,499
Other Sources	259,628	309,380
TOTAL	743,388	811,063

In the middle of last year, the Minor Irrigation Team, appointed by the Planning Commission, submitted a report on a future irrigation programme for the Kerala State. The report contains a number of useful suggestions which if carried out can yield much fruitful results.

PROGRESS OF IRRIGATION IN KERALA STATE

Comparative Benefits from Second and Third Five-Year Plans

	Second Five-Year Plan Provision			Third Five-Year Plan Provision		
	Cost in lakhs of rupees	Gross area in thousand acres*	Additional food production in tons	Cost in lakhs of rupees	Gross area in thousand acres*	Additional production in tons
1. Medium Irrigation	133.68	182.00	29,300	340.00	136.00	45,300
2. Minor Irrigation	72.00	84.00	10,500	230.00	92.00	23,000
3. Lift Irrigation	28.63	38.00	4,750	230.00	184.00	46,000
TOTAL	234.31	304.00	44,550	800.00	412.00	114,300

* Received from C.E. (Irrigation) P.W.D., Kerala State. It has been clarified that gross area is twice the net area, since two additional crops are grown.

Among the minor irrigation works, the Team has laid great emphasis on lift irrigation. This it has done taking into consideration not only the favourable topographical features of the State, but also due to the fact that there is a large potential of hydro-electric power there which can be cheaply made available for this type of irrigation. To keep the operational costs of lift irrigation within bounds, the Team has suggested that pump sets for installation should be selected with a view to rendering most optimum performance under the particular condition of discharge and lift involved. The requirement, in the opinion of the Team, is likely to be mostly for lifting large quantities of water over small heads. For these conditions, the Committee thinks mixed flow or axial flow type pumps might be more satisfactory than centrifugal pumps. The Team has further recommended that pipe conduits and overhead ducts supported on trestles might be preferred to open channels.

The Team's suggestions for improvement of spring-fed tanks are equally noteworthy. It has recommended that to avoid silting of these tanks, wastage of land in their construction, evaporation losses and contamination of water in them, it would be appropriate that resort should be taken now to underground tapping of the springs by means of open jointed pipe-drains placed within a reverse filter, cutting across the springs and acting as a "percolation gallery." About the diversion weirs, the Team has suggested that attempts should be made to provide them with control gates as sometimes the increase in the flood levels due to afflux above these weirs is resisted by the people whose fields are submerged. The Team thinks that diversion weirs with channels are feasible in Kerala on a large scale and if these are backed up by storages, the benefits derived would be considerably enhanced. The Team has laid great stress on provision of appropriate drainage facilities in the low-lying tracts in the State and construction of salinity control works in the areas bordering lagoons, estuaries and backwaters of the West Coast.

The realisation is growing in the Kerala State for having minor irrigation works in preference to medium and large projects. This is evident from the following table.

Under the Third Plan it is proposed to increase the area under minor irrigation works, including lift irrigation, by 276,000 acres, whereas the additional area to be brought under irrigation by medium projects will be only 136,000 acres. This emphasis has obviously to be welcomed as minor irrigation works are easier to execute and cost much less than the medium irrigation projects do. They are particularly useful in this State for supplementing water supply from the monsoon rainfall during the first and the second paddy seasons.

The Plantation Industry

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Policy for Plantations

THE central argument of this Blue Supplement is that a greater sense of urgency must be brought to bear upon the formulation of a policy for plantations in the immediate future than what has been evinced in the Draft Third Five-Year Plan. A special characteristic of the plantation industry is that whether it is taken in its segment of tea or of coffee or of rubber, it does not admit of short-term planning. By its inherent nature each segment of the industry imperatively requires long-term planning because, if the technical jargon is to be used, the period of gestation is long. Essentially, therefore, planning for the plantation industry is a matter for perspective planning. It would be presumptuous to claim that the Draft of the Third Five-Year Plan has given full weight to this factor.

Easily, tea commands the first rank among the plantation industries. Tea will remain one of our major exports. The fact that it is a traditional export, but accent is now to be shifted partly to diversification of our export trade, will not make any mentionable change in the position which it occupies. This is not to suggest that Indian tea has got an assured place or share in the world market. Its position is being assailed to our detriment and this susceptibility to competitive onslaughts from other countries needs to be cured. India has the advantage of an expanding and large domestic market, which will sustain the industry and enable it to absorb the shocks of intermittent phases of depression in the export market. It is, therefore, of the utmost importance to expand and strengthen the home demand. Ceylon has demonstrated in the post-war period that, in matters of production as well as export, she could steal a march over India without extraordinary effort. This would indicate that the growth of Indian tea industry suffers from lack of an energetic policy and it would not be wrong to say it lacks an element of aggressiveness. A rational policy for tea requires, first, emphasis on quality, second, on competitive prices and also on intelligent publicity.

India's coffee industry has expanded at a reassuring rate, considering the fact that the popularity of this beverage was confined until before the last war to the South. An imaginative policy of propaganda during the war has succeeded in creating partiality for coffee in the other parts of the country too. The price of coffee needs to be made attractive. The truth of the matter is that what goes under the innocent name of "fringe benefits" to labour has raised the production costs of coffee and taxation has lent its weight to pushing up prices. The share of Indian coffee in the world export market is very modest. More recently, the decline in the export price of coffee and the move towards integrated policy adopted by the Latin American countries — the major producers — have combined to give a set-back to India's exports.

During the period of planning, between 1951 and 1960, the production of natural rubber in India increased from 24,206 tons to 50,694 tons. Expressed in terms of percentage, this is an increase of 108. No conclusion should, however, be drawn that it is a phenomenal increase for the very simple reason that the base is low. The hard reality of the situation is that if the scheme of replanting of rubber estates prepared by the growers in 1948 had been accepted, India would not have been driven to importing large quantities of raw rubber in a period of growing strain on her foreign exchange resources. This fact underlines the moral that domestic output is out of alignment with demand and that policy for expansion at the end of the decade should be planned boldly and imaginatively now. Something like 135 items of manufacture, which are beginning to come into importance in our industrial production, require rubber as one of their major materials. The demand for rubber is bound to go on shooting up. Meantime, production of synthetic rubber also demands parallel attention. In sum, policy for rubber requires to be conceived on an integrated basis.

Indian Tea's Falling Markets

BY V. I. CHACKO

WHAT qualities in the product, what organization and salesmanship in marketing, what kind of economic environment and what art and device in securing consumer response are required in the foreign markets for Indian tea? Whatever they are, they have never had a long-term, comprehensive and integrated consideration at any level in India in the past two decades.

Tea is the largest earner of foreign exchange for India and the most advanced segment of Indian agricultural enterprise. It has had an organized existence for over a century and the industry enjoys a standard of cultural care and marketing far superior to that of any other agricultural crop in India. More fiscal extraction is made from each rupee of tea earning than from any other industrial product. For all its apparent achievements and standing, strangely enough, it attracts less fresh investment and entrepreneurial interest than any other known industry in India with the probable exception of coal.

Some clue to the active forces which have played in the development of the tea industry must be looked for in its long past. It was in 1823 tea was found growing wild in Assam. By 1839 the first small consignment of Indian tea was sold in the London market. By 1857 only 3 per cent of the 69 million lbs. consumed in Britain was imported from India. The quantity was 2 million lbs. In 1900, out of the total British import of 249.5 million lbs; 138 million lbs or 55 per cent of it came from India. It was 60 per cent of the Indian production of tea in that year when all but 7 million lbs. were exported. In 1904, India displaced China as the world's largest exporter of tea. In 1934 when the world agreement on tea was reached, India was by far the largest exporter and the major partner in the International Tea Market Expansion Board set up in 1935.

TABLE I

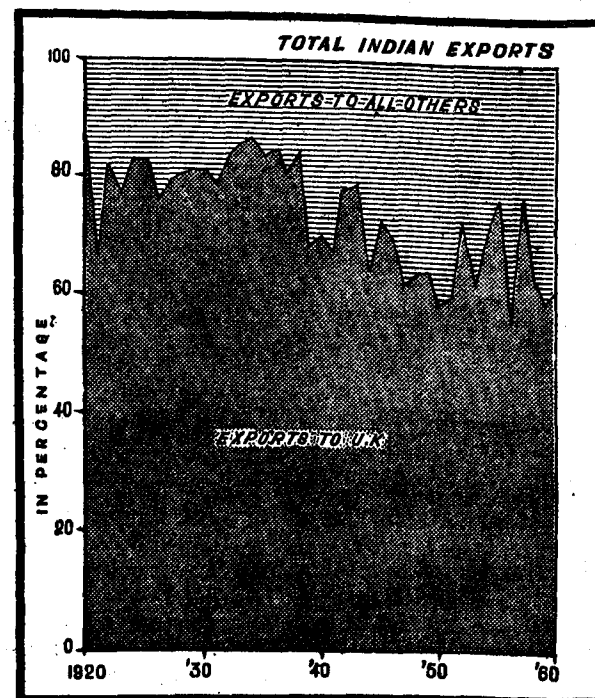
TEA SITUATION IN THE WORLD MARKET

Year	Indian production (in million lbs.)	World production	% of world production
1935	394.4	918.7	42.9
1953	605.3	1464.1	41.3
1954	642.1	1663.7	38.6
1955	668.1	1725.3	38.7
1956	667.0	1810.5	36.8
1957	678.9	1771.2	38.3
1958	713.7	1948.7	36.6
1959	716.1	1984.7	36.1
1960	696.2	1980.0*	35.1

*Provisional

The Second World War and the subsequent political changes distorted the tea map of the world. Indonesia lost its pre-war production status, India lost some 74,000 acres by partition and East Africa became a factor of importance on the world tea market. If in 1904 India became the largest supplier of tea to the world market, it was exactly fifty years later that tea became India's No. 1 export. Today, at the pinnacle, tea is faced with a threat it never did in the entire course of its long history. Paradoxically, it is at a time when the industry produces India's leading export commodity that its economic base was being assailed more relentlessly than at any other time.

Among the many developments of the fifties the one having the most decisive effect on the future of Indian tea is the attitude, activities and organization of market promotion. Successful production, efficient management of the crop, skillful placing of the produce on the market, none of these by themselves or collectively will substitute the activities needed for building up consumer acceptance of the produce. The tea industry, depending as it does on a mass market, recognized this fact early enough and it was the first organized industry to concert measures for market promotion, at the beginning by voluntary efforts and since 1903 with statutory backing. In 1935, the participating countries joined together to set up the Inter-



national Tea Market Expansion Board with its headquarters in London. The withdrawal by India from this body in 1952 left 13 separate and worldwide campaigns hanging in the air. The following table shows India's position in the world market relative to her share in world export in 1935, 1953 and subsequent years up to 1960:—

TABLE II

INDIAN EXPORT AND ITS SHARE IN WORLD MARKET

Year	Indian Export (in million lbs.)	World Export	% of world Export
1935	329.6	842.04	39.1
1953	500.6	1039.2	48.2
1954	447.9	1096.6	40.8
1955	367.5	991.8	37.1
1956	523.5	1178.1	44.4
1957	442.6	1129.5	39.2
1958	505.9	1236.2	41.0
1959	472.5	1185.6	39.8
1960	421.6	1200.0	35.0*

*Estimated

(Source: J. Thomas & Co.)

A comparison of India's position in the countries where the International Tea Market Expansion Board carried on tea promotion work gives an indication of

the changes taking place in Indian tea's world prospects.

TABLE III

INDIAN EXPORTS TO DIFFERENT COUNTRIES

(in million lbs.)

Countries	1953	1954	1955	1956	1957	1958	1959
UK	354.9	324.5	251.0	365.3	301.7	330.9	282.6
USA	37.3	40.9	36.6	31.7	28.4	30.3	28.5
Canada	22.4	19.2	16.2	22.5	16.8	19.0	16.0
Egypt	18.1	6.9	12.8	23.1	16.8	25.5	25.8
Iran	3.2	0.9	0.1	0.1	0.04	0.1	3.7
New Zealand	1.6	1.5	1.0	1.5	1.6	1.2	1.6
Australia	6.3	6.0	6.1	9.4	7.9	7.3	6.3
Germany	4.0	2.6	3.0	6.3	4.1	4.2	5.6
Irish Republic	20.9	22.0	17.9	16.7	19.5	15.8	16.5
Turkey	4.5	3.5	2.9	5.8	7.1	8.2	10.5

(Source: Tea Statistics)

To take our closest rival in the tea market, Ceylon in 1935 exported 212 million lbs. as against India's 330 million lbs. Of the combined total, 38.9 per cent of the export were Ceylon's share as against 61.1 per cent of India's. By 1959 Ceylon had increased her share of the combined total to 44 per cent and India's was reduced to 56 per cent. Quantitatively Ceylon raised her export in the 25 years since 1935 by 171 million lbs. as against 142 million lbs. reached by India. But what is significant is the differential shifts in their relative export positions. Since 1952, after the Indian disappearance from the I.T.M.E.B., Ceylon increased her exports by 69 million lbs. in seven years when India achieved an increase of only 57 million lbs. Taking production, Ceylon achieved a 90 per cent increase by 1959, over 1935, as against India's 80 per cent, but during the seven years 1952 to 1959 their increases in production were by 16 per cent for India and by 30 per cent for Ceylon.

Tea has always been an export industry although a large home market has been developed in India over the past half a century. In 1959 it was estimated that 243.6 million lbs were retained for home consumption and this figure may have gone up to 274.6 million lbs. in 1960. The following figures give an idea about the growth of internal consumption although occasionally, as for instance in 1955 and 1956, figures relating to retained quantities have been distorted by other causes.

TABLE IV

GROWTH OF INTERNAL CONSUMPTION

(in million lbs.)

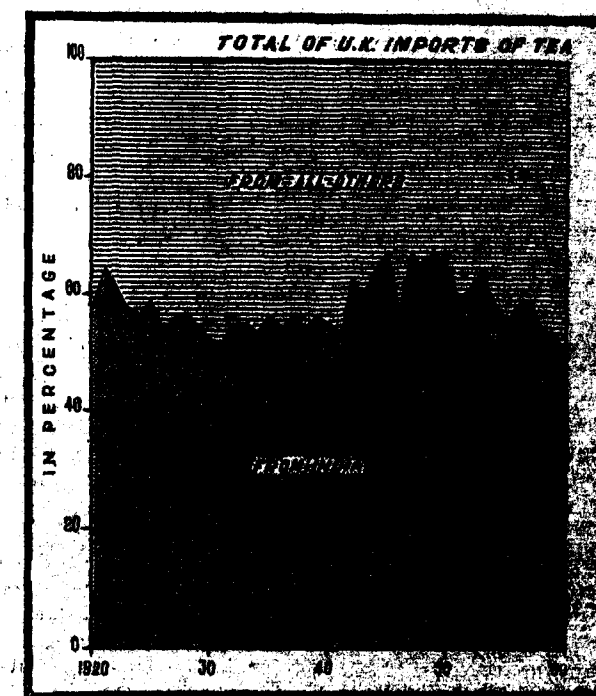
Year	Production	Export	Retained
1939	466.1	337.4	128.7
1946	579.3	333.3	246.0
1951	629.2	454.1	175.1
1952	614.4	414.8	199.6
1953	614.6	500.6	114.0
1954	651.5	447.9	203.6
1955	678.4	367.5	310.9
1956	680.6	523.5	157.1
1957	685.2	442.6	242.6
1958	713.7	505.9	207.8
1959	716.1	472.5	243.6
1960	696.2	421.6	274.6

There are two lines of thinking about an export policy for tea which have alternated in importance from time to time. One was that the internal market is all important and that tea as a primary commodity

of international trade in the colonial era, has no great role to play and national attention must be concentrated on manufacturing industries. The other line of thinking which has suddenly become prominent is that the tea industry must maximise its exports irrespective of the consequences of such a policy on the internal market.

Any quantitative increase in exports to a market which is not prepared to accept it can add little to India's external trade income and may only help to weaken the world tea market. A restrained export policy which allows only that quantity the world market could easily absorb might improve the tone in the market, but its benefit may accrue to the produce of other countries who are able to sell at lower prices. A rational export policy therefore clearly hinges on a preparation of the export market for the acceptance of increased Indian tea. In other words, Indian tea should be promoted in the world market to create that acceptance and production and export policy should be tied in to keep up with the growth of both the export and home markets.

A historical perspective of past errors in assumption, practices and experience is necessary to correct future conduct whether in policy or practices. This is as true in framing a sound tea policy as in the framing of any other policy. The setting up of the Indian Tea Cess Committee in 1903 was a turning point in the industry's history. So was its participation in the International Tea Agreement and in the I.T.M.E.B. When India withdrew from the Board in 1952 it was stated that the Government's policy was to promote Indian tea as such in the world markets. In fact, tea promotion between 1897 and 1935 was on the basis of country of origin and this was given up in 1935 for the reason that with the rise in packet teas there was no purpose in propagating teas by countries of origin. The Government's withdrawal from the I.T.M.E.B. in 1952 signified that it was intending to go back to a principle for which the world market was not prepared for a very long time to accept. How far the Government took this purpose seriously is open to doubt as in 1953 it agreed to a joint campaign in the USA with the US tea trade, Ceylon and Indonesia for the promotion of tea without reference to countries of origin. This sound decision was followed by similar joint councils in Canada, West Germany and elsewhere.



No campaign was however considered necessary either jointly with other producing countries or alone for India in the world's principle markets viz., Great Britain; or in other markets like Australia, New Zealand, Egypt and the Middle East for several years. As Table III shows, our exports to UK have dropped from 354.9 million lbs. to 282.6 million lbs in 1959 and was 260 million lbs. in 1960. India's exports to Australia and New Zealand have practically remained stationary at about 8 million lbs. over the eight years; we lost ground in Eire, Canada and USA, and but for special exchange agreements, it is doubtful whether Egypt and Iran would have been better buyers of Indian tea. Indian tea seems to have lost its hold in its traditional markets, as it has in the world balance of tea production and export. As against India's exports to these markets, their individual imports should indicate whether tea has generally lost ground in any of these.

TABLE IV

IMPORTS FOR CONSUMPTION IN
MILLION POUNDS

	1953	1954	1955	1956	1957	1958	1959
UK	492.8	542.2	499.3	513.6	594.0	588.3	518.3
Eire	16.4	25.7	26.0	13.0	27.5	19.1	22.2
New Zealand)	74.7	75.6	66.6	67.6	78.2	74.6	74.2
Australia)							
USA	108.1	114.7	105.2	100.5	102.4	103.4	109.6
Canada	45.8	44.9	42.5	46.2	46.8	44.5	45.5
West Germany	8.0	10.5	12.0	13.3	13.4	13.8	14.0
Iraq	26.8	27.9	29.2	28.8	29.2	27.1	34.2
Iran	7.3	10.2	22.3	16.1	29.4	25.6	20.7
Egypt	44.4	35.9	37.9	31.2	34.7	50.5	42.8
Total	824.3	887.6	841.0	830.3	955.6	946.9	881.5

3 years average: 850.9 852.9 875.6 910.9 928.0

It is clear that even a minor shift in UK imports determines to a great extent the total world tea position and in that particular market we have not had a propaganda organization from 1952 to 1960. The total world export of tea has increased from 1039 million lbs to very nearly 1200 million lbs by 1960 but India did not gain by this increase.

Was it a mistake to have suspended tea propaganda efforts in 1952 or was India's loss in the world market due to other causes? Less skilful marketing? Higher prices? Lower quality? Perhaps some or all these defects may have been present in varying degrees in different years. But it is doubtful if anyone can overlook the fact that tea lacked a steady, long-term and comprehensive economic and promotional policy. The thinking required for forging that kind of policy has to come from different groups from the producers, from the Board and the Government.

It is clear that a concept of static production against the demand for maximization of exports would lead to the argument that internal consumption should be held in check in order to maintain exports. Those who argue that the home market should be vigorously expanded without accepting that total production should increase very markedly are surprisingly enough adherents of the static concept as are the maximisers of export. The arguments have only to be juxtaposed in order to show that the solution lies in vastly expanded production. With that we enter into the domain of tea economics, the facts of which must be considered before any sound policy can be framed to achieve the expansion required. But, before the question of propaganda can be further discussed it is useful to know quite clearly whether the policy in

respect of production and export is based on sound grounds.

TABLE VI
CROP LEFT OVER FOR DOMESTIC CONSUMPTION
AFTER EXPORTS

	(in million lbs.)				Average of last 3 years
1939	..	..	..	..	89
1949	..	..	..	..	189
1953	..	..	..	..	206
1954	..	..	..	..	173
1955	..	..	..	..	173
1956	..	..	..	..	207
1957	..	..	..	..	222
1958	..	..	..	..	235
1959	..	..	..	..	203
1960	..	..	..	..	231

Whereas production increased by 230 million lbs in the interval of 20 years, domestic consumption increased by about 200 million lbs. The figures relating to 1960 are likely to lead to errors as the North suffered an exceptionally bad drought and crops were heavily down during the year. Taking the maximum output of North and the South at 564 (1959) and 170 million lbs. (1960) respectively (total 734 million lbs.) the increase in production was 268 million lbs. or about 68 million lbs. more than internal consumption increase in the 20 years. During the same period Ceylon increased her exportable production by 180-million lbs. The question of an export drive is tied up with a production drive and this realisation may bring about a whole series of changes in land, labour and fiscal policies. That does not of course dispose of the hard core problem of market promotion.

Once the imperative need for the maximization of export is accepted and tea is recognised as undoubtedly the principal export commodity of India for many years to come, its corollary, the maximisation of production, will be a requirement difficult to reject. There is considerable resistance to the idea that the internal market should be expanded. This resistance is understandable but it cannot be overcome unless it is recognized that the whole object of greater production and export might be defeated by the ever present instability of an imbalanced dependence on the world market. The home market could provide the balance and stability that an enlarged export and production effort entail in tea economy. Paradoxical as it may seem, the bigger the home market, the larger the export effort, because that effort will rest on a large and stable home base.

