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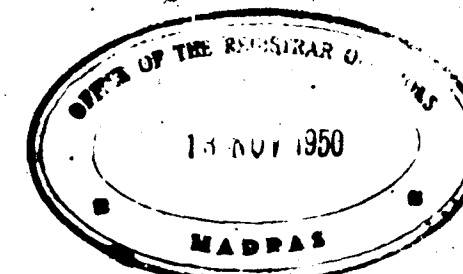
Business Week

Madras Edition

Vol. XL No. 20

JULY 8, 1950

Price As. 4



Shri Kanhayalal Munshi's visit to Madras has proved significant in many respects. Almost within an hour of his arrival in the City he plunged into discussions about the food situation in this State with Ministers and officers concerned.

There is widespread dissatisfaction in the State about the reduction of rice ration from 8 oz. to 7 oz., the partial substitution of wheat for rice, and the way controls are being administered. The manner in which Mr. Munshi was able to meet criticism from every quarter and his practical and realistic approach to the problem by laying proper emphasis on the need of integrating the plans for increasing production of food with the schemes to grow adequate cash crops to facilitate the supply of raw materials for the industries so vitally important to the economy of the country as food itself, indicate the amazing grasp he has over every detail of the food situation.

In reply to a deputation from the Andhra Chamber of Commerce Mr. Munshi said that he had accepted the work of Food Minister as God's will and not that he was an expert in agriculture or food. No wonder, Mr. Munshi's handling of the Food Portfolio has instilled confidence in the minds of the public that the day when we attain self-sufficiency is not far off.



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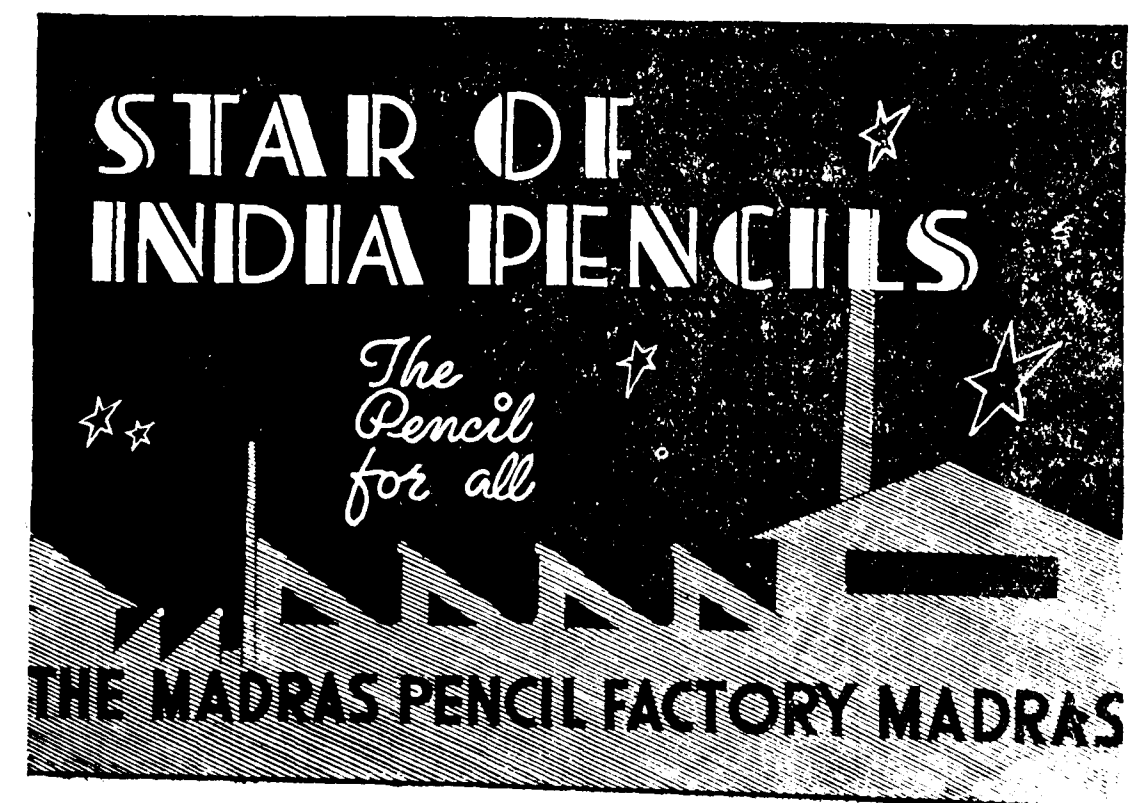
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the production and distribution of textiles, in the construction of houses settlement of ex-servicemen, in developing the countryside and in the organisation of the small-scale and cottage industries the resources of the co-operative movement have been fully drawn upon. The State has also made successful experiments in co-operative joint-farming, land development, and motor transport.