One of the best things that can happen to India is to raise a crop of skillful articulators, publicists and propagandists skilled in all arts connected with the sale of goods and ideas. An export drive will make great demands on such talent and it must be home grown. Experience in the promotion of home market provides for the creation of a reservoir of such talents. But talents do not flower and bloom under conditions of control and regulation, by rigid adherence to rules and procedures. It requires a different kind of environment and climate. The organization of a propaganda drive for tea provides the opportunity for building up a large domestic market on which can rest our export drive. Then our export drive can be powered with the talent and experience gained in the home market.

Once the policy regarding propaganda is decided upon it is desirable to recognize that the actual conduct

of market promotion work is totally different to line administration in character, tempo, functions, talent and work methods and it requires a very high degree specialization. Modern publicity harnesses many talents and skills to make itself effective and nothing can make the propaganda drive more a costly failure than a non-recognition of these facts. Publicity is costly, but it has also to be planned on a long-term basis. Unless a long-term plan is carried through despite apparent lack of spectacular results, it is better not to initiate one. Those who often point to the US campaign as a very costly one which achieved no result forget two essential facts of that market. In 1900 the US consumption of black tea was 3 per cent of its total consumption. In 1958 the percentage of

black tea consumed was 97 per cent of the total tea. This transformation was achieved by sustained propaganda for black tea. Another factor is the powerful drive conducted on behalf of other beverages which makes the tea effort a relatively minor one in that market.

Let us look at the cost of market promotion. Assuming that our 700 and odd million lbs. of tea fetch an average of Rs. 2.50 per lb. and market promotion costs about Rs. 70 lakhs annually, the outlay per pound on this account is 1 nP. or 1/250 of the value of the produce. Consumers are wooed at much greater cost by other commodities in the world market. Indian tea deserves the backing of far greater resources in talent and money than it has received if it is to hold its own and move ahead in the sixties.

The Plantation Boards

THERE are those who view the Plantation Boards as highly useful to the industry with all their defects and those who look upon them as an unavoidable fifth wheel in the affairs of the industry. Both these views, in all probability, are of course, like their kind, a little away from the truth. Whatever the differing views there is no doubt that the origin, growth and present activities of the Tea, Coffee and Rubber Boards provide a unique record of achievements and failures, frustrations and fulfilments. Any serious student of modern industrial organisation in India is not likely to overlook the special position occupied by the Boards as a factor in the development of these industries.

The first statutory committee to be set up for a commodity was 59 years ago in tea. It took many years of agitation and representation by tea interests before the Government of India enacted the Indian Tea Cess Act, 1903 by an Order in Council. The Tea Control Act of 1934, the Indian Coffee Cess Act of 1935 and the Rubber Control Act of the same year were the original statutes governing certain aspects of the plantation industry. These original enactments have of course undergone several amendments, the latest being the consolidating Act of 1953 when the Tea Act was passed in place of the Tea Control Act and the Indian Central Tea Board Act. This was followed by the amended Coffee Act and the Rubber Act of 1955.

During this period of 52 years, the role and character, even, perhaps, the purpose of Statutory Commodity Boards have undergone great and fundamental changes. Were these changes in the right direction? Are the purposes of the industry better served by them? These are matters on which considerable differences of views will continue to exist but there can be no question that, if the Boards are controversial, they are also, as an experiment both in organisation and functions, of great interest.

Historically, the initiative for the creation of these Boards came from the producers. They would not have been able to express with any force a demand for the setting up of an organisation of this nature, were they not themselves organised. In seeking statutory support for certain industrial needs, the producers of tea were admitting the limits of free and voluntary organisations. There were certain areas of managerial functions in the tea industry which required statutory sanction.

Producers of tea in India recognised the need for publicity on behalf of their produce as early as in the late eighties of the last century. They organised campaigns by voluntary subscriptions only to find that the recognition of a need is one thing, but the acceptance of the burdens involved is another thing. It was the failure of voluntary subscription as a method of financ-

ing the tea propaganda campaign which led to the request for legislative compulsion.

The object of the original Tea Cess Act was merely to take power to collect a duty of custom on the tea exported and the responsibility of the Government ended when the proceeds of the cess were handed over to the Committee set up to handle it. That Committee consisted entirely of representatives of producers of tea. There is of course nothing in common between the original Tea Cess Committee and its functions or of the Tea Cess Act and its simple object and the present Tea Act and the composition, character and functions of the Tea Board. The same is true of the other two Boards. In 1935 when the Rubber Control Act was placed on Statute the object to be served was control over planting and export which could not be undertaken satisfactorily by voluntary regulation. Similarly, when the Coffee Market Expansion Act came into being in 1942, it enabled action to be taken in an area where voluntary efforts by the producers would not have succeeded.

In 1947, when the Rubber (Production and Marketing) Act and the Coffee Market Expansion Act were permanently placed on Statute, certain fundamental changes took place. They enlarged the scope and functions of these Boards and placed on them responsibility for labour welfare, collection of statistical information pertaining to the crops, regulation of prices, organisation and conduct of agricultural research etc. Representation on the Board was widened further than the war time changes found necessary. Representatives of labour, consumers, the Governments of the States and the Centre and of the trade were included. Even then, the essential character of the Commodity Boards remained as producers' Boards although their position was considerably diluted. As it always has been before, long established producer associations were organically linked with the Boards by means of leaving the nomination of producer representatives to them under the Statutes. This allowed well-organised producer bodies to participate actively in the process of making decisions which would eventually affect their members by the fact that their nominees would have the backing of their deliberations and decisions on important issues.

The Statutes were themselves a fine blend of checks and balances which allowed the maximum latitude for autonomy, the normal management of its affairs by the Board itself, but providing for sufficient reserves of powers of scrutiny and check in the hands of the Government should the exercise of the autonomy be abused. These Acts seemed to recognise from the very beginning that the establishments that will grow up with the Boards will be a factor to be reckoned with. So, in order to ensure that those whose affairs the Board takes power to manage or regulate and whose interest in the working of the Board is constant and



whose presence is nearer to the Board establishment were given powers of appointment, control and discipline over them with the exception of the executive head of the establishment. Here the responsibility for appointment and his removal had to be shared with the Government. It was also provided that these executive heads could, if they felt the need, hold up the implementation of a Board decision until they obtained the view of the Government. This was sufficient break on any impetuosity on the part of the Board. The cess levied on the commodity for financing the Boards was available to them and they could use the fund in such manner as they thought fit for any purpose covered by the Act but the accounts were available to the Government for scrutiny and the Budget of the Boards had to be submitted to the Government. Without hampering the necessary freedom of action and scope for initiative, the Government was in a position to prevent any abuse of autonomy.

There are two basic assumptions in the successful operation of such autonomy. One is that the Boards will exercise their powers with restraint and public responsibility and the other that sufficient vigilance will be exercised by the Government in order to ensure that transgressions do not take place. This is a particularly difficult undertaking for the Government which is faced with its vast and multifarious responsibilities and interests, by the shortage of administrative staff which could devote themselves to this task with intimate understanding of the industry and the great distance that separates the Government from the Boards and the industry. If things go wrong it is only natural for those responsible for the control of the Boards to think that they do not have adequate power, not that they have not used the powers adequately. As for the Boards, it was equally natural to think that their conduct and decisions are satisfactory to themselves so long as they have not attracted objections from the Government, the controlling authority under the Act. What is by itself satisfactory to the Board or the producers need not of course be satisfactory to the public outside. A case in point is that of the Coffee Board, the members of which must have thought themselves highly responsible and public spirited when they held down the internal price of coffee against a rising world market and capped it by reducing the internal release price in 1950 and by resisting demands for export in 1952. The unfortunate fact was that the public knew nothing about this and went under the impression, as was to be expected, that the producers and the trade having a numerical majority in the Board has been exploiting their dominant position to serve their own interests. An autonomous body enjoying certain legislative privileges has a public responsibility. To ignore it, even if all its actions can be justified later by proper evidence, is to court disaster as was proved in the case of the Coffee Board.

The third phase in the evolution of the Plantation Statutory Boards was in 1952. At the close of that year three Bills replacing or substantially amending existing Statutes covering Coffee, Tea & Rubber were introduced in Parliament.

Rubber in the Next Fifteen Years

OUR difficulties in the way of building up greater export market are well known and public and Government attention are equally focussed on them. But a drain on our foreign exchange earnings is worse than our inability to expand the export trade. That is what is becoming painfully clear in the case of rubber. Rubber shortage is a bigger issue today than it was ten years ago when the Tariff Commission was first seized with the subject. It will loom much larger ten years from

There were five separate provisions which fundamentally altered the autonomous character of these Boards. The statutory recognition of producer associations contained in the original Acts was removed thereby eliminating the organic link between the representative bodies of producers and the Boards. This has great significance in that the Boards, composed as they were of several different interests, became on the one hand advisers to the Government on plantation matters and on the other served as the instrument of control exercised by it over the industry. The producers found themselves without direct contact with the Government whose decisions affect them so vitally.

Another change of significance was the withdrawal of the right of the Boards to be consulted by the Government on matters affecting the Boards before decisions are taken. The third important change was in the composition of the Boards and the powers of nomination taken over by the Government. Within this, separate nominations were provided for large and small grower representatives thereby introducing, possibly unintentionally, a conflict of interests among the producers themselves within the Board.

The fourth important provision was the taking of power by the Government to set aside, cancel, modify or substitute any decision taken by the Board. The sweeping range of the operation of this provision was of enormous effect on the autonomous character of the Boards. To this must be added the organic effect of the Government taking power to appoint and fix the terms of all Board officials drawing a salary of Rs. 1,000/- or above per month and the appointment of a paid Chairman over the Board.

The cumulative effect of these various and far reaching changes was to render the Boards capable of exercising their autonomy with very restricted areas and only to the extent expressly permitted by the Government. It was natural for growers to oppose the changes although they had no idea of the enormous responsibility assumed by the Government by the changes. Without fully appreciating it, the Government lost the practical experience, self-reliance and initiative of the producers which were the dynamic factors in the successful working of these Boards. As for the producers much of their criticism suffered from the limitations inherent in a situation where it was not possible to separate the defects of administration as distinct from the defects of the constitution. It is possible perhaps to some extent to mitigate the defects of constitution by imaginative handling, but the Government suffered from the handicap that its officers were no longer on the Boards and did not therefore have the opportunity of intimate participation in their deliberative processes.

A proper appreciation of the defects of administration, organisation and legislation will greatly help to make these Boards the effective instruments they should be and will in any case give a better recognition to some of the practical problems faced by the Boards to both the producers and the Government. Changes, if necessary, would then be easier.

now and unless steps are taken now, it will be an intractable problem fifteen or twenty years from now.

Modern industrial progress is too heavily dependant on rubber and world rubber consumption has been rising over the years much faster than natural rubber production. India is sweeping forward over a wide industrial front and the 125 and odd items of rubber manufactures now produced in the country require an

ever increasing volume of raw rubber. Given below are the figures relating to the production and consumption of rubber in India over a period of 15 years:

RUBBER PRODUCTION AND CONSUMPTION

(In tons)

Year	Production	Consumption
1946	15,672	14,037
1947	16,449	17,000
1948	15,422	19,719
1949	15,587	19,662
1950	15,599	19,177
1951	17,148	24,206
1952	19,863	23,166
1953	21,136	24,582
1954	21,493	27,736
1955	22,481	30,151
1956	23,444	34,666
1957	23,767	38,634
1958	23,348	42,639
1959	23,397	47,461
1960*	21,744	50,694

* Figures upto November only.

Taking into account only natural rubber consumption, the shortfall was 15,510 tons in 1959. In 1970 it may be 57,000 tons and in 1975, 1,08,000 tons. That is, assuming that indigenous production by then would be 65,000 tons, an increase by 40,000 tons as against the actual of 9,000 tons achieved in the preceding 15 years. We have of course to take account of the programmed replanting of 52,500 acres with high yielding material between 1961 and 1966.

Whatever the doubts about the future, one point is clear: if any increase is to be achieved, it has to be in the course of the next ten years by measures taken from this year. This gives the issue an immediacy and urgency which cannot be overlooked. When it is remembered that the growers had put up through the Rubber Board a replanting scheme in 1948 and if that scheme was implemented, today India would not have been importing large quantities of raw rubber. The country cannot afford another mistake of the same kind when the volume of shortage is going to be 1,08,000 tons instead of the 4,300 tons it was in 1948.

The progress of rubber production in India will have to base itself on the established rubber industry. There are over 300,000 acres under rubber, most of it in Kerala State. All these 3 lakh acres have not begun to yield and there are wide differences in the yields of the tappable area. Very nearly 200,000 acres are under ordinary seedling rubber of relatively low yield and its replacement raises many practical problems. Producing trees, however low the yield, contribute to the total output and provides some immediate income to its owners. Cutting down at too fast a rate would throw many growers out of a livelihood, create sudden problems of supply of high-yield planting material and the accumulation of enough resources out of production to support the subsidy scheme. The replanting subsidy scheme is financed out of a fund created from a cess collected from produced rubber. Any sharp fall in rubber production would reduce the income from the cess and consequently the resources available for financing replanting. So, replanting has to be planned with a proper balance between these various factors, such as the availability of planting material, the extent of pro-

duction loss, the loss of cess proceeds and the extent of endurable income loss to the growers. Investment in new rubber means a waiting period of seven to nine years after the outlay of capital and rubber does not offer such glittering rewards to investors as to attract outside capital. So many of these handicaps peculiar to rubber must be overcome before re-planting on any large scale can be considered. Even here, there is a physical limit to the tempo of replanting effort that can be made.

During the past two years the Government has been taking a closer look at the rubber problem and it has taken a number of steps towards facing up to the future. One was to settle on the price issue. August last the price of rubber as recommended by the Tariff Commission was accepted without any marked change. In October, the Government announced an increase in the rate of subsidy. Early this month it has notified a new rate of cess to be collected at the manufacturers' end. The proceeds of this cess will be sufficient for financing the subsidy scheme within its present scope. The Kerala State Government has announced a scheme of assisted new planting with its target at 300,000 acres. It has launched a sizeable planting scheme of its own. In addition, the Government of India has granted licence for two factories to produce synthetic rubber with an aggregate capacity of about 45,000 tons. One of the two factories is expected to reach a production level of 25,000 tons by the end of 1964. These various measures must be considered together for obtaining an appreciation of the steps taken to meet the challenge of the yawning rubber gap faced by the country.

If India is short of rubber, what is the world picture? The total world output of rubber was estimated at 3,780,000 tons consisting of both natural and synthetic in 1960. During 1960 stockpile sales by UK and USA accounted for 160,000 tons thus making a total of 3,850,000 tons available for consumption. This does not of course include East European synthetic rubber production. The excess of supply over demand was reckoned to be 90,000 tons, a relatively modest figure compared with the size of world production and consumption. Since 1948 world production and consumption increased steadily, more of both synthetic and natural being consumed, but most of the increase taking place in the former.

CONSUMPTION OF RUBBER BY PRINCIPAL CONSUMING COUNTRIES

(In tons)

Year	Consumption	Increase or decrease over previous year
1948	1,902,500	
1949	1,887,500	- 15,000
1950	2,302,500	+ 415,000
1951	2,327,500	+ 25,000
1952	2,355,000	+ 27,000
1953	2,427,500	+ 72,500
1954	2,515,000	+ 87,500
1955	2,942,500	+ 427,500
1956	3,035,000	+ 92,500
1957	3,142,000	+ 107,000
1958	3,227,500	+ 85,500
1959	3,647,500	+ 420,000

Increase in 12 years .. 1,745,000

In this total consumption the share of synthetics increase was from 28 per cent in 1948 to 44.4 per cent by 1959. In other words, whereas natural production increased from 1,370,314 tons to 2,028,848 tons or by 656,534 tons, synthetic rubber increased by 1,089,466 tons, from 532,186 tons to 1,621,652 tons.

The current has been strongly against the natural product and the 'per capita' usage of rubber and the percentage increase of synthetic in each of the important consuming countries listed below are significant:

PER CAPITA USAGE OF RUBBER IN LBS.

(Figures are estimates)

	Total Rubber Per Capita			% of Synthetics of the Total		
	1957	1959	1960	1957	1959	1960
USA	19.2	20.6	20.6	63.2	65.9	69.0
Canada	11.9	13.0	13.3	53.8	56.4	60.0
Australia	11.4	12.7	13.3	31.1	32.9	40.0
Great Britain	10.4	11.3	11.7	24.0	30.4	37.0
France	9.4	10.0	10.5	27.0	33.2	39.9
West Germany	8.0	8.9	9.5	25.7	33.8	39.4
Russia	Estimated at 6-7			Estimated at 65-70		
Netherlands	4.8	5.7	5.9	20.0	26.2	26.7
Italy	3.6	3.6	4.4	23.8	28.2	36.0
Japan	3.5	4.6	5.0	9.1	16.8	20.0
Brazil	1.4	1.8	—	2.1	19.2	—
India	0.199	0.240	0.253	8.7	10.1	13.0

India has the problem of reconciling the rival claims of natural and synthetic both in usage and pricing. The natural product with several inherent handicaps and a long time to fructify from the time of investment is no match for synthetic which is produced under controlled factory conditions. It is a striking and significant fact that for the volume output of 25,000 tons, it took the rubber planting industry more than half a century, which the Firestone-Khilachand factory proposes to produce in three years. So long as the

physical shortage continues all available supplies of both kinds of rubber will be readily consumed. But as the total indigenous supply of both rubbers reaches current consumption, the exercise of manufacturer's choice of one or the other will become progressively more marked and more consequential for both. If world trends are any indication, price will be the final determinant and there the factory produced rubber has a powerful advantage. Those who believed fifteen years ago that the Common GS-R cannot form more than 30 per cent of the rubber weight of a product have disappeared. Isoprenes, although small in output today, are capable of competition both in quality and price with natural. Once synthetics begin to be used in volume in any product or by any manufacturer, it will be very difficult to wean him away from its convenience relative to price and use habit.

It is believed by many that so long as there is a shortage, the present rubber policy will be good enough and there is no need to worry about what might happen 15 years or so from now. On the contrary, the emergence of a synthetic rubber producing industry poses new problems from now on. If by 1964 a quantity of synthetic equal to the output volume of natural can be expected, the total absorption will have to be on a 50-50 basis, the shortfall being covered by imports according to manufacturers' needs. Unless there is a price advantage in favour of natural, the Indian manufacturing industry would become so familiar with the use of synthetic at 50 per cent of the total, and when the rubber replanting and new planting programmes mature, the consumers' choice may be in favour of his established use pattern in their manufactures and with strong preference for the lower priced raw material. If by 1965 internal plantation rubber production is 40,000 tons and synthetic production 25,000 tons, a situation would have emerged where the consumer's preference would begin to be exercised. There are other problems. The Rubber Board is undertaking research affecting the rubber plant and its cultivation and care. But there is no research work connected with rubber as a product, methods to condition it to the new uses, specially with synthetics, into the economics of the industry and in familiarising the grower with the wider world of rubber. So, we come to the hard question of whether India has an integrated rubber policy for the years ahead.

Indian Coffee

INDIA at present occupies an insignificant place in the world coffee market. But a notable feature during the past few years has been that her coffee output as well as exports of the commodity have recorded a near-phenomenal growth. During the last 15 years, coffee production in this country has almost trebled. In 1947-48, it was only of the order of 15,800 tons. In 1959-60, it increased to 48,533 tons. During the current year the production is anticipated to rise to new peak of about 52,000 tons. This remarkable increase in coffee output in India has resulted from not only increase in area under this crop, but also due to increase in yield per acre which has gone up from 181 lbs. to nearly 450 lbs.

Side by side with the increase in production, both the domestic demand and exports of coffee have shown considerable increase. In the fifties, internal consumption has gone up from 18,000 tons to around 29,600 tons. Increase in exports during this period has been nearly ten-fold.

The main stimulus to increase in coffee production

in India has come from the attractive export prices which Indian coffee had been fetching right up to 1958-59. Indian coffee has all along been sought for by various foreign countries because of its high quality. But the recession in world prices during the past one and a half years, which has led to the principal coffee exporting countries of Latin America to come together to form an International Coffee Agreement, has created a ticklish problem for the Indian coffee industry. Due to fall in prices on the world market, Indian coffee, which due to increased labour cost and heavy taxation has become more and more costly, has had to be sold at a loss. The coffee industry in this country is, thus, facing a rough weather which needs to be counteracted by appropriate remedial measures.

The loss on coffee exports can best be obviated—or at least mitigated considerably—by bringing down the cost of production through expansion of output. And a pre-requisite for expansion in production is to increase domestic consumption for which there is, of course, tremendous scope.

A suggestion is often put forth that the Indian

consumer, who during the past few years when Indian coffee fetched a high price on the world market was being subsidised through below-cost-of-production prices fixed arbitrarily by the Coffee Board, should be called upon to bear a slightly greater burden. But how far it is feasible is a moot point. Coffee drinking people in this country are a vocal lot, they are bound to resist any increase in price of this beverage. In the circumstances, it appears that the only way to increase coffee consumption in the country is by means of some adjustments in tax burden which has been growing from year to year.

For drawing up an appropriate coffee policy it is also imperative that coffee producers should be more closely associated with its marketing than is the case at present. Then they will have a proper forum to discuss their problems and have a say in policy decisions.

GROWTH PATTERN OF COFFEE INDUSTRY IN INDIA

(In tons)

Year	Production	Indian Consumption	Exportable Balance†
1947-48	15,800	15,085	—
1950-51	18,595	20,235	—
1952-53	23,565	20,235	3,339
1953-54	29,555	19,569	9,986
1954-55	25,025	21,128	3,897
1955-56	34,475	26,090	8,385
1956-57	41,900	26,437	15,463
1957-58	43,700	29,453	14,247
1958-59	45,860	29,619	16,241
1959-60*	48,583	11,394	37,189

† For calendar years.

* Up to 15th September, 1960.