The view that the co-operative movement would not eliminate the ordinary channels of trade and that business men stand everything to gain by joining the co-operative movement was put forth by Mr. J. C. Ryan, Registrar of Co-operative Societies, in the course of an address last week at Madras. If business men join the movement *en masse* and give it the benefit of their experience it would provide the much-needed incentive to the movement to contribute its best to society and also give business men in turn an opportunity to study the working of the societies and rectify defects then and there.

Crisis In Machine Tool Industry

The acute crisis in the machine tool industry and the unwisdom on the part of the Government in establishing a State owned factory in Mysore at the huge cost of about Rs. 18 crores, referred to by us in our last issue, has met with interesting corroboration from an authority in the field and reputed industrialist Mr. A. D. Shroff, addressing the

annual general meeting of the Investa Machine Tools and Engineering Co., Ltd., in Bombay on Tuesday criticised the Government for declining to spend Rs. 18 lakhs as subsidy as suggested by the industry and deciding to spend Rs. 18 crores on establishing a State owned factory with dubious prospects. Mr. Shroff pointed out that the firms now engaged in the manufacture of machine tools were confronted with a serious situation entailing financial burdens as a result of dwindling sales and accumulation of unsold stocks due to the releases of surplus and war reparations' machine tools at low prices. He also gave a warning that unless the sales of these stocks were checked, they would spell the ruin of the industry. Under such circumstances, a revision of the decision of Government in consultation with the Planning Commission in the matter of the establishment of the State-owned factory is called for. The suggestion of Mr. Shroff that Government should establish a special branch under the Ministry of Industry and Supply for a detailed study of the machine tool industry so that proper aid might be given to the pioneering efforts in this line of business is also timely and appropriate.

Secret of American Prosperity

An account of how America emerged from her "isolation" to the world as a highly industrialised, cultured, and democratic State within a remarkably short period was given by Mr. Joseph Kearney, the well known American journalist and correspondent, addressing a meeting in Bombay on Monday. The American technique of educating the younger generation, said Mr. Kearney, contributed the main-spring to her elevation to the high position that any nation could ever aspire to reach. For every student, about a sum of 500 was spent for his primary education alone, and the maximum facilities were afforded to every student to pursue the particular line of his choice. The ideal of a student, the speaker pointed out, was to be a specialist.

Distinguishing the American

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BUSINESS WEEK

model of capitalism from European and Asian capitalism. Mr. Kearney observed that the former is an institution wherein the taxed had the purchasing power and the motto of which was a policy of give-and-take which constituted the very secret of its success, whereas the latter was a scene of scarcity bordering on starkslavery.

Mr. Kearney further remarked that "a new capitalism or communism must come to Asia" in the context of the confused and confounded world situation today. Referring to Indian business men, he said that there was nothing constructive in them. Their eyes were permanently focussed to foreign countries for imports and to possess the necessary import licences instead of striving to produce goods for other countries. India was not lacking in resources to be enterprising, but that business men should do was to give up once for all their lust for hundred per cent. profit.

He is a lesson, we may point out, to Indian business men.