INDEX NUMBERS OF COFFEE PRODUCTION COSTS: 1950 TO 1959

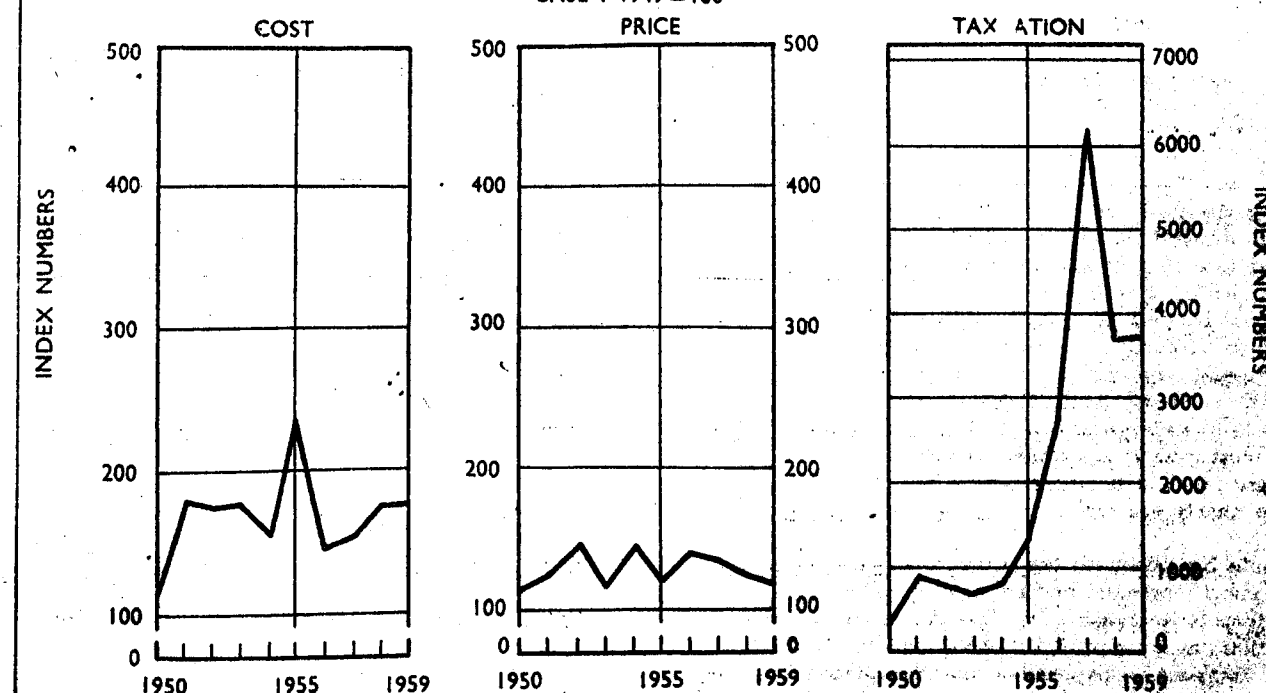
(Base: 1949=100)

Year	Area	Production	Yield	Cost	Price	Taxation
1950	101	109	108	116	112	374
1951	99	115	116	179	123	845
1952	101	113	111	174	147	760
1953	102	158	155	179	115	681
1954	102	160	157	155	142	791
1955	101	140	138	233	119	1387
1956	103	208	202	145	140	2723
1957	103	274	268	152	134	6213
1958	106	237	224	174	124	3703
1959	106	263	252	175	118	3715

INDEX NUMBERS OF COFFEE PRODUCTION

1950 TO 1959

BASE: 1949=100



GROSS PROFITS† AS PERCENTAGE OF TOTAL CAPITAL EMPLOYED**

750 Companies					1001 Companies						
Industry	No. of Companies		1951-55 Average	No. of Companies	1955	1956	1957	1958	1955-58 Average		
1. Cotton textiles	145	8.2	204	11.6	9.7	3.4	4.5	7.3			
2. Jute textiles	44	9.1	44	3.7§§	-0.3	4.6	8.0	4.0			
3. Other textiles	14	5.1	11	8.0	8.1	6.7	9.9	8.2			
4. Iron and steel	2	15.1	2	16.2	11.7	6.8	6.0	10.2			
5. Engineering*	57	7.3	85	9.8	9.7	9.1	9.7	9.6			
6. Mineral Oil	—	—	2	13.9	20.9	16.3	13.8	16.2			
7. Cement	7	13.8	11	13.8	10.2	8.0	7.6	9.9			
8. Sugar	52	9.8	73	8.5	10.1	9.9	9.3	9.5			
9. Paper	12	12.2	13	12.0	10.4	9.4	12.2	11.0			
10. Vegetable oil	16	2.5	15	7.5	4.7	2.5	7.0	5.4			
11. Chemicals§	37	4.8	43	7.0	7.1	7.7	7.4	7.3			
12. Matches	4	14.1	4	11.9	12.6	10.5	13.7	12.2			
13. Coal	38	8.3	47	8.9	6.2	8.5	9.3	8.2			
14. Electricity generation and supply†	20	7.9	21	7.4	6.3	6.9	7.3	7.0			
15. Shipping	10	5.1	10	5.3	9.0	8.7	4.4	6.9			
16. Tea plantations	113	16.9	167	9.2	14.6	7.3	9.4	10.1			
17. Other plantations	26	15.9	43	16.4	18.3	13.3	13.6	15.4			
18. Trading	23	4.9	39	6.2	6.4	6.3	7.7	6.7			
19. TOTAL including others	750	9.2	1001	10.2	9.6	7.5	8.0	8.8			

† Including managing agents' remuneration, interest charges and tax provision but excluding depreciation.

** Total net assets.

* (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.

† Depreciation deducted as per conditions stipulated in Electricity (Supply) Amendment Act, 1948.

§§ For 23 companies, accounts relating to twelve months ended March 1956 are used instead of those for twelve months ended September 1955, used earlier.

Source: Reserve Bank of India Bulletin.

GROSS PROFITS† AS PERCENTAGE OF GROSS SALES@

	750 Companies			1001 Companies				
	No. of Companies	1951-55 Average	No. of Companies	1955	1956	1957	1958	1955-58 Average
1. Cotton Textiles	145	6.5	204	9.0	8.5	3.2	4.0	6.2
2. Jute Textiles	44	5.7	44	2.7§§	— 0.2	3.1	6.1	2.9
3. Other Textiles	14	8.8	11	14.6	16.0	11.9	12.0	13.6
4. Iron and Steel	2	20.6	2	25.6	22.9	18.0	15.2	20.4
5. Engineering*	57	8.6	85	9.7	9.3	8.6	9.5	9.3
6. Mineral Oils	—	—	2	21.5	28.9	22.7	20.9	23.5
7. Cement	7	20.3	11	20.7	17.2	13.5	11.9	15.8
8. Sugar	52	10.4	73	10.9	10.9	8.7	7.5	9.5
9. Paper	12	18.3	13	16.6	13.9	12.9	16.1	14.9
10. Vegetable Oil	16	1.3	15	3.8	2.3	1.1	3.2	2.6
11. Chemicals§	37	6.7	43	8.2	8.0	8.9	9.6	8.7
12. Matches	4	7.6	4	7.7	7.0	5.2	5.7	6.4
13. Coal	38	9.0	47	10.5	7.3	9.1	10.1	9.3
14. Electricity Generation & Supply†	20	33.2	21	29.6	25.6	24.4	25.2	26.2
15. Shipping	10	11.2	10	12.4	21.4	21.9	11.0	16.7
16. Tea Plantations	113	26.8	167	15.3	23.7	12.0	15.2	16.6
17. Other Plantations	26	39.8	43	44.1	41.8	29.3	30.5	36.4
18. Trading	23	1.7	39	2.3	2.6	2.7	3.7	2.8
19. Total (including others)	750	9.2	1001	10.4	10.1	8.2	8.7	9.4

@Main Income.

* (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.

† Including managing agents' remuneration, interest and tax provision but excluding depreciation.

‡ Depreciation deducted as per conditions stipulated in Electricity (Supply) Amendment Act, 1948.

§§ For 23 companies, accounts relating to twelve months ended March 1956 are used instead of those for twelve months ended September 1955, used earlier.

Source: Reserve Bank of India Bulletin

PROFITS AFTER TAX AS PERCENTAGE OF NET WORTH†

Industry	750 Companies			1001 Companies					1955-58 Average
	No. of Compa- nies	1951-55 Ave- rage	No. of Compa- nies	1955	1956	1957	1958		
1. Cotton Textiles	145	5.6	234	9.2	7.8	-0.9	0.3	4.1	
2. Jute Textiles	44	5.9	44	0.6†	-4.4	3.1	7.7	1.8	
3. Other Textiles	14	3.7	11	9.3	9.6	7.6	8.4	8.7	
4. Iron and Steel	2	17.6	2	21.9	14.6	11.2	11.9	14.9	
5. Engineering*	57	6.4	85	10.4	9.8	9.7	9.7	9.9	
6. Mineral Oils	—	—	2	14.7	28.8	16.7	14.7	18.7	
7. Cement	7	11.0	11	11.6	10.7	7.6	5.5	8.9	
8. Sugar	52	10.0	73	8.1	10.2	9.7	8.3	9.1	
9. Paper	12	10.6	13	10.2	6.1	7.2	10.7	8.6	
10. Vegetable Oil	16	—	15	9.1	3.7	-3.8	5.9	3.7	
11. Chemicals‡	37	3.0	43	6.3	6.3	5.5	6.3	6.1	
12. Matches	4	11.0	4	9.1	8.0	3.5	9.5	7.5	
13. Coal	38	6.5	47	6.6	3.1	5.6	6.7	5.5	
14. Electricity Generation and Supply	20	7.3	21	7.3	6.7	7.9	8.1	7.5	
15. Shipping	10	5.1	10	5.3	12.6	13.4	6.2	9.4	
16. Tea Plantations	113	14.3	167	5.4	11.2	3.8	6.0	6.6	
17. Other Plantations	26	14.0	43	12.8	13.8	9.1	9.8	11.4	
18. Trading	23	4.9	39	6.0	6.6	4.6	7.2	6.1	
19. Total (including others) ..	750	7.9	1001	9.1	8.8	6.4	7.1	7.9	

† Paid-up capital plus all reserves (other than taxation and depreciation reserves) and balance of profit.

* (1) Non-ferrous metals, (2) Transport Equipment, (3) Electrical machinery and (4) Machinery (other than transport electrical).

‡ (1) Basic industrial chemicals, (2) Medicines and pharmaceuticals and (3) other chemicals.

† For 23 companies, accounts relating to twelve months ended March 1956 are used instead of those for twelve months ended September 1955, used earlier.

Source: Reserve Bank of India Bulletin.

The Third Plan

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A Hard Core for the Third Plan

ONE purpose of this Blue Supplement is to present the Eastern Economist's view of modifications required in India's Draft Third Five-Year Plan to meet an order of priorities which is recommended on the basis of a more practical rendering of India's foreign exchange and rupee position than is currently available in planning documents. It is not impossible that all the foreign assistance envisaged, namely, Rs. 2,200 crores net, will be available, but it would be quite foolish to launch on a rate of expenditure with such a high foreign exchange component without a more satisfactory underwriting of foreign exchange than has yet been obtained. Secondly, as distinguished between productive and non-productive schemes, there are elements of choice particularly in the fields of the social services which it is wise to settle now before rupee expenditure is incurred and inflationary potential built up which might be difficult to control because of the absence of a cushioning of consumer goods production in the early years of the Plan.

In other words, there is attempted a re-phasing of certain sections of the Plan in order that potential inflationary expenditure may follow on what might be called a deflationary movement in production. This is effected by throwing forward agricultural production, particularly by stressing minor irrigation works and fertilizers which are quick producers of agricultural commodities, especially foodgrains, sugarcane and cotton. This section of the revision of the Plan is thus a re-phasing of expenditure balancing social service expenditure against increments of agricultural pro-

duction. It is not believed that the industrial picture can be re-phased in anything like the same way since, in any case, most of the new projects will take three to four years to come to fruition and many of them are already impeded by the absence of foreign exchange. On the other hand, largely because of this very absence of foreign exchange, an order of priority is decided in industrial projects any way. So far as the industrial sector is concerned, the re-phasing has been done entirely on the basis of the availability of foreign exchange and the income generating capacity of a given foreign exchange expenditure. The projects have been re-arranged in such a manner that the industrial projects are ranked according to both foreign exchange and income generation and a middle course is adopted which, it is believed, on the basis of a judgment, might well provide an initial programme of action.

In the result there is developed a "hard core" for India's Third Plan which is marginally different from the presentation in India's Draft Outline and National Development Council meeting papers. It is hoped that it will provide a constructive basis for action as against a catalogue of projects and an estimate of resources which cannot, unless placed in a certain order, be effectively translated into action. This "hard core" is balanced against a new pattern of resources and the setting of receipts and expenditure is designed to contain inflationary pressures to within a rise of ten per cent in five years. This is not a counsel of perfection, but it is still, perhaps, in the tradition of having the best of all possible worlds.

The Pattern of Priorities for a Hard Core

The Budget of the current year has made clear that the investment figures of the Third Plan cannot possibly stay where they are. This is largely because the pattern of new taxation is itself distorting the price level, and since the cost of living will also be affected, wage rises are certain to occur for which an inadequate provision has been made in the Plan. In the Leading Articles on the Budget in this issue of *The Eastern Economist* there have been presented certain estimates of the rate of rise over the next five years. It is considered that a minimum rise on investment at least will be 10 per cent on the rupee element in the Plan. This would include the enhanced customs duties on imported machinery. But it does not take into account any rises in prices which might take place abroad in respect of capital equipment. It is not likely, on the evidence currently available, that foreign prices will, over the period of the Plan, fall significantly. If they did, there would be an offset to the rupee rise in the Plan which is considered inevitable.

If only for the reason that the investment targets of the Plan will now be altered in financial content by something like 10 per cent, a new order of priorities would be decreed, since the Finance Minister made it clear that the financial commitments with the Plan would be limited to 7,500 crores presumably at current prices. *The Eastern Economist* does not take so rigid a view of the financial element in the Plan, although it is recognised that even the raising of 7,500 crores of rupees has made provision for a foreign exchange allocation of Rs. 2,400 crores which cannot so lightly be assumed. There are, however, two elements which decree a rendering of the Plan some what different from that appearing in the Draft Outline. The first of these is the belief that the foreign exchange forthcoming for the Plan should not be assumed at this figure or rather that there should be a priority in respect of a figure of 2,000 crores of rupees leaving over other projects which might require the balance. On the other hand, a new priority has now been introduced by the factor that since the current pattern of taxation and the cost of living are related, a 10 per cent cut in the rupee expenditure of the Plan is now necessarily involved.

These considerations provide the principles on which the "hard core" has now been prepared. In the first place, in regard to schemes which involve

foreign exchange, a list has been drawn out for those elements which should stake a high claim for Rs. 1,700 crores of foreign exchange made available. As a consequence the foreign exchange demands in the Plan are conceived to arise in respect of (a) hard core involving Rs. 1,700 crores; (b) a figure of 200 crores additional mostly from DLF funds has been provided for components and raw materials outside the Plan and (c) another Rs. 100 crores for developmental imports. In other words, a figure of Rs. 2,000 crores in all has been assumed as the foreign exchange component for the Plan, but Rs. 1,800 crores only on strictly capital or development, as distinguished from maintenance account. The second has been to cut out rupee expenditure to the extent of about Rs. 800 crores. Some of this arises automatically as a result of having cut out the foreign exchange component in composite schemes, that is, schemes which involve both foreign exchange and rupees. This has allowed a reduction of expenditure of Rs. 400 crores. Besides there are schemes mostly of an unproductive nature which have been reduced by about Rs. 500 crores, in order to enable the Plan to be contained within the financial limit of about Rs. 11,000 crores, after providing for the rises in prices believed necessary as a consequence of the taxation policy of the Centre and the States and of the consequential effects in the cost of living, necessitating rises in dearness allowances and in industrial costs generally. Broadly, the picture which now emerges is that the "hard core" in real content will be about 10 per cent less than that of the original Plan with the foreign exchange component about 20 per cent less than that provided. The actual figures as revised will then appear as in the table below.

The articles which follow present the build-up of the elements of the "hard core" under sections of agriculture, industry, transport, power and tertiary sectors.

This will be the broad pattern of the hard core, but this does not necessarily imply that orders need to be placed just in this order. The point that broad schemes which may obtain a relatively low priority in the ranking in each section have already had their foreign exchange underwritten has tended to change priorities. This does not, however alter the total content of the Plan, although it might alter the rate of generation of income produced.

PROPOSALS FOR A "HARD CORE" FOR THE THIRD PLAN

(Rs. Crores)

		Investment (N.D.C. Papers)	Foreign Exchange	Recommended Investment	Foreign Exchange for "Hard Core"
Agriculture, Community Development and Irrigation	..	2,115	75	2,025	55
Industry and Power	...	4,366	1,676	3,771	1,346
Transport and Communications	..	1,650	300	1,625	275
Tertiary Sector	...	2,525	80	2,035	50
TOTAL	...	10,656	2,131	9,456	1,726

A Hard Core for Agricultural Development: 1961-66

CONSEQUENT upon the discussions the Planning Commission has had with the State Governments in the past few months, the various agricultural development programmes of the Third Five-Year Plan are expected to aim at an increase of 24 million tons in foodgrains output, 2.5 million tons (in terms of gur) in sugarcane production, 2.7 million tons in oilseeds output, 1.9 million bales in cotton production, 2.2 million bales in jute yield and substantial increases in protective and supplementary food output over the current year's production. Compared to the targets fixed in the Draft Outline of the Plan, the new targets envisage a slightly lower additional production of foodgrains and slightly greater output of cotton, sugarcane and protective and supplementary foods.

Agricultural Production Targets in the Third Plan

	1960-61 Output Estimate	Draft Outline Target	New Target Envisaged
1. Foodgrains (million tons)	76	100-105	100
2. Sugarcane (Gur) (million tons)	8	9-9.2	10.5
3. Oilseeds (million tons)	7.1	9-2-9.5	9.8
4. Cotton (million bales)	5.1	7.2	7
5. Jute (million bales)	4.3	6.5	6.5*

*Excluding mesta which may provide additional one million bales.

To achieve these targets, a total expenditure of about Rs. 2,730 crores—Rs. 947.4 crores in the States, Rs. 125 crores at the Centre, Rs. 656 crores on major and medium irrigation works (including flood control and drainage schemes), Rs. 200 crores on setting up of fertilizer factories and nearly Rs. 800 crores to be invested by the farmers themselves—is envisaged. The expenditure in the States will be spread over the various developmental programmes in the following manner:

Head of Expenditure

(Rs. Crores)

Agricultural Programme	
1. Agricultural Production	182.6
2. Minor Irrigation	170.6
3. Soil Conservation	58.1
4. Animal Husbandry	45.2
5. Dairying and Milk Supply	27.6
6. Forests	43.5
7. Fisheries	20.8
8. Warehousing and Marketing	8.6
TOTAL	947.4
Co-operation and Community Development	
1. Co-operation	68.6
2. Community Development	294.9
3. Panchayats	26.9
TOTAL	947.4

The above outlay in the State Plans shows an increase of Rs. 97.4 crores over the provision made in the Draft Outline. The outlays on major and medium irrigation works, on setting up fertilizer factories and on the schemes included in the Central Government programmes and the private sector remain

practically the same as envisaged in the Draft Outline.

The new targets of outlay are expected to result in expansion of area under irrigation by about 26.1 million acres, in extension of dry farming to an additional area of 22 million acres, in reclamation of land to the extent of 3.3 million acres, in soil conservation over an area of 10 million acres, in reclamation of saline and alkaline lands covering an area of 2 lakh acres and extension of flood control and drainage measures to about 7 million acres. The area under improved seeds is anticipated to increase from 55 million acres to 151 acres. Consumption of chemical fertilizers is expected to go up to about 1.45 million tons and of urban compost and rural compost by 5 million tons and 148 million tons. Green manuring is expected to be resorted to over an additional area of 39 million acres. The following table gives estimates of benefits which will result from the various revised agricultural development programmes compared to those included in the Draft Outline. (See details on pages x and xi)

Benefits accruing from Various Agricultural Development Programmes

Development Programme	Unit	Draft Outline	Provisional Estimate
1. Irrigation			
1.1. Major and medium irrigation	million acres	13	12.8
1.2. Minor irrigation			
(a)-Agriculture	"	10	10
(b)-C.D. Programme	"	3.5 to 4	3.3
Total (a) & (b)	"	13.5 to 14	13.3
1.3 Total—Irrigation	"	26.5 to 27	26.1
2. Soil conservation, land reclamation etc.			
2.1 Soil conservation on agricultural lands	"	13	10
2.2 Dry farming	"	40	22
2.3 Land reclamation	"	1	3.3
2.4 Reclamation of saline and alkaline lands	"	0.4	0.2
2.5. Flood control, drainage and water logging	"	5.0	7.0
3. Area under improved seeds			
3.1 By end of 1960-61	"	N.A.	55
3.2 By end of 1965-66	"	150	151
4. Consumption of chemical fertilizers			
4.1 Nitrogenous (N) million tons	1		1.01*
4.2 Phosphatic (P ₂ O ₅)	"	0.4 to 0.5	0.4
5. Organic and green manures			
5.1 Urban compost	"	4.5	5
5.2 Rural compost**	"	72.0	148
5.3 Green manuring**	million acres	50	39

*Requirements for plantation crops, estimated at 0.04 mill. tons (N), are in addition to this figure.

**These are necessarily rough guesses.

There can be little quarrel over the targets currently contemplated for agricultural production during the Third Plan period. Ambitious though they are, they are the minimum which have to be attempted if a modest advance is to be made towards better living and if the developing industrial sector is not to be starved of the essential raw materials. Food grains output target, however, appears to be slightly on the low side; it will barely suffice for consumption in 1965-66 at the rate of 17.4 ozs. of cereals and 3.6 ozs. of pulses per adult unit per day and the minimum seeds, animal feed and stock requirements.

The financial resources that might eventually be available for agricultural development under the Third Five-Year Plan, according to the estimates of *The Eastern Economist*, however, will be of the order of about Rs. 2,640 crores, of which the outlay in the public sector will be of the order of Rs. 1,840 crores. This represents a shortfall of about Rs. 90 crores in the outlay contemplated at present in official circles. In terms of the foreign exchange component and rupee resources the shortfall is expected to be of the order of Rs. 20 crores and Rs. 70 crores respectively.

How can this sum of money be saved without much affecting the developmental effort which is required to achieve the contemplated targets? To find an answer to this question, it is necessary to analyse the various agricultural development programmes and to fix proper priorities for them to indicate which of these should be included in the hard core of the Plan and which would be left out to be financed if the shortfall mentioned above is made good by some fortuitous circumstances.

Obviously, the first programme to be included in the hard core is the stepping up of fertilizers output and their distribution. This is due to fact that application of fertilizers is the quickest way to increase agricultural production. A sum of Rs. 200 crores, with foreign exchange component of nearly Rs. 104 crores, has been earmarked for setting up new fertilizer factories under the Third Plan. This expenditure automatically qualifies itself for inclusion in the hard core. In the opinion of this journal, this provision may not even be enough. Firstly, in all probability, consumption of fertilizers in 1965-66 is likely to exceed the current estimates by a good margin—say about 2 lakh tons. Secondly, the anticipated increase in the consumption of organic and green manures may not materialise if for no other reason than for the fact that the requisite amount of organisational effort in this direction may not be forthcoming. This shortfall will have to be made good by increased use of chemical fertilizers.

The second on the priority list is to be the programme for improved seeds and farm implements multiplication and their distribution. Here too, the view of *The Eastern Economist* is that the demand for them will exceed the estimates and further sums, mainly rupees, may have to be provided for this programme.

Next on the priority list comes the provision for irrigational facilities. Here, however, some adjustments are possible in the proposed outlay. The Draft Outline contains a provision of Rs. 650 crores expenditure on major and medium irrigation works out of which Rs. 470 crores are earmarked for projects continuing from the Second Plan period, Rs. 100 crores for new projects to be undertaken and Rs. 80 crores for flood control, drainage, anti-water-logging and anti-sea-erosion schemes. In the revised estimates of the State Plans outlay, a sum of Rs. 170.6 crores is provided for minor irrigation works. Taking into consideration that 3.5 million acres potential created by the major and medium irrigation works under the

Second Plan still remains unutilised and that the new schemes included under this head will contribute to extension of irrigation facilities over an additional area of only 2 million acres, out of which only 5 lakh acres will be benefiting during the Third Plan period, this journal is of the view that the new major and medium irrigation works should be undertaken within an outlay of Rs. 50 crores instead of Rs. 100 crores. The stress in the Third Plan should be on execution of minor irrigation works (they are easy to complete with rupee resources and only small foreign exchange cost and yield quick results) for which another Rs. 20 crores should be provided. New major and medium irrigation works, as far as possible, should be undertaken when they form an integral part of the power projects. This is necessary because it is the only head of expenditure under agriculture which contains substantial unnecessary foreign exchange component. Foreign exchange to the extent of Rs. 15 crores can be saved under this head by properly phasing the new major and medium irrigation works and those continuing from the Second Plan period.

There is, of course, little scope to cut soil conservation, flood control, drainage and anti-water-logging schemes. Delay in their execution will only create greater difficulties at a later stage. Land reclamation, however, can be at a slightly slower pace than envisaged. Some foreign exchange, say about Rs. 1 crore, can be saved under this head.

The remaining saving of Rs. 3 crores in foreign exchange under agricultural development schemes has to be effected in the allocations proposed for animal husbandry, dairying and milk supply and forests schemes. This can be done by slightly going slow with these schemes so that they spill over to Fourth Plan.

The increased funds (almost all in rupees) required for minor irrigation and improved seeds and farm implements multiplication should be drawn from the provision made for community development; this allocation can conveniently be scaled down by about Rs. 44 crores. The hard core for agricultural development programmes (excluding the expenditure to be incurred by the Union Ministry of Agriculture and the Peasantry) which thus emerges is as follows:

Development Head	Total Outlay	Rupee Outlay	Foreign Exchange Component
1. Fertilizers	200	96	104
2. Improved Seeds & Farm Implements, Land Reclamation, Plant Protection, Package programme, Organic manures etc. (States' Schemes)	190	187	3
3. Major & Medium Irrigation, Flood Control & Anti-water-logging	600	565	35
4. Minor Irrigation	190	186.8	3.2
5. Soil Conservation	58	57.5	0.5
6. Animal Husbandry, Dairying & Milk Supply, Fisheries	80	73	7
7. Forests	40	39	1
8. Warehousing & Marketing	10	9.9	0.1
9. Co-operation & Panchayats	95.5	95.5	—
10. Community Development	250	250	—
TOTAL	1713.5	1559.7	153.8

Outlay on fertilizers has been taken account of in the hard core for industrial projects. So the net hard core outlay for agricultural programmes (excluding the expenditure of Rs. 125 crores to be incurred by the Union Ministry of Agriculture and Rs. 800 crores by the peasantry) comes to Rs. 1513.5 crores, of which foreign exchange component is Rs. 49.8 crores. The total outlay should be of the order of Rs. 2,438.8 crores of which the investment component will be Rs. 2,025 crores. The foreign exchange cost should not exceed Rs. 55 crores.

With the rapid progress that Indian agriculture

will be making during the Third Plan period, it is also essential that some provision should be made in the Plan for price support schemes, especially for foodgrains. A sum of Rs. 150 crores approximately will be required for this. But this amount, constituting a revolving fund, should be found, in consultation with the U.S. Government, from the rupee proceeds of the P.L. 480 foodgrains. The foodgrains purchased under the price support schemes will ultimately form the reserve which will replace the P.L. 480 foodgrains envisaged to be kept as buffer stock.

A Hard Core for an Industrial Plan: 1961-66

THE draft outline of the Third Plan released in July, 1960 estimated the requirements of foreign exchange financing for the projects both in the public and the private sectors at Rs. 2,600 crores. The largest share of foreign exchange at Rs. 1900 crores, according to the draft outline, was needed for machinery and equipment for projects. Another sum of Rs. 500 crores would be needed for development imports; the external assistance for components, intermediate products etc. for increasing the production of capital goods within the country was computed at Rs. 200 crores. While the Planning Commission based its estimates on the latest available quotations for plant and equipment, etc., it was stated in certain business circles that the Plan's estimates of foreign exchange requirements were on the lower side and that rising trend in prices of capital goods in the international markets had been ignored by the Planning Commission while making these estimates. The papers presented by the Planning Commission to the National Development Council early this year indicated that some of the estimates given in the draft outline did require revision. The revised figures along with the figures given in the draft outline of the Third Plan are set out in the statistical tables on pages xii and xiii.

The total increase in the cost of the industrial projects (including minerals) in the public sector is estimated to be Rs. 177.4 crores from Rs. 1479.8 crores to Rs. 1657.2 crores. New projects estimated to cost Rs. 185 crores were also added by N.D.C. Most of these new projects consist of the advance preparations for new projects likely to mature in the Fourth Plan. Among the projects carried over from the Second Plan, the Trombay Fertiliser Project is estimated to cost more by Rs. 3 crores. This will cause an additional strain on India's foreign exchange reserves by Rs. 1.65 crores. The cost of new projects for which external credits are already assured, wholly or in part, is anticipated to rise by Rs. 47 crores. Here, Heavy Machine Tool Factory is estimated to cost more by Rs. 3 crores, Bhilai Steel Plant (expansion) by Rs. 8 crores more, Durgapur Steel Plant (expansion) by Rs. 21 crores more, Rourkela Steel Plant (expansion) by Rs. 10 crores more and the Mysore Iron and Steel Works (expansion) by Rs. 5 crores more. The additional burden of foreign exchange due to rises in cost is likely to amount to Rs. 30.45 crores.

The new projects in the Third Plan for which foreign credits have not been arranged so far indicate a rise in cost by Rs. 91.9 crores. Major rise in cost is anticipated in the case of Bokaro Steel Plant from Rs. 200 crores to Rs. 235 crores. The other important projects which are likely to cost more are "Townships", Alloys and Steel Plant, Security Paper Mill, expansion of Hindustan Cables, N.I.D.C., expansion of Praga Tools etc. The additional cost in foreign exchange is estimated at Rs. 47 crores. Thus, it is seen that the additional cost for all these projects is likely to result in adding to the burden of foreign exchange

requirements by about Rs. 80 crores.

In the case of minerals the total cost is expected to rise by Rs. 35.50 crores. Here the projects which are likely to cost more are Briquetting and Carbonisation Plant, expansion programme by Oil India, expansion of Thermal Power Plant at Neiveli, new programme for National Coal Development Corporation, expansion of Singareni Collieries, exploitation of Panna Diamonds, Kolar Gold Mining Undertakings and Huthi Gold Mines. The foreign exchange component in the case of all these projects is likely to be Rs. 15 to 20 crores. In other words, between July 1960 and January 1961, according to the estimates of the Planning Commission, the cost of the industrial projects rose by Rs. 100 crores in foreign exchange.

It is essential that a priority list be so prepared as to allocate foreign exchange for yielding the maximum return. The table on page xiv indicates the industrial projects by their rank in priority as disclosed by the total income generated both by the direct and indirect approaches. In this list, the Bhilai Steel and Rourkela Steel Plant expansion programmes take the top place followed by the three new fertiliser factories, the two heavy electrical plants and the Durgapur Steel expansion plan. Next come fertiliser plants at Trombay and the Andhra Fertilisers. This table clearly indicates that almost all the projects shown here are in the top priority category. The only project from this list which could be deferred for the time being is that of the Watch Factory.

Another table on page xv shows the foreign exchange component for the major plants in the public sector. There are certain projects like Hindustan Machine Tools and the Durgapur Fertilisers where the foreign exchange component is of a very high order i.e., above 75 per cent of the total cost. Then follow other categories with the foreign exchange component ranging between 60 to 70 per cent. In this category are included the Praga Tools, Heavy Machine Tool Plants, Precision Instruments Plant, Hindustan Cables (Expansion), Heavy Electrical Plants etc. The plants which need foreign exchange less than 30 per cent of their total cost are raw film project, heavy structural works and heavy machine building (expansion). There are also certain unclassified projects for which precise cost of foreign exchange is not available.

The upshot of this discussion is that there are certain projects which stand in a low priority because of the income and the foreign exchange factors. It is suggested that they, for the time being, be kept outside the hard core so as not to jeopardise the successful implementation of the important projects. The list on the next page gives the projects to be kept outside the hard core.

Name of the Project	(Rs. Crores)	
	Total Cost	Foreign Exchange Cost
1. Watch Factory	2.00	1.00
2. Bokaro Steel Project	235.00	141.00
3. Second Shipyard	10.00	5.00
4. Security Paper Mill	5.50	2.20
5. Expansion of Hindustan Ship-yard at Vizag (expansion and subsidy)	10.00	5.00
6. Townships	25.00*	—
7. Industries other than Steel	22.00*	13.20
8. Advance Action for the Fourth Plan	10.00	8.00
9. Central Ropeway Schemes	16.00	16.00
10. Other Minerals	22.00*	11.00
11. Projects of a Preparatory Nature	54.00*	32.40
12. Projects of Contingent Nature	33.00	19.80
TOTAL	444.50	254.60

*Reduced to 50 per cent.

Transport and Communications

THE Draft Outline of the Third Five-Year Plan is frankly apologetic about the great inadequacy of the allocations of financial resources made to the different sectors of transport. In so far as communications are concerned, it would appear that no apology has been advanced for the simple reason that, excepting for postal, telegraphic and cognate communications, the expenditure envisaged is quite marginal, namely, Rs. 5 crores for tourism and Rs. 7 crores for broadcasting. Postal and like communications in the Third Plan have been conservatively provided for and any reduction in them is physically impracticable because the postal communications plan as envisaged in the Draft Outline is itself insufficient to take the load of developing traffic. A smaller plan for posts and telegraphs would be arbitrary, regardless of the clear prospect of repeated interruptions of the full official and business postal and telegraphic communications.

The central conclusion which emerges from this Blue Supplement is that the inescapable prospect of a shortfall in the financial resources—foreign exchange as well as rupee resources—for the Third Five-Year Plan does not brook any delay (now that the Third Plan is about to be finalized) in reconciling ourselves to the reality that the whole Plan, adumbrated in the Draft Outline together with the subsequent enlargement of the outlay to Rs. 7,500 crores, cannot be executed and its reduction to the core must be worked out. An attitude of expectancy about a massive improvement in this prospect would be tantamount to depending upon a wishful hope that something may turn up after all. The imperatives of objective planning and precision as regards priorities ordain that the exact dimensions of the core of the Third Plan should be clearly defined. The argument of this Blue Supplement is that the foreign exchange component of the outlay in the Third Plan ought to be cut down by Rs. 400 crores or thereabout, if the programmes are to be drawn up for implementation in a realistic manner.

In addition to the foreign exchange saving due to the cutting out of the above public sector projects, the savings from the slashing of the private sector projects may yield Rs. 75 crores. Thus, the total saving of foreign exchange in the industrial and mineral sectors would be of the order of Rs. 330 crores.

POWER

The draft outline of the Third Plan provided Rs. 925 crores for investment on power projects in the public sector as against Rs. 50 crores in the private sector. The public sector investment target has now been revised upwards to Rs. 1019 crores. The foreign exchange component for the power projects is likely to be around Rs. 300 crores. Because of the vast pressure of demand from every State, cut is not possible in this case. In fact, the target of doubling power generation capacity from 5.8 million KW at the end of the Second Plan to 11.8 million KW at the end of the Third Plan is not likely to meet the demand completely in any of the States. In certain States such as Gujarat, industries may have to fall back upon furnace oil due to the shortage of power. The cost of the programme of nuclear power generation included in the Plan is not known but it is expected that 300,000 KW would be provided by this source. The cost per unit in this case is likely to be higher than in the case of Thermal Power, and, it seems, it is being encouraged more for reasons of prestige than for any other.

The question that is posed, in so far as transport is concerned, is: What economies or cuts in the foreign exchange outlay on the transport plan are practicable and at what points should they be applied? The foreign exchange component of the transport plan is marginally provided for in the Draft Outline and amounts to an overall figure of Rs. 300 crores. In exploring the possibilities of effecting economies in the expenditure of foreign currency in the transport development plan, a basic consideration which compels first attention is that the transport plan cannot be cut in a majority of the programmes for two reasons. First, any reduction in the provision of transport for domestic traffic is ruled out because such a reduction will create a greater degree of acute shortage in transport capacity than is half-heartedly confessed in the Draft Outline and such reduction will stultify the progress even of the development projects which are recommended in this Blue Supplement for inclusion in the core as representing the irreducible minimum. Second, the transport development plan, contrary to the popular assumption, is essentially a plan to be financed by rupee resources. In the entire outlay of Rs. 1,450 crores proposed for transport development in the Draft Outline as much as Rs. 1,150 crores is the share of rupee resources.

Then again, a substantial portion of the foreign exchange outlay of Rs. 300 crores is required for development of transport in the sector of non-domestic traffic. If any cuts are to be applied to the transport plan as an unavoidable obligation, those cuts ought to be applied to sectors of the transport plan which relate to overseas transport. Our ambition to take our rightful place in international transport can be deferred, but not expansion of domestic transport capacity. In effect, the position as regards the revision of the transport component of the Third Plan to the core amounts to this that if a cut cannot be escaped at all in transport, it should be applied in a modest measure to the expansion of shipping and civil aviation. Shipping and civil aviation can bear a cut in foreign exchange

not because their programmes are excessive but because the dire need to save on foreign exchange indicates this as the choice of the lesser evil. It is on this reasoning that the subsequent picture of the development of the different sectors of transport is being drawn.

Railways constitute the lifeline of the nation's internal communications. Carriage of traffic over long distances, in bulk and with the open knowledge that wagon capacity on return journeys in many cases is to be kept either fully or largely unemployed—these are the distinctive characteristics of railway transport which are practically beyond the reach of any other mode of inland transport. Railways do need a fair proportion in their revenue earnings drawn from short or medium-distance non-bulky traffic which bears high freight rates. In so far as the Third Plan is concerned, it can be safely presumed that not road-rail coordination but imaginative planning of transport capacity for the mounting volume of goods will be the real problem. If the railways suffer decline in revenue and admit financial setbacks or stagnation, as experienced in the last two years of the Second Plan, the major cause of this state of affairs is not the volume of traffic offering but gaps in financial management. The argument need not be repeated that recurring bottlenecks for a wide range of industries and other users of transport from time to time have thrown revealing light on the lack of flexibility of railway managements to manoeuvre distribution of wagon supply. Excuses of wagon shortages may be justified—but only to a fractional extent.

In the Third Plan of the railways, provision was made for additional traffic of 81.5 million originating tons, including the traffic for the Bokaro Steel Plant. Elsewhere in this Blue Supplement a forthright proposal has been made that the construction of the fourth steel plant in the public sector at Bokaro should not be taken up as now proposed, but it should be thrown forward to the Fourth Plan. On this assumption the additional traffic expected to be offering to the railways in the Third Plan would amount to 73 million originating tons. It cannot be argued by any stretch of reasoning that the railway plan should be cut down marginally because traffic for Bokaro will not materialise. There is a serious flaw in the estimation of the volume of additional traffic for railways fixed at the figure of 73 million tons. In important categories of traffic, the output at the factories is presumed to be the yardstick of the traffic which will require movement by rail. This is to equate traffic for transport movements with factory output which is patently wrong. It is wrong because it ignores multiple movements which go to increase the volume of traffic making an increasing draft on transport capacity. Then, the broad scheme about the additional traffic is that 70 per cent of the extra traffic to be moved by the railways will be for coal, iron and steel, cement and other heavy industries, while only 30 per cent is earmarked for miscellaneous traffic. The provision for miscellaneous traffic is utterly inadequate and since miscellaneous traffic emanates from a large number of essential industries, progress of production is likely to be jeopardised.

There is another factor to be borne in mind about the railway development plan. All told Rs. 1,300 crores are provided for the Railways' Third Five-Year Plan, out of which Rs. 890 crores will be required for development, Rs. 350 crores will be provided by the depreciation reserve fund and the residue will be supplied as an additional obligation by the Development Fund. The total contribution of the Development Fund to the Third Plan is roughly placed at Rs. 115 crores. This outlay has been so nicely balanced as between the different programmes specified in the Draft Outline that it does not admit of any modifications or even readjustments. As a normal rule, the limit of age indicating the point

of replacement for different types of rolling stock is raised to 45 years for locomotives and wagons and 36 years for passenger coaches on the broad gauge while 40 years on the meter gauge and 45 years on the narrow gauge is the limit prescribed for each category of rolling stock. These limits do not rule out the feasibility of retaining in service stock that has crossed them. These criteria give sufficient indication of how rehabilitation is very parsimoniously provided for.

There is a most noteworthy feature of the railway development plan which must be highlighted and for which unqualified credit must be accorded to the Railway Ministry and the indigenous plants in the public as well as private sectors which have readily cooperated with the Railway Ministry. The foreign exchange component of the development expenditure for the railways is being cut down at a remarkable rate by a strenuous effort to develop indigenous capacity for manufacture of railway rolling stock and other equipment. In the Second Plan, the original provision of foreign exchange for the railways was Rs. 425 crores which was afterwards revised to Rs. 385 crores as indigenous production gathered momentum. Economy in the expenditure of foreign currency for railway development thus became possible in the first revised estimate to the extent of Rs. 40 crores. Now a further economy of Rs. 53 crores has been effected, bringing the foreign exchange expenditure in the railway plan to Rs. 332 crores. Thus, the railways succeeded in contributing to a saving of Rs. 93 crores in foreign exchange.

But the prospect for the Third Plan is even much more impressive. In the Second Plan foreign exchange expenditure was of the order of Rs. 332 crores, out of a total outlay of Rs. 1,122 crores. In the Third Plan the aggregate outlay will be about Rs. 1,300 crores in which the foreign exchange component will be as low as Rs. 130 crores. The significant conclusion which needs well-merited publicity is that, in spite of the growing size of the overall development outlay, foreign exchange expenditure on railway expansion will be reduced from 30 per cent in the Second Plan to 10 per cent in the Third Plan. Even before the emergency to cut down foreign exchange outlay in the Third Five-Year Plan could be envisaged, railways have followed an imaginative policy of reducing it on a massive scale. There is no case whatsoever for any pruning in the small amount of Rs. 130 crores which the railways require by way of foreign exchange in the Third Plan.

Road transport has been given an allocation of Rs. 250 crores for development. It is ironical that, while the size of the Third Plan was stepped up from Rs. 7,250 crores in its outlay in the public sector to Rs. 7,500 crores, road development did not receive any share in the increased allocation; on the contrary, a cut of Rs. 20 crores has been applied to the road plan reducing its outlay to Rs. 230 crores. Expert estimate shows that road transport services have to remain content at the present time with carrying only 10 per cent of the nation's freight traffic measured in terms of ton-miles, although they have the potential to accept a larger responsibility. The twenty-year plan for road development, prepared by the Chief Engineers for the period beginning with the Third Plan, has suggested development outlay of Rs. 5,200 crores out of which Rs. 590 crores are suggested for the Third Plan and a steeper increase in the remaining three five-year plans. Not even half of this allocation is being granted to road development. The Draft Outline not only admits unequivocally that the allocation of Rs. 250 is insufficient but makes a positive commitment that provision of additional funds would be made provided resources become available. Far from waiting for the prospect of higher resources, the first opportunity has been taken to apply a cut of Rs. 20 crores.

Even in the Third Plan road transport is receiving a cavalier treatment. The whole subject of roads is cursorily dismissed in the Draft Outline, in so far as the physical target is concerned. It is only stated that about 20,000 miles of surface roads may be added in the Third Plan, while the mileage to be added under local road development has not been estimated. Road development has a very small component of foreign exchange expenditure. With the rupee resources position also getting very tight and requiring economy, the question of making higher allotment for roads does not arise. But considering the limited capacity of the railways in the Third Plan to take care only of important traffic, it is essential that the original allotment of Rs. 250 crores should be restored. There are a number of projects in the State plans which can bear either elimination or postponement so as to provide the restoration of the cut of Rs. 20 crores for roads. The issue of reducing the size of the road plan does not, therefore, arise.