Sugar Imports

Consumers of sugar will heave a sigh of relief at the recent decision of the Government of India to import 1 lakh tons of sugar this year to meet the demand for sugar

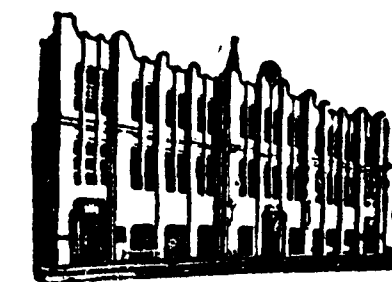
in the country. Negotiations with various countries are reported to be proceeding, though as yet no information is available as to which country is supplying us and at what price.

The import will ease the present situation considerably by the release of sufficient stocks to consumers at reasonable prices. Though production this year has been almost equal to that of last year, namely 1 million tons, there has been no carry-over of stocks, and forecasts cannot be made now with any degree of accuracy. The imported stocks, therefore, will be adequate to meet scarcity conditions as and when they arise and meet reserve requirement also.

The import, according to one calculation, will suffice to support a ration of 2 lbs. per month per head for a population of 25 millions for 4 months. If there is plenty of sugar as a result of imports and if the scramble for it ceases, various advantages will accrue. The way may be made clear for Government to decontrol the commodity, and one more item may be scored off the rationing list. With the high pressure demand for sugar from urban areas subsiding, profiteering and black-marketing may disappear altogether benefiting thereby the poorer sections of the community. The present high prices for sugar, gur and khandsari, maintained artificially by the speculative purchases of merchants, may come down of their own accord, and the harassed housewife may secure more sugar for the larder.

The present imports may entail an expenditure of about Rs. 5 crores in dollars, and as an emergency measure it is justified. But since self-sufficiency in sugar has been established as possible by experts like Sir T. S. Venkataraman and others, the aim of the authorities should always be towards this.

JULY 8, 1950



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Business Week
India

VOL. III

No. 30

NOTES AND COMMENTS

Nominee Companies

In the course of the conduct of their business banks in Australia are frequently asked to act as trustees for security holders and in many instances securities are transferred into the names of officers of a bank to meet requests by clients. It has been found that when these officers retire, confusion and inconvenience often result. To meet the convenience of its clients the National Bank of Australasia Limited registered in Melbourne early in May, a small company, National Nominees Ltd. The company has an authorised capital of £2,000. This company will act as an agent attorney, nominee or trustee for clients of the Bank. Other Australian banks which have set up similar companies during the past few years are the English, Scottish and Australian Bank, the Union Bank and the Bank of Australasia. Cannot Indian banks also do something of the sort?

Textile Exports

Details now available regarding India's foreign trade of cloth and yarn during the calendar year 1949, show that India's best customers were the Red Sea Ports (70.7 million yards), Straits Settlements, (69.7 million yards), East Africa (68.3 million yards), Persian Gulf (43.6 million yards), Pakistan (38.4 million yards) and Ceylon (37.5 million yards). These destinations took between themselves 328 million yards out of the total exports for the year of 767 million yards.

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It is in these areas of demand that Japanese competition may make itself increasingly felt. But so long as the Indian textile mills pursue a policy of enlightened self-interest and co-operate with the Government in stabilizing internal raw cotton prices at reasonable levels, they may continue to have definite advantage over Japan, which has to depend on more expensive imports of cotton.

Business Men and Co-operation

The Co-operative movement in our country has acquired a new importance and a new status with the attainment of freedom, and there is a rapidly growing realisation that the co-operative technique should be utilised more and more to solve not only the agricultural and economic problems of the people in the countryside but also some of the socio-economic problems of the people in the urban areas. Both the Central and State Governments and the Congress have recognised and are actively promoting the role of co-operation in all schemes of national welfare.