Shipping and development of ports and harbours go together. Including the contribution of internal resources of the ports, allocation in the Third Plan for port development is placed at Rs. 85 crores. The primary aim of the Third Plan is to improve and rationalize the existing port capacity. Increase in the capacity of the major ports will be small—from 38 million tons at the end of the Second Plan to 41 million tons at the end of the Third Plan. After the heavy congestion in the major ports and deadlock in clearing machinery etc. imported from abroad, technical schemes were drawn up in the Second Plan for improvement and modernisation of port facilities with the help of experts whose services were obtained under the Colombo Plan. It is essential that the order of priorities fixed in the port programme should be maintained and no axe should be applied to the foreign exchange expenditure on port development.

Shipping and civil aviation are two sectors of transport which present some scope for foreign exchange economy at a critical time when such economy has become inevitable. It is in this context that the proposal here made for a small contribution from transport to the saving of foreign exchange should be understood. It is not in the least suggested that shipping does not deserve or require a higher outlay than that of Rs. 55 crores from the Exchequer as settled in the

financial scheme of the Draft Outline. Certainly shipping does require a larger development plan. This is for the reason that India's share in her overseas shipping trade is increasing at a snail's pace.

One point about shipping requires clarification and emphasis in the interest of removing an erroneous assumption. It is ordinarily presumed that building of ships at the Visakh yard goes to reduce foreign exchange expenditure on new ships on a substantial scale. The truth of the situation is that at the present time the foreign exchange component of ships built at Visakh is as high as more than 80 per cent, because, at this stage of development, marine engines and similar costly components are only assembled at Visakh from imported supplies. This is not to belittle the importance of the Visakh yard nor to minimize its achievement. But in an assessment of the Third Plan in order to revise it to the core, possibilities of economizing foreign exchange become a dominant consideration. In view of this consideration the difference between home constructed ships and ships purchased abroad is not very large. From this angle postponement of establishing the second yard at Cochin will not cause any serious injury to the nation.

Then there is the other factor to be taken into account that part of the shipping fleet caters to overseas transport movements. This should be increased as fast as possible. It is true that the period of gestation in the shipping industry is nominal and foreign exchange spent on acquisition of a ship is reimbursed in about seven years. Then there is the consideration that if India does not acquire her own ships, she will have to pay larger amounts for freight services in foreign exchange. But where the overriding consideration is to effect foreign exchange economy in the next five years, the counterbalancing factor to be taken into account is that, many of the ships, for which orders will be placed on foreign shipyards, will be delivered after a long time, whereas foreign exchange commitments for them will have to be made right now. These orders can be put off on a partial scale. Similarly, the plan for development of civil aviation which is highly foreign-exchange-intensive can bear a cut. Shipping and civil aviation between them may make a contribution of Rs. 25 crores to the cut in the foreign exchange outlay in the Third Plan to readjust it to the core.

The Tertiary Sector

AN attempt will be made in this article to examine to what extent the tertiary sector can contribute to the economy in the outlay of rupee and foreign exchange resources. This examination excludes transport and communications as they have been treated in a separate article elsewhere. The expenditure on social services assumes some significance because of the absence of a cushion for consumer goods production in the early stage of development of the economy with an accent on heavy industry. This is, of course, not to underestimate the importance of social services as such. Nevertheless, some pruning in the allocation of financial resources made to the tertiary sector in the Draft Outline has become inevitable in the light of the shortfall now envisaged.

Social services get Rs. 2,525 crores (Rs. 1,725 crores for social services and Rs. 800 crores for inventories including both the private and public sectors), including education, health, welfare programmes, etc. It is proposed that Rs. 490 crores should be cut down from the total outlay of Rs. 2,525 crores on social services,

so that the total expenditure comes to Rs. 2,035 crores. The estimate of foreign exchange requirements for implementing the social service programmes in the Third Plan is estimated at Rs. 80 crores. In view of acute foreign exchange scarcity, it would be advisable to cut down the foreign exchange component of the social service plans by Rs. 30 crores, so that the total foreign exchange requirement for social services is not more than Rs. 50 crores. The issue for determination is where the axe should fall. An attempt is made in the following paragraphs of likely heads that may be revised downwards.

Education in the Third Plan gets a total provision of Rs. 500 crores, out of which Rs. 370 crores go to general education and Rs. 130 crores to technical education. Nothing, of course, can be reduced from technical education in view of the country's vast programme of industrialisation in the near future, but the expenditure on general education which has gone up from Rs. 213 crores during the Second Plan to Rs. 370 crores offers some scope for economy. This increase in educational expenses is due mainly for

the emphasis on provision of facilities for free and compulsory education for the age group of 6 to 11 years as provided in the constitution, already the time limit, originally set, had to be extended for a variety of reasons. The target is to raise the number of pupils at the primary stage from 33 millions to over 50 millions. For implementing this programme more than 4,00,000 additional teachers will be necessary. While universal education and a high percentage literacy is desirable in a free country, it should not be overlooked that the country is not able to providing 4,00,000 efficient additional teachers, especially in view of the poor quality of teachers in the primary schools that are to be found at present. It is unlikely that the better type of people would be drawn into the profession of teaching primary classes at pitifully low salaries that they receive.

An attempt was already made to raise the standard of education by raising minimum qualifications for recruitment of teachers in primary schools. The result was that very often the revised upward qualifications had to be ignored and recruitment had to be made from those individuals who did not satisfy these qualifications, especially in some of the educationally backward States. No one grudges if education in its true spirit can be given to most, if not to all, but one would like to be sure that education, which is the preparation for life, is helpful to the recipients. The question of benefit derived out of education is specially important in view of the huge cost involved. All present indications point towards a situation where it is unlikely that both the quantity and quality of education can be achieved within the short period of five years; especially in view of the fact education and trained teachers require a period of gestation to be available. So, it is proposed that the expenditure on education, especially on general education, be reduced by Rs. 200 crores by way of rupee expenditure. Of course, the full brunt of the axe need not fall on primary education, but a portion may also be taken away from secondary and university education programmes in view of the large number of educated unemployed in the country. It is frankly admitted by the planners that it would not be possible to raise the number of science students adequately in the Third Plan due to certain bottlenecks, such as number of trained science teachers and science laboratories, etc. It follows naturally that all the expansion proposed in the Plan will result in large number of university graduates with general education. This flow of university graduates with general education will, of course, only add to the country's already overwhelming problem of unemployment and the consequent frustration and indiscipline that are to be found in the society today. So, while sympathising with the aspiration of the younger generations to have higher education in the field of humanities, it is proposed that their problem should not be accentuated any further at both the individual's and the nation's cost. It is proposed

that a saving of Rs. 10 crores in foreign exchange, out of a total saving of Rs. 100 crores under the head, should be effected.

The next important item that receives an allocation of Rs. 300 crores is health. While the importance of health to existence is obvious, still it would be essential to cut down expenditure under this head by Rs. 130 crores, consisting of Rs. 120 crores in rupee expenditure and Rs. 10 crores in foreign exchange. The cut can be made in expenditure on primary health units, hospitals and dispensaries and in education and training. In the field of health also, it is not expansion that is called for at the moment but the consolidation and improvement of quality and efficiency of our public health and medical services.

Under social education, the Third Plan proposes to have a large number of literacy centres, community centres, reading rooms, libraries at a considerable cost. It has been noticed that some of the community centres and libraries have been established at places where they have no use. For example, it was found in a tribal village near Ranchi that the youth had no time for either recreation or studies as they were busy from morning till dusk in the nearby town for eking out an existence. It has also been observed that many of the centres, once established, either die a natural death in course of time, either because they are not located at proper places or because the centres are used for purposes other than what they are meant for; for example, for entertainment of marriage parties or as gambling booths. This is, of course not to deny the need for a large number of literacy and other centres where they are utilized rightly; but in view of the limited funds there can be no conniving at waste of expenditure. It is proposed that Rs. 60 crores should be taken out of the expenditure under this head.

Similarly Rs. 100 crores are earmarked for the welfare of backward classes. The whole of this outlay could be eliminated on the ground of judicious management of the programmes. It is felt that the backward classes would naturally gain significantly by the general improvement in the country brought about by various measures in different fields of development activity, which cover the backward classes as well.

Thus, it is proposed to cut down a total amount of Rs. 490 crores under social education. Out of this amount, Rs. 30 crores relate to foreign exchange and Rs. 460 crores to rupee expenditure. In the foregoing paragraphs, it has been explained that Rs. 200 crores should be deducted from education (including Rs. 10 crores of foreign exchange); Rs. 130 crores from health (including Rs. 20 crores by way of foreign exchange); Rs. 60 crores from social education (rupee expenditure); and the entire amount of Rs. 100 crores from the welfare of backward classes (rupee expenditure)—thus making a total of Rs. 490 crores consisting of both rupee and foreign exchange resources.

GROSS AREA LIKELY TO BE BENEFITED BY MAJOR AND MINOR IRRIGATION WORKS DURING THE THIRD PLAN

(Lakh Acres)

State	Major Irrigation	Minor Irrigation		C.D. Sector
		Total	Agricultural Sector	
1. Andhra Pradesh	15.57	14.65	12.15	2.50
2. Assam	0.79	3.70	2.20	1.50
3. Bihar	20.00	10.64	5.64	5.00
4. Gujarat	8.64	11.90	10.50	1.40
5. Maharashtra	7.08	13.32	12.61	0.71
6. Kerala	2.55	5.39	4.75	0.64
7. Madhya Pradesh	8.50	7.50	5.75	1.75
8. Madras	2.41	6.63	6.09	0.54
9. Mysore	8.76	3.09	2.62	0.47
10. Orissa	9.46	2.70	1.20	1.50
11. Punjab	13.01	9.19	6.53	2.66
12. Rajasthan	11.45	4.85	3.45	1.40
13. Uttar Pradesh	8.84	29.45	18.12	11.33
14. West Bengal	12.30	9.02	8.12	0.90
15. Jammu & Kashmir	0.43	0.70	0.45	0.25
16. Delhi	—	0.07	0.06	0.01
17. H. Pradesh	—	0.36	0.25	0.11
18. Manipur	—	0.15	0.14	0.01
19. Tripura	—	0.20	0.12	0.08
20. N.E.F.A.	—	0.07	0.05	0.02
Total	127.91	133.58	100.80	32.78

AREA LIKELY TO BE BENEFITED BY SOIL CONSERVATION AND LAND DEVELOPMENT SCHEMES UNDER THE THIRD PLAN

(Lakh Acres)

State	Soil conservation on Agricultural lands	Dry Farming	Land Reclamation	Reclamation of saline and alkaline land
Andhra Pradesh	3.50	20.00	2.29	0.17
Assam	0.13	0.01	0.18	—
Bihar	2.88	0.10	0.75	—
Gujarat	13.02	12.00	0.34	0.45
Maharashtra	50.00	24.10	0.61	—
Kerala	0.70	—	—	—
Madhya Pradesh	5.93	40.50	6.75	—
Madras	3.40	4.00	2.25	0.01
Mysore	2.70	5.40	0.22	0.38
Orissa	3.00	4.70	—	0.08
Punjab	0.44	16.00	2.40	0.30
Rajasthan	1.78	48.50	15.77	0.10
Uttar Pradesh	10.67	40.04	0.30	0.10
West Bengal	1.14	1.00	0.93	—
Jammu & Kashmir	0.07	—	—	—
Delhi	—	0.05	—	0.04
Himachal Pradesh	0.18	0.20	—	—
Total	99.54	216.60	32.79	1.63

AREA CONTEMPLATED TO BE BROUGHT UNDER IMPROVED SEEDS (FOODGRAINS) DURING THIRD PLAN

(Lakh Acres)

State	1960-61	1965-66	Area under Foodgrains (1959-60)
1. Andhra Pradesh	12.30	127.80	221.9
2. Assam	4.38	30.00	44.5
3. Bihar	26.12	144.12	237.2
4. Gujarat	2.42	29.35	—
5. Maharashtra	29.31	145.38	417.2
6. Kerala	5.00	12.00	20.2
7. Madhya Pradesh	63.00	130.00	365.5
8. Madras	72.50	94.0	119.4
9. Mysore	48.69	88.76	172.7
10. Orissa	12.60	84.35	111.2
11. Punjab	30.0	90.00	173.7
12. Rajasthan	41.40	170.00	276.2
13. Uttar Pradesh	188.61	293.01	454.1
14. West Bengal	10.00	60.00	132.1
15. Jammu & Kashmir*	1.07	3.45	12.8
16. Delhi*	0.01	0.01	2.2
17. Himachal Pradesh*	1.07	3.95	10.0
18. Manipur*	—	1.40	3.92
Total	548.48	1508.08	2781.3

*Figure as given by the Working Group.

ESTIMATES OF CONSUMPTION OF CHEMICAL FERTILISERS (1960-61—1965-66)

(Lakh Tons)

State	Ammonium Sulphate		Superphosphate		Potash	
	1960-61	1965-66	1960-61	1965-66	1960-61	1965-66
1. Andhra Pradesh	2.73	5.24	0.90	3.50	—	—
2. Assam	0.10	0.60	0.05	0.25	—	—
3. Bihar	0.50	4.00	0.15	1.20	0.01	0.20
4. Gujarat	0.95	3.00	0.48	0.90	—	0.09
5. Maharashtra	1.00	5.00	0.53	3.83	—	—
6. Kerala	0.37	1.91	0.07	1.90	0.01	0.56
7. Madhya Pradesh	0.26	2.00	0.05	0.40	—	—
8. Madras	1.50	5.80	0.60	3.20	0.12	0.90
9. Mysore	0.35	3.00	0.20	3.20	—	—
10. Orissa	0.30	2.00	0.08	0.50	—	0.02
11. Punjab	0.40	2.80	0.02	0.15	—	—
12. Rajasthan	0.15	1.00	0.02	0.29	—	—
13. Uttar Pradesh	2.97	9.90	0.58	2.88	0.08	0.80
14. West Bengal	0.40	5.00	0.25	2.50	—	—
15. Jammu & Kashmir	0.05	0.11	—	—	—	—
16. Delhi	0.01	0.01	—	—	—	—
17. Himachal Pradesh	—	0.02	—	0.01	—	—
18. Manipur	neg	neg	neg	neg	—	—
19. Tripura	neg	neg	neg	neg	—	—
Total	12.04	51.39	3.98	24.71	0.22	2.57

neg—means below 500 tons.

ESTIMATES OF CONSUMPTION OF ORGANIC MANURES AND GREEN MANURES

State	Urban Compost		Rural Compost		Green Manuring	
	1960-61	1965-66	1960-61	1965-66	1960-61	1965-66
	(Lakh tons)		(Lakh tons)		(Lakh acres)	
1. Andhra Pradesh	2.62	3.34	94.39	128.74	32.00	45.00
2. Assam	0.08	0.21	8.00	10.00	2.00	10.00
3. Bihar	0.75	1.77	10.00	77.00	10.95	30.95
4. Gujarat	N.A.	2.00	N.A.	1.25	0.10	1.00
5. Maharashtra	3.42	4.47	4.59	10.55	0.22	10.00
6. Kerala	0.22	0.55	0.94	2.69	2.50	10.50
7. Madhya Pradesh	1.60	3.58	1.30	19.70	0.40	22.40
8. Madras	4.00	6.00	14.00	30.00	30.00	60.00
9. Mysore	3.10	4.25	30.00	53.80	5.00	7.50
10. Orissa	0.20	(b)	23.40	140.00	10.00	70.00
11. Punjab	2.00	4.00	61.00	89.00	3.50	13.50
12. Rajasthan	6.30	9.00	13.00	20.00	1.30	6.30
13. Uttar Pradesh	5.80	7.50	560.60	823.40	6.50	90.00
14. West Bengal	0.40	4.10	5.00	75.00	N.A.	10.00
15. Jammu & Kashmir	—	0.15	—	0.75	1.75	0.10
16. Delhi	—	0.40 (c)	—	—	0.02	0.30
17. Himachal Pradesh	—	—	1.20	2.20	0.28	0.78
18. Manipur	—	—	0.20	0.35	neg	0.03
19. Tripura	0.01	0.02	0.67	1.48	—	N.A.
Total	30.50	51.34	828.29	1485.91	106.52	388.36

(a) Adviser suggested 60.0 lakh acres.

(b) Included under Rural Compost.

(c) Sludge Manure.

THIRD PLAN

DEVELOPMENT PROGRAMMES IN THE PUBLIC SECTOR

Industries and Minerals

TABLE I
OUTLAY REQUIRED FOR INDUSTRIES

Scheme	Provision in the Draft Outline	Outlay required as estimated now	Difference excess (+) reduction (-)
(1)	(2)	(3)	(4)
A. Projects carried over from the Second Plan			
Completion of the Three Steel Plants ...	45.0	45.0	—
Rourkela Fertilizer Factory ...	12.0	12.0	—
Heavy Machinery Plant ...	80.0	80.0	—
Foundry Forge Shop ...	80.0	80.0	—
Mining Machinery Plant ...	16.0	16.0	—
Heavy Electrical Project, Bhopal ...	30.0	30.0	—
Drug Projects ...	11.0	11.0	—
Organic Intermediate Plant ...	0.5	0.5	—
Expansion of Hindustan Antibiotics ...	22.0	25.0	+3.0
Trombay Fertiliser Project ...	12.0	12.0	—
Naharkatiya Fertiliser Project ...	20.0	20.0	—
Andhra Fertilizer Project ...	20.0	20.0	—
TOTAL 'A' ...	248.5	251.5	+3.0
B. New Projects for which external credits are already assured, wholly or in part			
Expansion of Heavy Machinery Plant ...	14.0	14.0	—
Expansion of Mining Machinery Plant ...	15.0	15.0	—
Expansion of Foundry Forge ...	10.0	10.0	—
Second and Third Heavy Electrical Projects ...	69.0	69.0	—
Heavy Machine Tool Factory ...	8.0	11.0	+3.0
Precision Instruments Factory ...	8.0	8.0	—
Ophthalmic Glass Project ...	1.5	1.5	—
Raw Film Project ...	8.0	8.0	—
Watch Factory ...	2.0	2.0	—
Expansion of Bhilai Steel Project ...	130.0	138.0	+8.0
Expansion of Durgapur Steel Project ...	35.0	56.0	+21.0
Expansion of Rourkela Steel Project ...	80.0	90.0	+10.0
Expansion of Mysore Iron and Steel Work ...	—	5.0	+5.0
TOTAL 'B' ...	380.5	427.5	+47.0

C. New Projects included in the Plan for which foreign credits have not yet been arranged

Bokaro Steel Project ...	200.0	235.0	+35.0
Alloy and Tool Steel Plant (inclusion of manufacture of grain orientated electrical steel sheets) ...	35.0	50.0	+15.0
Heavy Structural Works } Heavy Plate and Vessel } Shops ...	6.0	6.0	—
Expansion of Hindustan Machine Tools, Bangalore ...	3.0	3.0	—
Expansion of Heavy Electrical Project, Bhopal ...	19.0	19.0	—
New Fertiliser Factories ...	75.0	75.0	—
Expansion of Hindustan Shipyard at Vizag (Expansion and Subsidy) ...	10.0	10.0	—
Hindustan Shipyard (Dry Dock) ...	2.0	2.0	—
Expansion of NEPA, Praga Tools ...	—	5.0	+5.0
Second Shipyard, Cochin ...	10.0	10.0	—
Security Paper Mill ...	4.0	5.5	+1.5
Expansion of Hindustan Cables ...	0.5	3.5	+3.0
Salt Development ...	Nil	2.0	+2.0
Townships ...	30.0	50.0	+20.0
N.I.D.C. ...	10.0	20.0	+10.0
Loans to Institutional Financing Corporations ...	20.0	20.0	—
Loan assistance to Plantation Industries ...	—	—	—
National Productivity Council) Metric System and Indian Standards Institution)	10.0	10.0	—
Expansion and Modernisation of Alkaloid Factory ...	—	0.4	+0.4
TOTAL 'C' ...	434.5	526.4	91.9
GRAND TOTAL ...	1063.5	1205.4	+141.9

TABLE II

PROJECTS ON WHICH PREPARATORY WORK SHOULD CONTINUE WITH A VIEW TO DECISIONS IN DUE COURSE

	(Rs. Crores)	Total Cost
Industries other than Steel		
Heavy Compressor and Pumps Plant ...	15.0	15.0
Basic Refractories ...	3.0	3.0
Ball and Roller Bearing Factory ...	8.0	8.0
Machine Tool Expansion ...	15.0	15.0
Second Heavy Structural Shops ...	3.0	3.0
Second Plate and Vessel Shops ...	—	—
Marine Diesel Engine factory ...	—	—
TOTAL ...	44.0	44.0

THIRD PLAN

DEVELOPMENT PROGRAMMES IN THE PUBLIC SECTOR

Industries and Minerals

TABLE III
OUTLAY REQUIRED FOR MINERALS

Scheme	Provision in the Draft Outline	Outlay required as estimated now	Difference excess (+) reduction (-)
(1)	(2)	(3)	(4)
A. Projects under execution and carried over from the Second Plan.			
Coal			
Coal programmes of the National Coal Development Corporation ...	8.00	8.00	—
Washeries at Bhojudih and Pathardih ...	6.00	6.00	—
Neyveli Lignite Project Thermal Power Plant ...	6.00	6.00	—
Fertilizer Plant ...	13.00	13.00	—
Briquetting and Carbonisation Plant ...	12.00	20.00	+8.00
Oil			
Oil India (a) Crude Pipe Line (b) Exploration ...	8.00	8.00	—
Nunmati Refinery ...	8.50	8.50	—
Barauni Refinery ...	23.00	23.00	—
Kiriburu Iron Ore Project ...	6.00	6.00	—
TOTAL 'A' ...	90.50	99.90	+9.40
B. New Projects for which external credits are already assured.			
Expansion of Thermal Power Plant at Neyveli ...	—	15.00	+15.00
Oil exploration ...	115.00	115.00	—
Bailadila Iron Ore Project ...	17.00	17.00	—
TOTAL 'B' ...	132.00	147.00	+15.00
C. New Projects included in the Plan for which foreign credits have not yet been arranged.			
New Programmas of the National Coal Development Corporation ...	53.00	57.00	+4.00
Maintenance of Production of N.C.D.C. ...	16.00	16.00	—
Central Work-shops for Repairs ...	8.00	8.00	—
Drills for Prospecting ...	2.00	2.00	—
Advance Action for the Fourth Plan ...	10.00	10.00	—
Central Ropeway Schemes ...	16.00	16.00	—
Expansion of Singareni Collieries ...	16.00	20.00	+4.00
Additional Washing Capacity for Coking Coal ...	17.00	17.00	—
TOTAL ...	138.00	146.00	8.00