The progress made by the movement in the Madras State during recent years has been phenomenal. It has percolated into practically every sphere of activity in the economic life of the people. Co-operatives have fostered the production of foodgrains and subsidiary foods like milk, egg, fish, fruit and vegetables. In the procurement and distribution of foodgrains, in

JULY 8, 1950

Joint Consultation in the Workshop

MAY SMOOTHEN EMPLOYER-EMPLOYEE RELATIONSHIP

BY RAY BOYFIELD,

Secretary, Britain's Trades Union Congress

An aspect of industrial relations on which trade unions in Britain are increasing their attention is the establishment of joint consultative machinery between management and employees in each place of work. All political parties and the central employers organisations have announced their sympathy with the extension of joint consultation from the national level to the individual workplace, while among trade unions the view that such machinery should be made compulsory by legislation has lost favour. There is now, therefore, no open controversy on the principle, and industry is able to concentrate attention on the methods, practice and scope of joint consultation.

Local Initiative Best

In their desire to increase productivity the Government has encouraged discussion and research into human problems in industry. Development in the past three years has been uneven in different industries and slow throughout but it has been steady. The Trades Union Congress does not view consultation as a panacea for immediate problems but wants it to become a permanent feature of industrial relations. For this purpose foundations need to be carefully laid and this cannot be done without prolonged discussion by the rank and file members, together with the improved judgments which come through practical experiment. National organisations may advise, may draw up model constitutions and make suggestions on methods of working, but the very nature of the subject means that success can only come from within each place of work. Agreements reached nationally may smooth the way but are no substitute for local initiative.

In January 1947, the T.U.C. and the Employers Confederation urged their constituent bodies to establish joint committees where they did not already exist. The Minister of

Labour followed up with inquiries to each industry asking what steps they proposed to take to encourage the formation of committees. The Minister advised that "the foundation of successful consultation is willingness on the part of management to treat their employees collectively as an intelligent and responsible force able to contribute to the solution of problems which arise".

As far as the transport and fuel industries are concerned the various Acts by which they were placed under public ownership all obliged management to consult with unions on setting up machinery in each establishment for the consideration of measures affecting the safety, health and welfare of employees and for the discussion of other matters of mutual interest, including efficiency in the operation of the industries. Similar steps have now been taken within the nationalised hospital service. In the private sector of industry there is great variety in the type of consultative machinery adopted; some have formulated agreements and drawn up model constitutions, others have left the form of committee to be worked out at factory level to suit local circumstances.

In their earlier campaigns for the extension of political democracy—such as widening the franchise—unions adopted the aspirations of people outside their ranks. In more recent activities in the field of social democracy—towards equality of educational opportunity and social security—unions also received guidance from the thought of non-members. On industrial democracy, however, unions have to rely, and would wish to rely, on their own experience and collective intelligence.

Trade unionists aim to increase the width of union influence but with no sacrifice of independence. Consultation is wanted not in order to remove the "two sides" from

industry but to enable the two sides to live and work together with less friction and to more advantage. Unions are agreed that consultation should be regular and formalised through committees representative of management and of all grades of employees. There is, however, no unanimity as yet on the scope of consultation.

Promoting Mutual Confidence

Most committees provide for discussion of health and safety and for local interpretation of agreements on hours of work and arrangement of shifts and holidays. Most provide, too, for consideration of production matters and of suggestions to improve efficiency. The effectiveness with which these key questions are dealt with varies greatly. Management are not always willing to provide the information about present and future operations without which discussion must be stultified, while some workers' representatives are still troubled by a short-sighted fear of increasing profit or of "working themselves out of a job" by increasing efficiency.

Where committees have been functioning well for a number of years there is still hesitation on whether questions of discipline and personnel selection shall be tackled jointly. Resolutions may be carried at union conferences favouring a bigger share in the responsibilities of management but there is no real agreement yet about joint administration of works rules which may have been jointly made or on union participation in methods of choosing workers for promotion, for special training or for dismissal.

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Silk—The Queen of Textiles

URGENT NEED TO RE-VITALISE THE INDUSTRY

Silk is truly "The Queen of Textiles". For centuries it has been the aristocrat among fibres, and its lustre, fineness, and softness have led to the manufacture of a vast array of fabrics which have been popularly used as wearing apparel throughout the ages. It has its uses both in war and peace, and lends itself to the production of artistic designs which the other textile fibres cannot. Raw silk is an exceptionally light material, and silk cloth, because of its small bulk and high value, has been for centuries one of the principal products of trade between East and West. India has long supplied the Western World silk fabrics which used to be regarded as a coveted possession by persons of taste.

China and Japan

China is the classical land of sericulture, and since the Middle Ages silk fabrics were exported to southern and western Europe. Even today she is the second greatest silk-producing country of the world, Japan holding first place. The industry is centred in the densely populated area west and south of Shanghai and parts of the Szechwan basin in the delta region of the Si-Kiang, near Canton, and in the Shantung Peninsula. Tussock silk, the product of a caterpillar which lives on oak trees, is produced in the Shantung and Liautung Peninsulas, and true pongee is woven from this kind of silk.

In Japan sericulture is practised as far north as the island of Hokkaido. An interesting feature of the industry is that most of the silk is produced not on the fertile coastal plains but in the rugged mountain areas of central Honshu, where good agricultural land is scarce, and where population is so dense that it has to look about for means to supplement the meagre income derived from ordinary crops.

The continent of Asia today accounts for nearly 95 per cent. of all the silk in the world.

Silk is the product of a strange insect or caterpillar of a moth which spins itself a cocoon of silken threads at the time of its metamorphosis. The cocoon which the silkworm spins may contain anything from 300 to 600 yards of filament. The unwinding of the cocoons and the uniting of the filaments, from 3 to 10 or more of them, into one final thread of raw silk is called "reeling". In many regions particularly in China, the cocoons are reeled in the home since the process requires a considerable amount of patience, dexterity, and attention to detail which the family members can easily provide. In some silk producing centres this process takes place in small establishments provided with mechanical power commonly referred to as *filatures*. The product of the filatures is the so-called raw silk.

India

Out of the four species of silkworms namely, *mulberry*, *eri*, *tasar* and *muga*, found in India, the first mentioned alone is of commercial importance. This variety of mulberry-fed silkworms is indigenous to Madras State. There are, however, vast potentialities for developing *eri* worms also, which feed on castor which grows extensively in the State, provided remunerative markets could be found for the products. The silkworms reared in Madras are *Univoltine* in character and give 6 or 7 crops a year. In recent years, foreign varieties of silk-worms, which are *uni* and *bi-voltine* in character and indigenous to Japan, China, France etc. have also been imported and successfully reared for purposes of evolving hybrids, which thrive well in some local areas.

The industry, in all its branches, provides occupation at present for nearly 3 lakhs of people in West Bengal, and accounts for products worth about Rs. 1.85 crores. The

total quantity produced is about 4 lakhs pounds. In Madras State it supports 25 to 30 thousand families, and the annual production of about 1½ lakhs pounds fetches about Rs. 75 lakhs. Our country produces in all about 20 lakhs pounds of silk fabrics as against her requirements of 40 lakhs pounds. If the industry is to flourish, it is very necessary that it should be re-vitalised by the efforts of both Government and the people.

Industry in Doldrums

The recent meeting of the Central Silk Board at Calcutta has served to underline the perilous plight of the industry and the need that exists to put it on its feet again so that it may not only afford remunerative occupation to millions of our agriculturists who can take up sericulture as a subsidiary profession, but fetch the country valuable dollars by way of exports. The industry received a set-back when demand for parachutes from the Defence Forces died down after the war. In order to regain the lost ground and also to make further expansion, the Board may extend its assistance, both financial and technical, to the State Governments which are primarily responsible for the welfare of the industry and in a position to maintain close touch with the producing centres. In view of the fact that the Industry and Supply Minister is the ex officio chairman of the Board and that close contact should be maintained between the Central Government and the four main silk producing States of West Bengal, Mysore, Kashmir and Madras, the Headquarters must necessarily remain at Delhi.