Neyveli Lignite Project

Expansion of Neyveli Mine Output ...	3.80	3.80	—
Housing ...	6.00	6.00	—
TOTAL ...	9.80	9.80	—
Oil			
Distribution Programmes ...	5.00	5.00	—
Other Minerals			
Exploitation of Copper Deposits at			
(a) Khetri ...	10.00	10.00	—
(b) Daribo ...	2.50	2.50	—
(c) Sikkim ...	2.50	2.50	—
Exploitation of Panna Diamonds			
Beneficiation Programme for Manganese Ore ...	5.00	5.00	—
Expansion of Geological Survey of India ...	10.00	10.00	—
Expansion of Indian Bureau of Mines ...	5.00	5.00	—
Amjore Pyrites ...	5.00	5.00	—
Kotari Gold Mining Undertakings ...	—	2.10	+2.10
Huthi Gold Mines ...	—	0.50	+0.50
TOTAL ...	41.00	44.10	+3.10
GRAND TOTAL ...	416.30	451.80	+35.50

TABLE IV

PROJECTS ON WHICH PREPARATORY WORK SHOULD CONTINUE WITH A VIEW TO DECISIONS IN DUE COURSE

Project	(Rs. Crores)	Total cost
Products Pipeline ...	37.0	37.0
Lubricating Oil Plant ...	12.0	12.0
Coal Washeries for Non-coking Coal ...	12.0	12.0
Low Temperature Carbonisation Plants ...	22.0	22.0
Neyveli Lignite High Temperature Carbonisation Plant and Connected Facilities for Pig Iron Production ...	25.0	25.0
TOTAL ...	108.0	108.0

TABLE V

PROJECTS OF A CONTINGENT NATURE

Project	(Rs. Crores)	Total Cost
New Refinery for Fresh Oil Findings ...	15.0	15.0
Crude Pipelines ...	4.00	4.00
Indo-Stanvac Project ...	Not available	Not available
Oil India ...	8.0	8.0
Piping of Naharkatiya Natural Gas ...	Not available	Not available
Expansion of Kiriburu Iron Ore Project ...	6.0	6.0
TOTAL ...	33.0	33.0

PRIORITIES ON PUBLIC SECTOR PROJECTS RANKING BY INCOME

(Third Plan Cost Component Only)

	Priority Generation of			Foreign Exchange Rankings	Foreign Exchange Component (Rs. Crores)	Total 3rd Plan Cost (Rs. Crores)	% of Foreign Exchange in Total Cost
	Direct Income	Indirect Income	Total Income				
Bhilai Steel (Expansion)	1	1	1	1	56.0	138.0	40.58
Rourkela Steel (Expansion)	2	2	2	2	50.0	90.0	55.56
Three New Fertiliser Factories	3	3	3	4	36.0	75.0	48.00
Two Heavy Electrical Plants	4	4	4	3	69.0	45.0	65.22
Durgapur Steel (Expansion)	5	5	5	5	27.0	56.0	48.21
Trombay Fertilisers	10	6	6	9	12.0	22.0	54.55
Andhra Fertilisers	11	7	7	8	12.0	20.0	60.00
Alloy & Tool Steel Plant	7	9	8	6	20.0	35.0	57.14
Drugs Project	9	11	9	11	9.1	30.0	30.33
Durgapur Fertilisers	13	8	10	7	12.0	15.0	80.00
Naharkatiya Fertilisers	16	10	11	12	12.0	7.0	58.33
Foundry Forge	6	12	12	—	—	49.8	—
Heavy Electrical Projects, Bhopal (Expansion)	8	13	13	10	12.0	35.0	34.29
Heavy Machine Building	12	16	14	—	—	15.7	—
Heavy Machine Building (Expansion)	14	17	15	24	0.8	14.0	5.71
Raw Film Project	19	14	16	18	2.3	8.0	28.75
Coal Mining Machinery	15	18	17	—	—	14.0	—
Precision Instruments Plant	18	15	18	15	5.4	8.0	67.50
Heavy Machine Tools Plant	20	19	19	14	5.5	8.0	68.75
Intermediates Project	17	20	20	13	6.0	11.0	54.55
Heavy Structural Works	22	21	21	22	1.0	4.0	25.00
Sulphur from Pyrites	21	24	22	17	2.5	5.0	50.00
Heavy Plate and Vessel Shop	23	22	23	16	3.0	3.0	100.00
Hindustan Machine Tools, Bangalore (Expansion)	25	23	24	19	2.0	2.0	100.00
Watch Factory	24	25	25	25	0.6	2.0	30.00
Hindustan Cables (Expansion)	26	26	26	22	1.2	1.8	66.67
Praga Tools	27	27	27	26	0.5	0.7	71.43
Hindustan Antibiotics	28	28	28	27	0.3	0.5	60.00

THE FOREIGN EXCHANGE COMPONENT IN PUBLIC SECTOR INDUSTRY

(Amounts in Rs. Crores)

Percentage of Foreign Exchange Cost to Total Cost	Total 3rd Plan Cost	3rd Plan Foreign Exchange Cost	% Ratio of Foreign Exchange Cost to Total Cost
Over 75 per cent	20.0	17.0	85.00
Heavy Plate and Vessel Shop	3.0	3.0	100.00
H.M.T. Bangalore (Expansion)	2.0	2.0	100.00
Durgapur Fertilisers	15.0	12.0	80.00
60 per cent to 75 per cent	108.0	69.9	64.72
Praga Tools	0.7	0.5	71.43
Heavy Machine Tool Plants	8.0	5.5	68.75
Precision Instruments Plant	8.0	5.4	67.50
Hindustan Cables (Expansion)	1.8	1.2	66.67
Two Heavy Electrical Plants	69.0	45.0	65.22
Hindustan Antibiotics	0.5	0.3	60.00
Andhra Fertilisers	20.0	12.0	60.00
50 per cent to 60 per cent	175.0	97.5	55.71
Naharkatiya Fertilisers	12.0	7.0	58.33
Alloy & Tool Steel Plant	35.0	20.0	57.14
Rourkela Steel (Expansion)	90.0	50.0	55.56
Trombay Fertilisers	22.0	12.0	54.55
Intermediates Project	11.0	6.0	54.55
Sulphur from Pyrites	5.0	2.5	50.00
40 per cent to 50 per cent	269.0	119.0	44.24
Durgapur Steel (Expansion)	56.0	27.0	48.21
Three New Fertiliser Factories	75.0	36.0	48.00
Bhilai Steel Expansion	138.0	56.0	40.58
30 per cent to 40 per cent	67.0	21.7	32.39
Heavy Electrical Project, Bhopal (Expansion)	35.0	12.0	34.29
Drugs Project	30.0	9.1	30.33
Watch Factory	2.0	0.6	30.00
Below 30 per cent	26.0	4.1	15.77
Raw Film Project	8.0	2.3	28.75
Heavy Structural Works	4.0	1.0	25.00
Heavy Machine Building (Expansion)	14.0	0.8	5.71
Unclassified	...	...	...
Heavy Machine Building	15.7	81.5	—
Coal Mining Machinery	14.5		
Foundry Forge	49.8		
Doubling of Durgapur Coke Oven Plant	—	1.5	—
Inorganic Chemicals Plant	—	2.0	—
All Public Sector Projects	745.0	414.2	55.60
Private Sector Projects	1050.0	450.0	42.86
ALL PROJECTS	1795.0	864.2	48.14

PROGRAMME FOR POWER GENERATION IN THE THIRD PLAN

(Installed Generating Capacity in Million Watts)

State	1960-61			1965-66			Town & Villages Electrified (Number)	
	Public & Private	Self Generating	Total	Public & Private	Self Generating	Total	1960-61	1965-66
Andhra Pradesh	228.00	44.92	272.92	669.00	39.84	708.84	2800	3725
Assam	29.70	—	29.70	154.13	—	154.13	56	116
Bihar	349.55	271.00	620.55	1307.50	181.00	1488.50	2118	3461
Gujarat	316.20	N.A.	316.20	601.10	N.A.	601.10	681	1700
Jammu & Kashmir	25.29	—	25.29	41.73	—	41.73	N.A.	400
Kerala	167.20	1.70	168.90	551.20	1.70	552.90	1600	2600
Madhya Pradesh	225.00	75.00	300.00	720.00	69.00	789.00	604	1219
Madras	571.00	—	571.00	1441.00*	—	1441.00*	10151	18000
Maharashtra	756.00	N.A.	756.00	1621.00	N.A.	1621.00	650	1700
Mysore	210.70	—	210.70	877.50	—	877.50	3960	4760
Orissa	208.00	93.40	301.40	557.50	93.40	650.90	N.A.	N.A.
Punjab	652.00	—	652.00	1229.00	—	1229.00	3000	4600
Rajasthan	108.60	—	108.60	344.60	—	344.60	110	444
Uttar Pradesh	321.44	116.86	438.30	1084.83	96.11	1180.94	4928	9928
West Bengal	766.00**	154.00	920.00	1386.00**	154.00	1540.00	631	691
Total	4934.68	756.88	5691.56	12568.09	635.05	13221.14	31289	53344
Delhi	76.30	29.40	105.70	206.30	29.40	235.70	N.A.	N.A.
Other Union Territories	8.00	0.49	8.49	14.33	3.04	17.37	741	1376
Total	84.30	29.89	114.19	220.63	32.44	253.07	741	1376
Grand Total	5018.98	786.77	5805.75	12806.72	667.49	13474.21	32030	54720

* Includes 400 M.W. at Neyveli.

**Includes 140 M.W. of Durgapur Station (D.V.C.)

India and China

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India and China: Shifting Currents

IN this Blue Supplement, 'The Eastern Economist' attempts a comparative assessment of the economic strength of India and China at the present time as an aid to the appreciation of the deeper implications of the political dispute between the two countries over their common boundary. This is an ambitious undertaking, largely because an assessment at a point of time is dangerously arbitrary. It fails to capture the trends of the years preceding and, perhaps what might be worse, it may fail to catch the spirit of progress in the years ahead. Nevertheless, a decision, arbitrary and imperfect, has still to be made, for relations between India and China are sorely strained and there are both strategic and journalistic reasons for making an assessment of the manner in which the two countries stand in relation to one another today. Their relations to one another cannot, of course, be presented in isolation. The trends of growth over the last few years and some guesses in regard to future trends must necessarily be included. In this respect the potential aid that India will obtain from her friends abroad and the aid that China will obtain from Russia need at least cursorily to be examined.

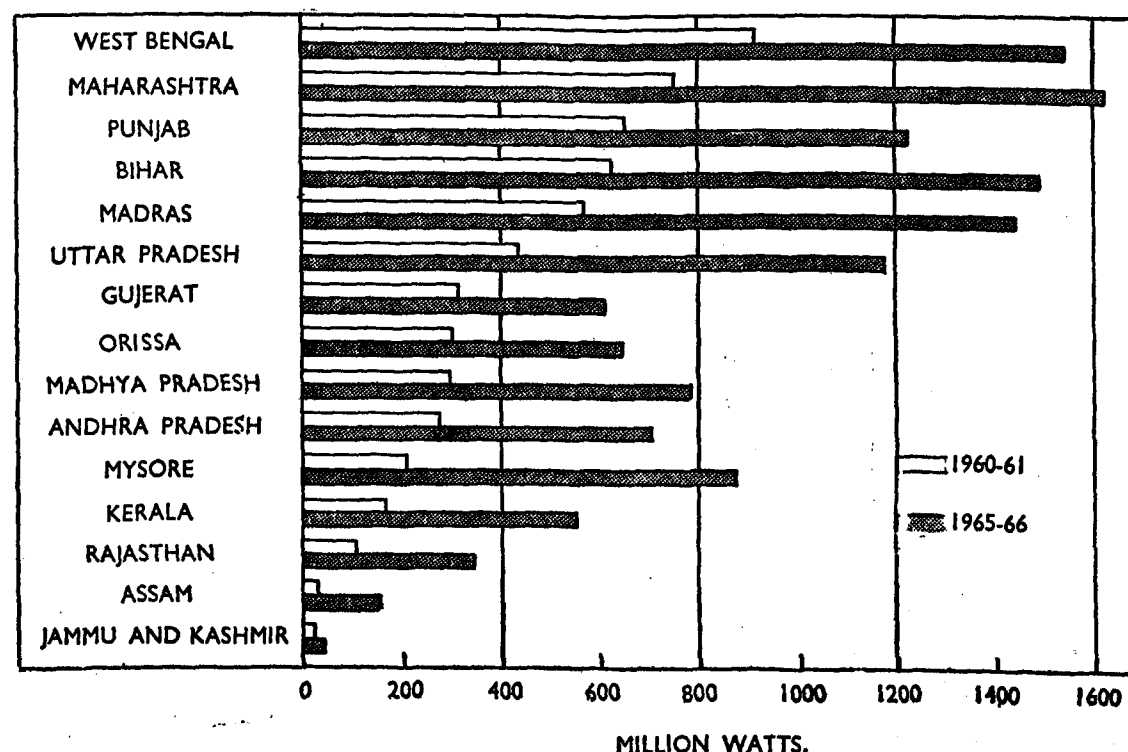
'The Eastern Economist' produced an Annual Number exclusively devoted to this theme in 1957 and, therefore, there is some justification for choosing only the period after 1957 for the current economic assessment. It is true that the last year tends to favour India in a comparative assessment. This is because China has had one of the most serious droughts in her history whereas India has had one of her most favourable years. Both agricultural and industrial production are running at their peak in the Indian Union and

at a fairly low point in terms of recent Chinese claims. Nevertheless, the fact remains that the Indian system of administration or ordered economic life has shown a steady capacity to rise, while the Chinese claims to the effect that their system has abolished the gamble in the rains have been abundantly disproved. In effect, we still live at the mercy of chance. But it would appear at first sight that the ravages of chance have been greater in China than in India. It may also be that the disorganisation caused by a leap forward and a sudden leap back are psychologically dangerous for all countries determined to ignore human capacity and the limits of endurance.

If there is a moral to be drawn from this survey, it is, firstly, that in political terms at least on the border dispute, India's assessment of her rights has much more documentary proof than has the Chinese case. Here the evidence is largely based on the remarkably able report of the officials of the Government of India and the People's Republic of China on the boundary question. In the economic sphere there is less documentation and reliance of necessity has to be placed on some non-official sources operating in Hong Kong particularly the assessment of Professor Stuart Kirby on contemporary China for 1958 and 1959. All that can be said here is that the conclusions are as good guesses as any that can be made; the honesty of purpose of authorities concerned should not be called in question.

If this brief study convinces the Indian people that they need not be unduly cast down by the comparison or unduly fearful of a clash on issues of high principle, it will not have been in vain.

POWER GENERATION IN THE THIRD PLAN



The Tension Over the Boundary Dispute

POST-WAR HISTORY will not find any parallel to the surreptitious claims advanced by China against India in respect of the common frontier between the two countries. This frontier has been demarcated by the Himalayas and over the centuries no controversy was raised about this natural alignment. But in September 1959, a full decade after its establishment, the People's Republic of China woke up to the realisation that hundreds of square miles of its territory were incorporated in India and ought to be regained. Five years prior to that in 1954, Mr. Nehru pointedly brought to the notice of Mr. Chou En-lai wrong descriptions in Chinese official maps of certain areas which were parts of the Indian territory. Mr. Chou En-lai's explanation was that those maps were of little consequence and his government had no time to revise them. The unquestionable implication was that no dispute existed about the boundary.

But China gave a shock to India in 1959 by occupying by military force 12,000 square miles of Indian territory on the plea that the area belonged to China. This was the manner in which she gave a practical demonstration of how she intended to observe the Panchsheel agreement of 1954 with India with its central emphasis on peaceful existence and respect for the territorial integrity of the other party. Soon afterwards the Chinese government made the second discovery that not 12,000 but 50,000 square miles of territory were to be recovered from India. The climax came when China put forth the fantastic demand that the entire boundary running across the Himalayan watershed from west to east over a length of 2,400 miles should be surveyed jointly and delimited. Indeed, in retrospect, the Chinese might be amazed how they excelled themselves in this exercise of aggrandisement.

Having occupied by force the territory which she considered strategically essential for establishing an uninterrupted and fully consolidated line of communications between Tibet and Sinkiang, China agreed to settle the dispute by negotiation. The fact-finding preliminary part of the negotiations was entrusted to the teams of officials nominated by the governments of the two countries. From the report submitted by the officials to the two governments, it is clear that copious evidence has been adduced by India to corroborate her position. Chinese evidence, particularly documentary evidence, is quite meagre, vague and in several respects remotely inferential. China has shirked tendering precise information and has offered elucidation hardly of half of the points raised by India for clarification by her. Where queries were replied, the answers were mostly evasive. The Chinese side has felt no qualms of conscience in shifting the ground behind its contentions to suit expediency. This technique of shifts had a most telling chain reaction.

Among the three sectors of this frontier, the Western Sector is the most crucial from the view-point of China. Here it is that China wants to tighten up her stranglehold on Tibet and Sinkiang by means of an uninterrupted strategic line of communications. A wealth of documentary as well as other factual evidence produced by the Indian side proved that the present Indian alignment was recognised for centuries as the traditional boundary between Ladakh and Tibet. In so far as Sinkiang is concerned, the documents produced by India conclusively show that from the sixth century at least the southern boundary of Sinkiang lay north of the Kuen Lun ranges. It was only towards

the end of the last century that Sinkiang's southern limit was stretched up to these ranges. The conclusion which emerged from these historical facts is that the Aksai Chin Plateau and the Lingzi Tang plains never formed parts of Chinese territory. But it is precisely these parts which China is now claiming as her own. The evidence produced by China was that of a document purporting to show the contemplated establishment of an administrative sub-division by Sinkiang which never came into existence. On the contrary, Indian documents conclusively prove that the Aksai Chin plateau was administered by the Governments of Ladakh and Kashmir. Details are available about the exercise of the basic administrative authority of assessment and collection of revenue.

The hollowness of the Chinese claim is graphically shown in relation to Ladakh. The Chinese side has been repeatedly contending that throughout Ladakh has been an integral part of Tibet at least as recently as the middle of the 19th century. But in a separate context the Chinese assert the ancient character of what according to them was the alignment between Ladakh and Tibet. It is still more interesting to find the Chinese adducing evidence which showed that Ladakh was independent of Tibet in the 17th and 18th centuries. These somersaults make a graphic exposure of how China has been shifting her ground to suit expediency and how in that process her claim has been thoroughly discredited by her own evidence.

The Chinese denial of the status and authority of Tibet to enter into treaties or international agreements with any country has further laid bare this game of somersaults. It is true that China withdrew from the Simla Conference of 1914 which resulted in the agreement on the McMahon Line between India and Tibet. But the Chinese Government could not explain how China acknowledged the Tibetan representatives' plenipotentiary status on a par with China's at the conference table. Her stout denial of Tibet's treaty-making power was conveniently erased by her from memory in a fit of opportunism. Representatives of Tibet, acting independently in their country's own right to make treaties, became parties to the commission for the settlement of the boundary dispute which involved Nilang-Jadhang. China produced Tibetan documents during these boundary discussions with India to prove her contention in the present dispute. When confronted with the question how they reconciled the production of this evidence with their dogmatic denial of Tibet's treaty-making power, they were completely non-plussed.

The Middle Sector of the India-China border shows China at her weakest in the demand for delimitation of the boundary. The Himalayan watershed is the indisputable natural dividing line between the two countries and, furthermore there is irrebuttable evidence of ancient chronicles and uninterrupted tradition describing the Indian alignment in a very precise manner. By contrast, China has been utterly unable to produce any proof of tradition or custom which would lend even a colour to her claim to the territory now disputed and claimed by her. And the same position holds good in regard to the Eastern Sector to the boundary. On the Eastern Sector ancient chronicles and the rule of ancient Indian dynasties establish the Indian case. For more than a century and a quarter at least, Indian political authority has been exercised over this area.

None of the official maps produced by China dates anterior to 1950—the second year of the establishment of the People's Republic of China. A reference has been made at the outset to Mr. Chou En-lai's explanation about the inaccuracies in some of these maps.

China has now added two new dimensions to the boundary dispute. The Chinese officials, obviously acting under a strict brief, declined to discuss any questions relating to the boundary of the Kashmir State lying to the west of the Kara Koram Pass. The diplomatic implication of this refusal is quite plain—China does not recognise Kashmir's accession to India. She is sounding "Azad" Kashmir for boundary negotiations. More astounding is the shift in position now made by China as regards Sikkim and Bhutan. The Government of China had unequivocally and categorically recognised the validity of the Convention of 1890 which expressly acknowledges the responsibility of India for the external relations of Sikkim. In so far as Bhutan is concerned, a similar blatant shift has been made by her. She declines to acknowledge India's right and responsibility to settle the boundary of these two kingdoms on their behalf. At a Press Conference held in New Delhi on April 25, 1960, Premier Chou En-lai unequivocally stated in reply to a question that "China respects India's relationship with Bhutan and Sikkim." Later on the Chinese official text of the Press conference, published in the "Peking Review", interpolated the word 'proper' between the words 'India's' and 'relationship'. This is flatly contradicted, among other independent evidence, by a tape-recording of Premier Chou En-lai's statements at the Press conference.