The import of raw materials from abroad for the furtherance of the silk industry should be curtailed as far as possible if the indigenous industry is to thrive. As Mr. Hare Krishna Mahatab, Minister for Industry and Supply, pointed out in his address to the meeting of the Central Silk Board, "we have to apply all our knowledge of science

(Continued on page 556)

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Industry in Doldrums

The recent meeting of the Central Silk Board at Calcutta has served to underline the perilous plight of the industry and the need that exists to put it on its feet again so that it may not only afford remunerative occupation to millions of our agriculturists who can take up sericulture as a subsidiary profession, but fetch the country valuable dollars by way of exports. The industry received a set-back when demand for parachutes from the Defence Forces died down after the war. In order to regain the lost ground and also to make further expansion, the Board may extend its assistance, both financial and technical, to the State Governments which are primarily responsible for the welfare of the industry and in a position to maintain close touch with the producing centres. In view of the fact that the Industry and Supply Minister is the ex officio chairman of the Board and that close contact should be maintained between the Central Government and the four main silk producing States of West Bengal, Mysore, Kashmir and Madras, the Headquarters must necessarily remain at Delhi.

The import of raw materials from abroad for the furtherance of the silk industry should be curtailed as far as possible if the indigenous industry is to thrive. As Mr. Hari Krishna Mahatab, Minister for Industry and Supply, pointed out in his address to the meeting of the Central Silk Board, "we have to apply all our knowledge of science

(Continued on page 555)

loom and dye-houses in the district and names of weavers, master-weavers, dyers, etc.; study the human and technical resources of the district and take steps to improve their efficiency; study the actual requirements of yarn and other raw materials for the industry and arrange for supplies at fair prices, bring about standardisation of handloom fabrics and plan the quantity, quantity and timing of production for each weaving centre in the district so that production is adjusted to the demand; prescribe the marking or stamps to be affixed on the cloth produced on handlooms; help exhibitions and assist in the marketing of cloth and to attend to such measures as would enable the handloom industry to survive as a vital force in the economy of the country.

Committee's Suggestions

Co-ordination of the activities of the different departments of Government which deal with the industry and the formation of District Handloom Boards were suggested by the Committee for the healthy development of the industry.

On the subject of yarn supply to the handloom industry, the Committee expressed the view that a definite quota should be earmarked for the industry and endorsed the recommendations of the Standing Handloom Committee that 1,00,000 bales should be set apart for Handloom in the country and requested the Madras Government to move the Government of India to arrange for the supply of 25,168 bales of yarn. The Committee further suggested that 25,168 bales from the production of the South Indian mills might be retained for consumption in Madras State before any yarn was allowed to be exported outside.

Stating that the mills were at present spinning unwanted "counts" with a view to getting greater profits the Committee requested the Madras Government to move the Government of India (1) to adjust the production programme of spinning mills in the State, it need be, by suitable adjustment of prices of different counts of yarn, according

to the requirements of the handloom weavers in the State; (2) to instruct the Regional Production Directorate of the Government of India at Coimbatore to control and regulate the production programme of every spinning mill in Madras State for this purpose. The Committee felt that, in the interest of equitable yarn distribution at controlled rates, the mills should not be allowed to distribute any part of their production through their own nominees without first offering the same to State nominees. The Committee also recommended that the Government of India should not allow the installation of new powerlooms either in mills or in factories.

Reservation Scheme

Another resolution adopted by the Committee said: "The Committee is very strongly of the view that the reservation now made for the handloom industry is totally inadequate, being only 36 million yards of the total mill production of 4,000 million yards and recommends that the field of reservation for the handloom industry which is now producing 1,600 million yards should be extended appreciably by prohibiting mills and powerlooms from weaving cloth of particular widths."

The Union Government should be moved to publish details of production of cloth in mills and powerlooms intended for internal consumption. The Committee requested the Governments to issue instructions to all the consuming departments to purchase suitable handloom cloths, provided the price did not exceed the price of corresponding mill cloth by 20 per cent.