China is seeking to make virtue out of her agreements of boundary settlements with Burma and Nepal. In particular, she is harping on the major settlement, among these two, with Burma. No basis for comparison, much less for parallelism, exists. The boundary alignment between India and China is demarcated by the Himalayan watershed and by the Kuen

Lun ranges to the extreme west. Surthen it is sanctified by ancient tradition and custom. Nevertheless, there is one moral to be drawn from the Burmese agreement—complete vindication of Burma's stand that China's "claim" over 25,000 square miles inside Burma was untenable. It speaks for the Chinese tactics of aggressive claims without the least regard for history and truth.

China's entire strategy in the border dispute which she has chosen to create cannot fail to convince any impartial assessor of the situation; that she is not interested in negotiating suitable adjustments of the frontier at points where the position is not clearly settled. Her interest lies in keeping the tension alive for an indefinite time for a variety of ulterior motives. This is plain from the new dimensions which she is gratuitously adding to the dispute. India's case, however, cannot be safeguarded on the strength of reason and argument, where the opposite party has no intention of respecting the technique of an amicable and just settlement by negotiation. India must recognise this fact and always be on the alert to defend the integrity of her frontier territory.

In the final resort, what sustains the capacity of a country to defend itself against aggression is its economic potential in general and industrial as well as agricultural potential in particular. The capacity of China under her system of regimented mobilisation of her resources has been exaggerated and a misleading image has been created that she is forging ahead with economic development uninterrupted by set-backs. The wide publicity given by her to the "big leap forward" has been instrumental in creating this impression. An attempt to analyse how India is steadily building up her economic and defensive strength and what is the reality about China's "astronomical" progress in augmenting her economic as well as aggressive potential has been made in the subsequent portion of this Blue Supplement.

The Pattern of Economic Growth

During the last decade, impressive experiments in economic growth have been conducted both in India and China with the primary object of raising the standard of living of the people. In the case of China, the Communist Government has imposed controls on every aspect of the life of the people while planning in the Indian Union has been operated through a democratic Government. Great interest attaches to the measurement of the rate of economic growth in both countries, though the manner in which figures are put out by the Chinese Government makes the comparison extremely difficult, though not impossible. In fact, even in the most discouraging year, the Chinese figures tend to depict a very optimistic picture of the economy. The computers of national income have indeed a very hard task to perform.

On the basis of official figures, the per capita income in India and China is compared. The results for the period 1952-59 are set out in the table alongside. It will be seen that till 1955, the per capita income in China remained below the level of per head income in India. From 1956 onwards, the Chinese figures show a very optimistic trend indicating, in some years, a rise of even 20 per cent. During the period under review, while the rise in per capita income in the case of the Indian Union has been of the order of about 1 per cent per annum, the Chinese rate of growth has been more than 10 per cent per annum. Naturally, this comparison tends to cast doubts on India's democratic process of

economic growth under its five year plans. Either Indian planning is defective or the Chinese figures are not worth the paper on which they are printed.

PER CAPITA INCOME IN INDIA AND CHINA

Period	China (Mainland)		India	
	National Income Million Indian Rupees	Population (In Millions)	Per Capita Income (In Rs.)	Per Capita Income (In Rs.)
1952 ..	123,560	569	217	256
1953 ..	141,562	583	243	266
1954 ..	149,326	595	251	268
1955 ..	159,270	608	262	268
1956 ..	179,381	621	289	276
1957 ..	192,004	643	299	287
1958 ..	257,278	669	386	285
1959 ..	312,851	695	450	277

The official Chinese statistic indicating the rate of growth of national income and the fixed investment for the period 1950-58 are given in the following table. National income during this period seems to have risen at more than 12 per cent while gross investment as percentage of national income has risen around 19 per cent. Capital-output ratio at 1.5 seems to be extremely low in view of the fact that the Chinese Five-Year Plans laid considerable emphasis on basic and heavy industries. The experience in the free world has been around 3:1. There seems to be some deliberate distortion in these figures.

There are no independent means of checking the production figures publicised by the Chinese official sources. The pronouncements of some of the experts, however, throw a flood of light on their faith in objective economic analysis. This is amply clear from the following quotation of Mr. Chia, head of the Statistical Bureau:

"Statistical work is a weapon of class struggle and

of political struggle; our statistical reports must reflect the great victory of the party's general line and the progress of all the works guided by the party. They certainly should not be a mere display of objective facts."

The disastrous failure in the agricultural field during the last three seasons has, however, brought about a change in attitude towards the compilation of statistics. Voices are now being heard in official circles of a realistic approach to the collection of statistics because it is now realised that without the knowledge of an honest and factual position of the economy, no five-year plans can be successful. The manner in which the figures for food production in 1958 were revised shows that the Chinese Government may introduce an element of error of anything from 10 to 50 per cent. This is the basic difficulty in comparing the true rates of economic growth in China and India.

The Public Sector

The process of socialisation came to completion in China in the year 1956 when the private sector was almost eliminated. The table below shows the sector-wise distribution of national income and clearly demonstrates that the private sector, indicated as the individual sector, was reduced to 7 per cent of the economy in 1956. By 1961, the private sector, it seems, was completely wiped out. The pride of place was

occupied by the co-operative sector, followed by the state-owned undertakings and the joint state private undertakings. In the case of the Indian Union, the share of the public sector has gradually risen since independence from 5 per cent of the total national income to nearly 10 per cent of the total income. The private sector of the economy in the Indian Union still generates 90 per cent of the total national income.

CHINA: SECTOR-WISE DISTRIBUTION OF NATIONAL INCOME

(Percentages)

Year	State-owned economy	Co-operative economy*	Joint State-private economy	Capitalist economy	Individual economy
1952	19.1	1.5	0.7	6.9	71.8
1953	23.9	2.5	0.9	7.9	64.8
1954	26.8	4.8	2.1	5.3	61.0
1955	28.0	14.1	2.8	3.5	51.6
1956	32.2	53.4	7.3	..	7.1
1957	33.2	56.4	7.6	..	2.8

* From 1955 onward most of the "Co-operatives" were transformed from the "elementary form" (co-operatives proper) to the "advanced form" (collectives in fact).

CHINA (Mainland)

RATE OF GROWTH OF NATIONAL INCOME & GROSS FIXED INVESTMENT

Period	Average annual percentage increase		Gross fixed investment as percentage of National Income	Incremental capital output Ratio
	National Income	Investment		
1950-53	12.2	49.9	12.5	1.0
1953-58	12.4	21.7	22.5	1.8
1950-58	12.3	31.6	19.1	1.5

The Growth of Population

MAINLAND of China is the most populated country in the world. Before the census of 1953, official and non-official estimates had placed its total population at 450 million. The disclosure that Chinese population in the year 1953-54 was as high as 583 million came as a sensation to the outside world. In line with the pattern of distribution of population in other developing countries, China revealed that the population in the rural areas was seven times the population in the urban areas. In precise terms, about 13 per cent of the population was distributed in the towns, while the rest of the 87 per cent was in the villages.

The most significant factor revealed in the recent vital statistics is that the birth rate has shown only a marginal fall while the death rate has indicated a steep decline, with the cumulative effect of raising population at more than 2 per cent per annum. Currently, the population of China is estimated at about 700 million, and the official policy is for putting no restraint on rising numbers, by way of family planning or "planned parenthood". The official pronouncements indicate that contraceptives and other techniques of family planning are available in all the major hospitals in China, but they are designed more to help the ailing mothers in spacing children rather than to encourage birth-control.

In the case of the Indian Union, the rise in population as revealed in the latest census, has alarmed the planners in view of the fact that the country is dedicated to "Planned Parenthood" and all possible attempts at keeping the birth rate in check have proved abortive. It is feared that the calculations made in regard to the possible rise in the standard of living in the Second

Five-Year Plan may go wrong because of the unexpected increase in population. It has also tended to aggravate the employment position, and much concern has been caused by this distressing rise in population.

The essential difference between the policies pursued by the two countries is that whereas China, by and large, does not believe in restricting the growth in population and, according to present reports, is expecting to employ and feed a population of 1,000 million by 1981, the Indian Union expects by gradually raising the standard of living of the people and by giving wider publicity to family planning techniques, to keep the population of the country within control. The present estimates indicate that by 1981 India's population would not exceed 583 million. The family planning techniques in India have not proved very effective so far, but this is engaging the attention of the Government of India and it is likely to claim larger shares of financial outlay in India's future five-year plans.

CHINA (Mainland)

Year	Birth Rate	Death Rate	Growth Rate
1953	37	17	20
1954	37	13	24
1955	35	12.4	22.6
1956	32	11.4	20.6
1957	34	11.0	23

POPULATION

(In millions)

China (Mainland)				India			
1937	..	..	447	1941	..	..	317
1954	..	..	595	1951	..	..	361
1955	..	..	608	1955	..	..	389
1956	..	..	621	1956	..	..	397
1957	..	..	643	1957	..	..	405
1958	..	..	669	1958	..	..	414
				1959	..	..	422
1961*	..	..	700	1960	..	..	430
1966*	..	..	770	1961	..	..	438
1971*	..	..	850	1966†	..	..	462
1976*	..	..	930	1971†	..	..	500
1981*	..	..	1,000	1976†	..	..	536

* Source: Contemporary China.

† Estimated on the basis of a rise of two per cent per annum.

Development of Agriculture in India and China

IN 1959, China sprang a big surprise on the world by claiming that her agricultural production in 1958, as also her industrial output, had staged a strident advance. Production of foodgrains was claimed to have gone up to 375 million tons and of cotton to 3.35 million tons from 185 million tons and 1.64 million tons, respectively, in 1957. Output of soybeans was said to have increased in one year by 24 per cent, of groundnuts by 56 per cent, of cured tobacco by 115 per cent and of hemp by 8 per cent. These estimates were subsequently revised drastically downwards and 1958 output of various agricultural commodities was put at: foodstuffs 250 million tons, cotton 2.1 million tons, soybeans 10.5 million tons, groundnuts 2.8 million tons, cottonseeds 4.2 million tons, tobacco 0.38 million tons, tea 0.14 million tons, compared to 185 million tons, 1.64 million tons, 10.25 million tons, 2.57 million tons, 3.28 million tons, 0.39 million tons and 0.11 million tons respectively, in 1957.

This sharp increase in China's agricultural production in 1958 naturally attracted world-wide notice. In Western countries, of course, doubts were expressed whether even the revised production figures represented correct estimates. In view of the experience of the past two years, it appears that these estimates were still rather on the high side. Afflicted by severe drought in various parts of the country and storms, floods and typhoons in the coastal areas, Chinese agricultural output is said to have gone down appreciably during 1959 and 1960, with the result that there is being felt a widespread shortage of food in the country. Writing in the June 11, 1961, issue of "The Observer," the Special Correspondent of this paper reported from Hong Kong that Communist China, which was energetic and disciplined in 1958, has been reduced to a somewhat seedy image of its former self. "In Canton thieves operate openly, stealing food and other comforts brought by visitors from Hong Kong for their relatives in the interior, and the police do little to stop them. In other cities, beggars importune in streets flanked by dirty buildings and half-finished blocks on which no work has been done for months.... In the people's communes hungry and disgruntled farmers have stolen food, raided communal grain stores, even organized minor riots, and there are bands of peasants in revolt or in hiding to avoid reprisals in the hills of Kwangtung and Shantung." Even Communist authorities and administrative cadres are said to "have been filching food, dealing in black market which has sprung up." In Shanghai, they are said to be taking bribes in exchange for travel papers which enable Chinese to escape to Hong Kong and Macao in search of food. "Food rations have been drastically cut and people receive on tickets only 4 oz. of sugar a month, half a litre of cooking oil (if they are lucky), a few ounces of pork and a little fish. Green vegetables have been almost unobtainable until recently. Even when quantitatively sufficient, the diet is dull and debilitating. On the free market at which peasants may sell their own produce, an egg costs 1s. 6d., a chicken a guinea and a rabbit 15s."

This alarming picture of food shortage in China is confirmed by some other facts too. China, whose net food exports amounted to as much as \$33.5 million in 1957, \$25.5 million in 1958 and \$25.8 million in 1959, is reported to have already contracted to import this year about 4.5 million tons of cereals from Australia, Canada and Burma. Large supplies of foodstuffs are also being sent by Chinese nationals abroad to their friends and relations on the mainland; according to some dealers in Hong Kong about 100,000 lbs. of food was being sent to China daily early this year from abroad by means of post parcels through Hong Kong

alone. Parcels of food are said to be entering China from Macao as well.

No authentic foodgrains output figures for the year 1960 are yet available, but the Peking authorities put this year's production at less than that of 1959 and 1958 but more than the output in 1957. This means that food output in 1960 was between 185 and 250 million tons; latest reports suggest that it has been very near 185 million tons. This along with the export figures should provide a clue whether the claim of 250 million tons of food production in 1958 was justified or not. The area affected by natural calamities in 1960 was reported to be 99.84 million acres which, if the previous experience is any guide (as the following table shows), should have yielded about 35 to 40 million tons of grains:

DAMAGE DONE TO CHINESE FARM OUTPUT BY NATURAL CALAMITIES (1953-59)*

	Area affected (million acres)	Loss in grain production (million tons)	No. of persons affected (millions)
1953	15.83	7.5	34.35
1954	30.25	8.85	62.23
1955	19.03	6.35	36.22
1956	38.33	12.20	74.34
1958	16.67	n.a.	n.a.
1959		n.a.	n.a.
1931 (flood alone)	28.30	n.a.	52.70

* Liang-Shih (Foodgrains, Monthly), No. 7, July, 1957: JMJP, February 17, 1959, p.2; and China Today, January 30, 1960.

If the 1960 production is estimated to be a little more than 185 million tons, the total food production under normal weather conditions during this year would have come to about 225 million tons. Taking account of the fact that owing to the 1959 drought in some parts of the country, the production in 1960 would have been slightly lower, the maximum output that could be realised in 1960 would thus come to nearly 235 million tons and that too after a good deal of further progress in application of modern technology to farming. The 1958 figure of 250 million tons foodgrains output thus is obviously an over-estimate. The same should apply more or less to the other agricultural crops.

Compared to India, it is claimed in Communist circles, that Chinese programme of agricultural regeneration is far more effective. But is it so? Except for one fact that there is regimentation in China and the authorities can compel people to do whatever job they like—the case in point is the organization of communes—while in the democratic set-up in India the element of compulsion is not there, the various methods applied to improve agricultural production in the two countries are more or less the same—abolition of landlordism, greater use of fertilizers, extension of irrigation facilities etc. The rate of growth of the Chinese agricultural economy as the table on the next page shows has not been much out of tune with the rate of development in India.

AGRICULTURAL OUTPUT—RATE OF GROWTH

Compared to 1948-52 average output, rice production in India has gone up by 53 per cent, wheat output

by 62.5 per cent, sugarcane production by nearly 33 per cent, groundnuts output by 50 per cent and cotton production by slightly over 70 per cent. In China, agricultural production had gone up upto 1957 at the following rate: Rice 49.2 per cent, wheat 48.6 per cent, sugarcane 132.9 per cent, groundnut 24.9 per cent and cotton (lint) 88.9 per cent. 1958 figures are suspect and no data is available for 1959 and 1960. The serious fall in production in 1959 and 1960 will counterbalance to a very great extent whatever advance there had been in 1958. Production of tobacco and tea in China showed a marked increase of 219.4 per cent and 77.8 per cent as compared to 23.5 per cent and 11.1 per cent in India. But it may be pointed out that cultivation of tobacco and tea in India has to be regulated keeping in view the demand in the export market.

Agriculture both in India and China still remain, despite all the developmental efforts of the past 10 years, a gamble in rain. The steady improvement which the Indian agriculture has made, as is evidenced by the sustained foodgrains output around 75 million tons in the past two or three years despite vagaries of weather, is an indication that the heavy investment that has been effected in Indian agriculture in the past few years has started yielding fruit. In the next few years the results forthcoming may be spectacular. In China, on the other hand, the 1958 advance in agriculture has not been maintained.

AGRICULTURAL OUTPUT: RATE OF GROWTH (BASE: 1948-52)

INDIA			
	% change of 1957 over 1948-52	% change of 1958 over 1948-52	% change of 1960 over 1948-52
Rice (paddy)	+13.6	+38.6	+53.0
Wheat	+54.5	+29.2	+62.5
Sugarcane	+29.8	+32.9	+50.2
Groundnuts	+41.0	+52.9	+38.4
Tobacco	+23.5	—2.4	+15.8
Tea	+11.1	+16.1	+12.5
Cotton (lint)	+73.8	+71.7	+94.2

CHINA (Mainland)

	% change of 1957 over 1948-52	% change of 1958 over 1948-52	% change of 1960 over 1948-52
Rice (paddy)	+49.2	+95.4	
Wheat	+48.6	+81.9	
Sugarcane	+132.9	+208.8	
Soybeans	+40.8	+44.2	+30.8
Groundnuts	+24.9	+36.1	+19.1
Cottonseed	+89.6	+142.8	
Tobacco	+219.4	+211.5	
Tea	+77.8	+122.2	
Cotton (lint)	+88.9	+141.9	

It is said that the output in China in 1959 and 1960 had fallen due to natural calamities, but this is perhaps more due to the fact that the Chinese methods of regimentation and coercion to form communes have gone awry. The smokescreen of widespread droughts,

floods and storms has perhaps been devised, or at least the effect of these natural calamities has been grossly exaggerated, to camouflage the failure of the policies and to divert the attention of the Chinese peasantry and the Western world from the real causes of failure. The communique issued at the end of the 9th plenary session of the 8th Central Committee of the Chinese Communist Party in January last makes an oblique reference to the growing realisation on the part of the Chinese authorities that their agricultural policy has not been an unqualified success. A new emphasis has come to be placed on increasing agricultural production in China and all resources are being diverted to this end. The communique says: "In view of the serious natural calamities that affected agricultural production for two successive years, the whole nation in 1961 must concentrate on strengthening the agricultural front, must carry out the policy of taking agriculture as the foundation of the national economy and of developing agriculture and grain production in a big way by the whole Party and the whole people must step up support for agriculture by all sectors and occupations and must exert the utmost effort to win a better harvest in agricultural production." Millions of people from all walks of life are reported to have gone to the countryside to help raise farm output. This is perhaps an admission of the fact that agriculture in China had come to be neglected under her Second Plan.

From the steps that the Chinese authorities have taken in the recent past to increase agricultural output it appears that realisation has dawned on them that the real causes of fall in farm production during the past two years have been failure of Communes and wholesale application to all parts of the country of some experiments which had proved successful in particular areas under particular weather conditions. The number of Communes during the past two years instead of going up has come down. There were 26,000 Communes in China in 1958. Their number decreased to 24,000 in 1959 and is reported to have gone down further in 1960. There has also been relaxation in the rigid system of the Communes that exist today inasmuch as peasants have been given marginal lands to give them incentive to raise subsidiary foodstuffs by following sideline occupations such as poultry farming, vegetable growing and pig rearing. The "individualism" of the peasantry is today recognised as a major problem in the writings of the Chinese leaders. This really shows that Communes have not been successful as such. There has been of late reversal to co-operative farming in many cases.

Greater flexibility has also been imparted to production programmes. Regional advisory centres have been set up to draw up production plans taking into consideration the local conditions. The production "brigades" and Communes have also been allowed to make their own decisions on sowing of crops.

China's "Great Leap Forward" of 1958 has, thus, proved to be elusive. In view of the malnutrition and under-nourishment of the peasantry during the past two years, which has bred disease, particularly dropsy, it is to be seen whether the Chinese agriculture can recover during the next two or three years. This depends, of course, not a little on the behaviour of weather. But largely it is dependent upon how far the Chinese authorities will go to modify their agricultural development policy. China in the coming two or three years may be able to raise her agricultural production to somewhat more than the 1957 level. By that time Indian agriculture would have further consolidated its position. If the massive investment that has gone into India's agrarian economy during the past one decade starts yielding the spectacular results which are expected, the rate of growth of Indian agriculture during the 15 years from 1951 to 1965 may easily outstrip the rate of growth of China's agricultural economy.

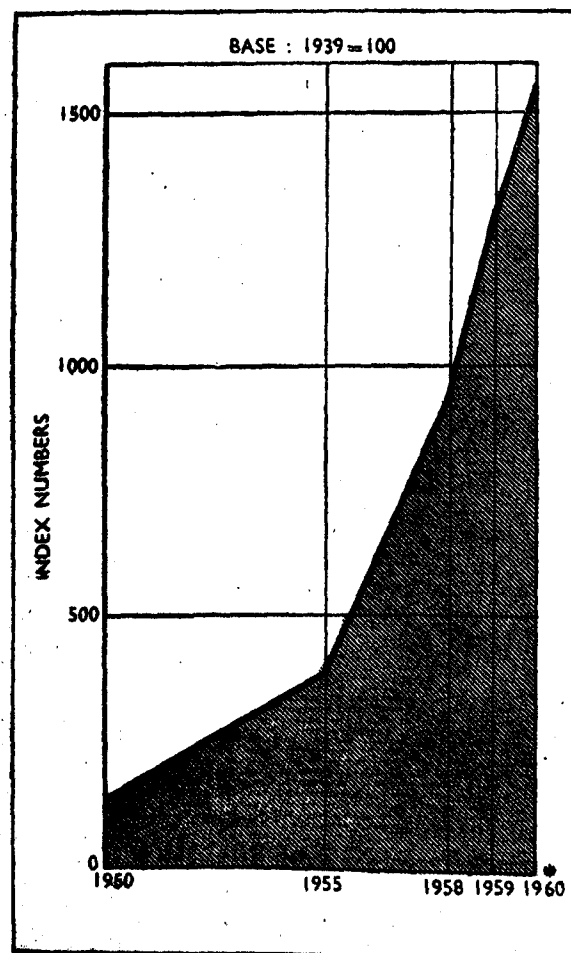
India and China : Industrial Production

WHILE it may be an interesting exercise to study industrial growth in India and China and to compare the conditions and the extent of progress in various sections, it may be remembered that no sound basis exists to compare the rates of industrial advancement in the two countries. One very important, though not the basic, reason for this is that the official index of industrial expansion published by China is constructed in such a manner that comparison with other countries is impossible. The base year selected is pre-war which tends to present an inflated picture of the present production. Moreover, instead of taking the net output, gross output is taken for the purpose of constructing the index numbers. There is naturally considerable amount of double-counting which inflates the figures, in some cases, by three-folds. It may be observed from the graph below that China's index of industrial production touched a fantastic figure of 1,553 for 1960, with pre-war base. On the other hand, the index calculated in India is scientific and takes into account only the net output of industries and naturally the figures reflect the real state of the industry. India's industrial expansion during the First Five-Year Plan (1951-56) registered an overall increase of nearly 40 per cent. and during the Second Plan period (1956-61) the output improved by nearly 55 per cent.

It may also be added that by and large, the dissemination of facts and figures has sufficient political significance for China. Naturally, therefore, no really reliable data are available. But from whatever sources the facts are gathered, it can safely be concluded that the Chinese industrial growth has been substantial, though only in selected industries.

CHINA

GROSS INDUSTRIAL PRODUCTION



STRESS ON CAPITAL GOODS

The first picture that emerges from this comparison is that the Indian industrial expansion has been broad-based and balanced while the Chinese development has been fairly selective. In this connection it may be added that China has been trying to build a heavy base on which to construct an industrial structure with the purpose of developing a "military potential". When this fact is kept in view, it is not difficult to explain why the heavy capital industries have gone ahead at a tremendous rate in China while the same rate has not been attained in India. The Chinese planners have adhered urgently to the principle of concentrating their nation's economic resources on the development of capital goods industries. During 1953-57, for instance, the annual average rate of increase came to nearly 25.4 per cent for capital goods, and 12.8 per cent for consumer goods both calculated in gross value at 1952 prices. The emphasis on heavy industry was more pronounced in 1958 for which year the increase in capital goods was reported to be over 100 per cent and that in consumer goods around 34 per cent, both calculated in gross value at 1957 prices. There was, therefore, a considerable change in the composition of industrial output: the share of capital goods stood at about 40 per cent in 1952; it increased to nearly 57 per cent by 1958.

The table on the next page gives the picture of output of various important industries in India and China in 1959. It appears that as far as the capital goods were concerned India stood at a comparative disadvantage; coal output, for instance, in India was nearly 48 million tons while it was 242 million tons in China; similarly electric power generation was about 14,556 million kwh. in India as compared to 41,500 million kwh. in China. The picture for steel output was also similar. Pig iron output in 1958 was nearly 3 million tons in India while it was around 20 million tons in China. For cement though the figures are not so divergent, the Chinese output was reported to be nearly double that of India's in 1959.

LEAP IN THE DARK

Here a very important fact has to be considered. This rate of increase achieved by China was not dependable because the leap forward had a political significance for the Chinese. It was quite likely that their figures did not have even a broad 'proximity' to the substantive achievements. In the case of coal for instance, it was gathered from various sources that after 1958 output improved only in the small pits where the Chinese retained equipment of the simplest types and there was, as was reported, no systematic exploration for future exploitation of coal. Quality of coal produced was very inferior.

Reproduced below are the official figures which were to prove that China had achieved world status in respect of coal production. In 1958 China's coal output surpassed that of Britain and in 1960, that of the United States, so that it was second only to Soviet Union:

	(Million tons)
1956	110
1957	130
1958	270
1959	340
1960	400

On close analysis, it was revealed that in 1958 the large coal mines produced 153.9 million tons and medium and small mines 116.1 million tons. In 1960 the modern large mines produced 138.8 million and the medium and small sized mines, 261.2 million tons. If that was true, the output from the quality mines actually decreased and the leap was in respect of poor quality coal only. Taking into account the fact that 15 to 20 per cent of dirt or rock content of the coal was normal in China, these contents must be higher in the case of small pits because they operated with primitive methods. Even if a 30 per cent dirt and rock were to be accepted, the actual output would be:

	(Million tons)
1958	190
1959	242
1960	280

It was reported that the number of small coal pits was approximately 1,00,000 which provided sufficient proof for this downward revision. It may also be added that this haphazard expansion of output meant an utter disregard of the nation's resources which when exploited properly could be utilised more economically.

'NATIVE STEEL'

The same was the state in respect of iron and steel output which received tremendous amount of publicity. For 1958, iron and steel output figures announced by the State Bureau of Statistics were 13.7 million tons of iron and 11.1 million tons of steel. Included in these figures were low quality iron and steel produced by small units using indigenous methods. These figures were, therefore, not comparable with the results of the previous years. 1958

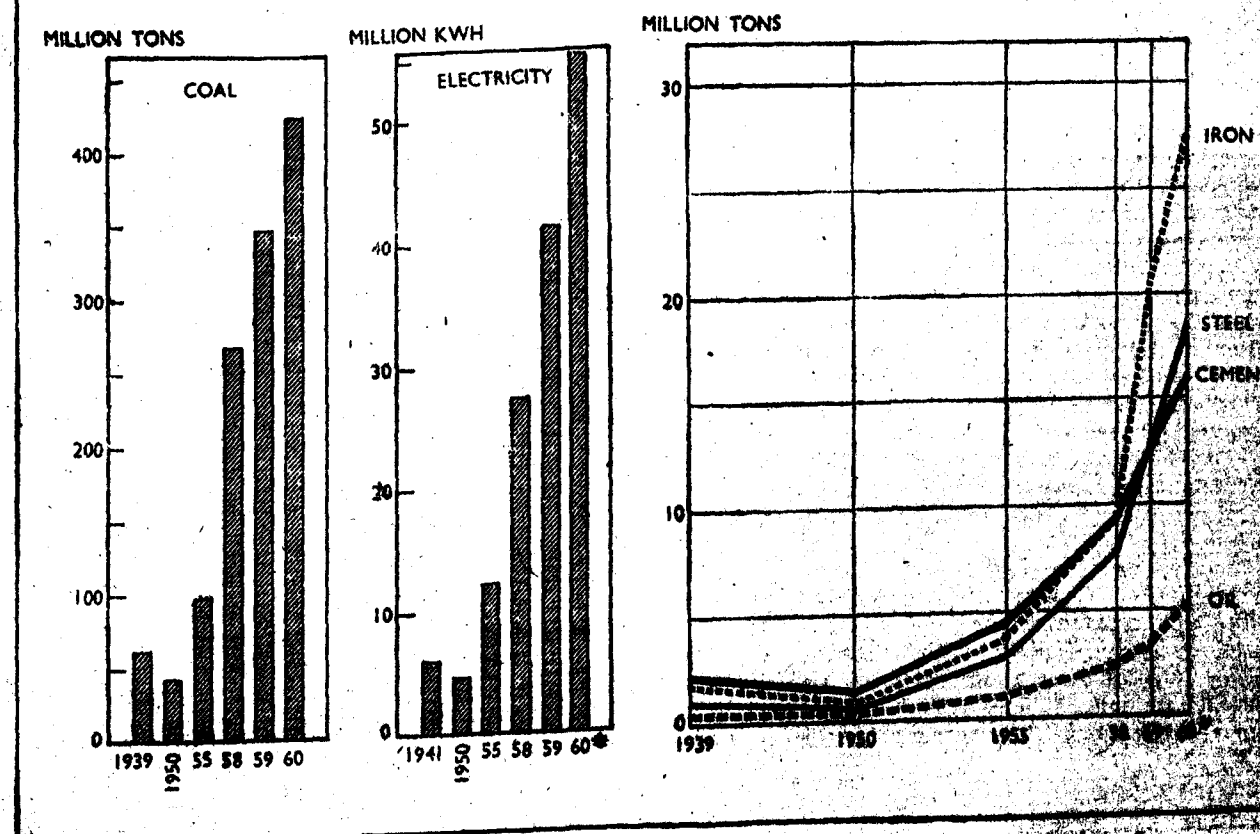
figures for pig iron and ingot steel were revised downward to 9.5 million and 8.0 million tons respectively which excluded "native iron and steel" accounting for nearly 30 per cent of China's iron and steel production. It may be observed that India's target of 6 million tons capacity by the end of the Second Plan, which has nearly been achieved, was a far superior instance of planning. There was practically no waste. No "error and correction" methods were applied at the cost of nation's resources.

INDUSTRIAL OUTPUT 1959

	China (Mainland)	India
Electric power (m. kwh.)	41,500	14,556
Coal ('000 tons)	347,800	47,784
Crude Oil ('000 tons)	3,700	442
Pig Iron ('000 tons)	20,500	3,068
Ingot Steel ('000 tons)	13,350	2,420
Cement ('000 tons)	12,270	6,936
Sulphuric Acid ('000 tons)	740(a)	297
Caustic Soda ('000 tons)	270(a)	70
Chemical Fertilisers (excl. A. Nitrate)	1,330	636
Locomotives (Numbers)	350(a)	1,250*
Motor Vehicles (Numbers)	20,000	38,488
Cotton piecegoods (million metres)(b)	7,500	6,569
Paper ('000 tons)	2,130(b)	299
Sugar ('000 tons)	1,130	2,117
Vegetable Oils ('000 tons)	1,250(a)	322§

* Relates to the plan period. (a) Relates to 1958. (b) Including handicraft production. §Only Vanaspathi production is taken into account.

CHINA: INDUSTRIAL PRODUCTION: 1939-1960



In the case of the cement industry too the apparent rate of increase was substantial in China. Between 1952 and 1957 the output increased from 2.3 million tons to 6.8 million tons and between 1957 and 1960 it almost doubled. It has been noticed that here too, the real output was significantly lower because it included output from factories which produced the low quality material. This was evident from the fact that cement was still below standard and the completion of a number of river valley projects in China was delayed owing to the shortage of quality cement.

Heavy industry on the whole was developed in China on a liberal scale without taking into account the raw materials that were required. In the case of steel, for instance, no attention was paid to the availability of iron ore. Moreover, this stubborn insistence on rapid expansion of heavy industry continued while no attempt was being made to lay the foundation for a proportionate growth in transport. Rail transport limited the possibilities and caused a serious threat to the development of industry in China. Such bottlenecks were not unknown in India, but they never assumed any serious proportions.

CONSUMER GOODS

When a comparison is attempted in the case of consumer goods, it is observed that India has always maintained a steady upward trend in production while China had to face 'famine' conditions in respect of various consumer goods during the last decade of her

planning. Desperate shortages of vegetable oils, cotton piecegoods, sugar and similar items which entered the daily schedule of the consumers were reported from time to time. The explanation is not hard to find. The table below sets out the per capita production of the more important consumer items. It seems that against per capita output of 17 yards of cloth in India, China lags behind with just 12.9 yards. In the case of sugar, where non-centrifugal sugar is also taken into account in both the cases, the comparison is startling. Against nearly 23 lbs. per capita in India, sugar available in China is to the extent of 3.5 lbs. only. This explains the sugar 'famine' in China, reports about which were received quite recently. The output of consumer goods, it seems, was a question of priorities and political decisions.

PER CAPITA PRODUCTION

Items/Unit	India	China
Cotton cloth* (Yds.)	17.0	12.9
Sugar (Lbs.)	31.9**	3.5
Salt (Lbs.)	16.6	34.8
Tea (Lbs.)	1.7	0.5

* Including cloth produced in the de-centralised sector.
** Including Gur and Khandsari production.

India and China : External Assistance

EXTERNAL assistance, mainly in the form of capital equipment and technical know-how, has been one of the crucial factors in the economic development of most, if not all, under-developed countries of the world that have industrialised themselves. India and China are no exceptions to this rule. The dependence of China on Soviet Russia for economic development is admitted in Chinese official statements in no uncertain terms. It is admitted in the Chinese Five-Year Plans that Soviet assistance was "systematic and all-comprehensive." The Chinese planners admit that Soviet Union has supplied the best equipment, and a large number of experts for "industry, agriculture, forestry, water conservation, geology, education, public health and other departments." In no less than 156 industrial projects, the U.S.S.R. assisted the Chinese "throughout the whole process from start to finish, from geological survey, collecting basic data for designing, supplying equipment, directing the work of construction, installation, and starting production and supplying technical information, right down to directing the work of the manufacture of the new products". The Peking Review stated recently that the Soviet Union had sent at different times more than 10,000 outstanding specialists to assist China. This explains the reported encouraging achievement of China in the field of industrial development during her First Five-Year Plan. But lately, Soviet assistance to China has been drying up fast according to information received from certain quarters.

Any factual Chinese study is, of course, heavily handicapped because of the veil of secrecy that has been thrown over Chinese statistics. Still indications of the volume of foreign aid that China received from Soviet Russia upto 1957 is available from the United Nations publications. The period after 1957 is some-

what shrouded in mystery, perhaps for calculated reasons. It is now no longer a secret that the Soviet credit to China has been dwindling in recent years; for example, the amount has gradually fallen from 1,657 million yuan in 1955 to 117 million in 1956 and to only 23 million yuan in 1957, according to the "Economic Survey of Asia and the Far East", 1957. This may also explain the "agriculture-is-the-base" campaign of the Chinese Communist Party calling for a strengthening of the agricultural front in 1961. Recently, millions of industrial and office workers were mobilised throughout the country for farm labour. The fast receding Soviet assistance may have prompted China to devote her energies and resources on agriculture which does not require much of foreign capital equipment and technical know-how.

The volume of aid received by China from Russia from 1953 to 1957 amounted to only 3,119 million yuan against a total expenditure of 85,633 million yuan during the period of the Chinese First Five-Year Plan; that is, China received only 3.6 per cent of her total expenditure by way of foreign aid. India, on the other hand, received 12.1 per cent of her total investment in the public sector by way of foreign assistance during the First Plan period; similar figures for India's Second and the Third Plans amount to 29.9 per cent and 34.9 per cent respectively. Figures for China's Second Five-Year Plan are again shrouded in mystery. But it is difficult, if not impossible, to believe that the Soviet assistance to China amounted to only 3.6 per cent of her total expenditure during China's initial industrialisation push, started and continued throughout her First Plan period. This quantum of Soviet aid to China is all the more doubtful because of the official admission of "systematic and all-comprehensive" assistance received by the Chinese people

to carry out their 156 industrial projects. This quantum of aid can only be explained in two ways. Either, the system of calculating Soviet aid to China excludes some vital items; or, the quantum of Soviet assistance to China is purposely played down to "serve the political programme". What that political purpose is is only known to the Chinese. There is a belief in certain quarters that now the Chinese do not want to advertise their performance as they did previously and thus set in competition in economic assistance from the U.S.S.R. by other Asian countries. Since the estrangement of feelings between China and India, both China and Russia seem to be exercising great caution. The veil of secrecy woven around Soviet assistance to China may have also been prompted by the Soviet Union's desire to prevent the world from comparing their assistance to an Asian Communist

country in relation to that advanced to other uncommitted nations. Or, it is very likely that the Communist Bloc wants to prove superiority of 'their' system by claiming at a later date spectacular and exaggerated achievements of the Chinese economy achieved through their central planning and 'with little or no external assistance'. That is why the amount of external assistance received by China is kept a closely guarded secret.

Whatever the facts and whatever the reasons for such well-guarded hush-hush over external assistance figures of China, there is no doubt that India, with sizeable receipts of foreign aid, is proceeding on the right path. All indications point to the possibility that India would continue to receive larger amounts by way of external assistance and continue to accelerate her rate of economic growth.

INDUSTRIAL PROGRESS IN CHINA* (Mainland): 1953-59

Items	1953	1954	1955	1956	1957	1958	1959	1959 (Planned)
Electric Power (mil. kwh)	9,195	11,001	12,278	16,590	19,300	27,500	41,500	40,000
Coal ('000 tons)	66,572	79,928	93,604	105,922	180,000	270,200	347,800	335,000e
Crude Oil ('000 tons)	622	789	966	1,163	1,460	2,260	3,700	3,390**
Pig Iron ('000 tons)	2,175	2,962	3,630	4,777	5,940	9,530(c)	20,500	23,00f
Ingot Steel ('000 tons)	1,774	2,225	2,853	4,465	5,350	8,000d	13,350	12,000g
Finished Steel ('000 tons)	1,754	1,965	2,505	3,921	4,262	4,820	N.A.	N.A.
Cement ('000 tons)	3,877	4,600	4,503	6,393	6,860	9,300	12,270	12,500
Timber ('000 cubic metres)	16,700	21,042	20,500	25,000	27,870	35,000	41,200	N.A.
Sulphuric Acid ('000 tons)	260	344	375	517	632	740	N.A.	1,100**
Soda Ash ('000 tons)	223	310	405	N.A.	506	640	N.A.	N.A.
Caustic Soda (100 per cent pure) ('000 tons)	90	116	N.A.	186	198	270	N.A.	N.A.
Chemical Fertilizer (excl. ammo- nium nitrate) ('000 tons)	263	343	425	658	631	811	1,330	1,300**
Antibiotics (tons)	Nil	Nil	Nil	Nil	35	145	N.A.	218**
Power generating equipment ('000 KW)	N.A.	N.A.	N.A.	N.A.	198	800	N.A.	1,800h
Metal-cutting Tools (Number)	20,502	15,901	13,708	26,000	28,000	50,000	N.A.	60,000i
Locomotives (Number)	10	52	98	184	167	350	N.A.	555
Railway freight wagons (Number)	4,500	5,446	9,258	7,124	7,300	11,000	N.A.	27,000**
Motor Vehicles (Number)	Nil	Nil	Nil	1,654	7,500	16,000	20,000	N.A.
Merchant Vessels (deadweight tonnage)	21,313	30,383	36,772	N.A.	54,000	90,000	N.A.	N.A.
Tractors (Number)	Nil	Nil	Nil	Nil	Nil	957	N.A.	3,000
Combined grain harvesters (Number)	Nil	Nil	Nil	22	124	545	N.A.	1,100
Power Threshing Machines (Number)	Nil	Nil	Nil	Nil	Nil	740	N.A.	3,000
Engines (a) ('000 H.P.)	144	172	247	657	690	2,000	N.A.	3,000**
Spinning Frames ('000 spindles)	N.A.	N.A.	N.A.	N.A.	484	1,000	N.A.	2,500
Paper-making equipment (Tons)	N.A.	N.A.	N.A.	N.A.	7,000	15,000	N.A.	22,500**
Sugar refining equipment (Tons)	N.A.	N.A.	N.A.	N.A.	8,000	15,000	N.A.	22,500**
Cotton Yarn ('000 bales)	4,104	4,598	3,968	5,246	4,650	6,000	8,250	8,200j
Cotton piece-goods (mil. metres)	4,600	5,216	3,485	4,600	5,050	5,700	7,500	7,200
Paper (b) ('000 tons)	N.A.	846	849	N.A.	1,220	1,630	2,130	2,200
Edible Vegetable Oils ('000 tons)	N.A.	N.A.	900	862	1,100	1,250	N.A.	1,800
Sugar (b) ('000 tons)	638	693	717	807	864	900	1,130	1,500
Salt (b) ('000 tons)	N.A.	N.A.	N.A.	4,900	8,277	10,400	11,040	13,000
Cigarettes ('000 cases)	3,552	3,720	3,567	3,907	4,440	4,750	N.A.	N.A.

* Unless otherwise indicated, the data do not include handicraft production.

** The lower limit of the planned output.

(a) Including internal combustion engines and steam engines.
(b) Including handicraft output.

(c) Revised downward from 13,680,000 tons.

(d) Revised downward from 11,080,000 tons.

(e) Revised downward from 380 million tons.

(f) Of unspecified quality.

(g) Revised downward from 18 million tons.

(h) Revised downward from 2.8-3.0 million in KW.

(i) Revised downward from 70-75 thousand units.

(j) Revised downward from 8.5 million bales.

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CHINA (MAINLAND)

Area And Production

	1948-52	1956	1957	1958	1959	1960
Area (000 hectares)						
Rice (paddy)	26,819	33,329	32,257	32,761	..	..
Wheat	23,049	27,286	27,555	26,637	..	..
Sugarcane	183	..	..	..	..	..
Soybeans	8,994	12,100	12,500	9,800	9,700	..
Groundnuts (in shell)	1,528	2,590	2,530	2,370	2,000	2,200
Cottonseed	4,406	6,258	5,778	5,726	..	..
Tobacco	186	..	..	..	..	..
Tea	..	..	..	..	..	..
Cotton (lint)	4,406	6,258	5,778	5,726	..	..
Production ('000 tons)						
Rice (paddy)	58,188	82,450	86,800	113,700	..	..
Wheat	15,912	24,800	23,650	28,950	..	..
Sugarcane	4,380	8,655	10,201	13,525	13,931	..
Soybeans	7,282	10,234	10,250	10,500	11,400	9,525
Groundnuts (in shell)	2,057	2,722	2,570	2,800	2,270	2,450
Cottonseed	1,730	2,890	3,280	4,200	4,820	..
Tobacco	122	399	390	380	422	..
Tea	63	120	112	140	151	..
Cotton (lint)	868	1,445	1,640	2,100	2,410	..
INDIA						
Area ('000 hectares)						
Rice (paddy)	30,092	32,277	32,151	32,956	32,918	33,786
Wheat	9,290	12,367	13,589	11,857	12,531	12,751
Sugarcane	1,672	2,050	2,056	1,944	2,095	2,087
Groundnuts (in shell)	4,379	5,532	6,020	5,898	6,194	..
Tobacco	331	410	419	353	363	378
Tea	314	321	321	..	..	..
Cotton	5,659	8,019	8,092	8,019	7,791	..
Production ('000 tons)						
Rice (paddy)	33,383	43,555	37,926	46,261	44,713	51,089
Wheat	6,087	8,760	9,403	7,865	9,929	9,890
Sugarcane	53,865	69,051	69,924	71,584	76,242	80,250*
Groundnut (in shell)	3,197	4,369	4,507	4,889	4,460	..
Tobacco	247	303	305	241	267	266
Tea	280	309	311	325	324	315
Cotton	485	837	843	833	682	..

* Estimate.

CHINA (Mainland)

DISTRIBUTION OF GROSS FIXED INVESTMENT

(Percentages)

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Sector	1952	1953	1954	1955	1956
Heavy industry and construction	27	31	33	34	46
Light industry, agriculture, and trade	44	38	36	36	35
Transport and communications	8	8	10	11	10
Housing	14	13	12	10)	9
Miscellaneous (non-productive)	7	11	10	10)	..

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