Mr. M. S. A. Majid suggested the following resolution for adoption by the Committee: "This Committee recommends to the Government to encourage the formation of joint-stock companies and other organisations consisting of weavers, master weavers, dealers and exporters and also others who are now outside the co-operative fold, by providing these companies all facilities and assistance which the Government are providing to weavers' co-operative societies." The Committee decided to refer this resolution to the Sub-

Committee on Marketing for considering the details.

(Contd. from page 557)

and all our technical resources to see that raw materials for the silk industry are produced in this country." "We provided Rs. 36 lakhs last year and we have also given 2 crores of rupees this year for the import of raw silk. Should we be proud of this thing?", asked the Minister. Instead of importing large quantities of raw materials it may be more advantageous for us to depute technicians abroad and train them in the art of silk production.

The extension of mulberry cultivation is important and urgent since the very existence of the industry depends on the economic production of mulberry leaves. Due to the scarcity of mulberry leaves, the Government factory at Kollegal had to be closed down early this year. The extension of non-mulberry silk production may also be encouraged in such areas where the industry will thrive well.

The members of the Silk Board at their recent meeting expressed the opinion that the present system of marketing of cocoons was unsatisfactory, and suggested that legislation for the purpose of establishing organised cocoon markets be enacted by the Central Government. These markets should be self-supporting and autonomous.

Price control of raw silk is very necessary for the growth of the industry. The establishment of organised cocoon markets, as the Board pointed out, would by itself bring about the regulation of the prices of cocoons to some extent.

The proposals of the Board for licensing of reeling establishments in the country and the bringing of the silk weaving industry also under the purview of the Central Silk Board may be implemented. The replacing of reeling charkas by filature type basins and the establishment of a Central Co-operative Silk Marketing Society with a view to do away with brokers will also go a long way in rehabilitating the industry.

—T.E.S.

The State and Industry

BUSINESS MEN DISCUSS ECONOMIC PROBLEMS

Business men, in the present juncture of our economic history, could do a lot to speed up the industrialisation of our country by exploiting our natural resources on which depend the future prosperity of the masses. But there are formidable difficulties in the way. Our industries are in an early stage of development and have to compete with powerful and well-equipped foreign industries. The industrial policy of the Government has not been finally clarified and broad principles of policy have not been laid down by which existing industries may be regulated without needless interference. The nationalisation threat as well as the provision under the Industries Control and Development Bill investing the Government with unfettered power to interfere in the day-to-day administration of the units are not calculated to inspire confidence among the business community. The various plans pursued by different States are haphazard, as was pointed out by Mr. A. M. M. Murugappa Chettiar in his Presidential address to the fortieth annual meeting of the Southern India Chamber of Commerce held at Madras last week. The Planning Commission should see that the new fiscal policy assisted the decentralised growth of industry so that South India gets a fair share. They would do well to examine realistically proposals for welfare and relate the economic capacity of the industries to the compulsory welfare measures.

Revise Tax System

The reason for the low level of post-war investment in industry, Mr. Chettiar stated, was due to high rates of direct taxation and the inability of the wealthier classes to save and invest. Another reason for the paucity of capital was the great shift in income to the labouring and agricultural classes. He referred to the Rural Banking Enquiry Committee appointed by Government to mobilise the

country's resources and hoped they would suggest measures to tap the surplus money which incidentally would also reduce the inflationary pressure.

Speaking on the subject of taxation, Mr. Chettiar pointed out that if the recommendations of the Income-tax Investigation Commission were to be implemented, especially on matters of taxing private companies, it would stifle the growth of private companies. What was needed was a scientific revision of the taxation system now prevalent with a view to promote the growth of industries.

Referring to the high cost of essential commodities that now prevail Mr. Chettiar said that one way of lowering them was by a co-ordinated and integrated plan for reduction of food prices all round and that would go a long way to reduce the price level and help the economy. The anti-inflationary programme to cut prices arbitrarily by 10 per cent. had been defeated by adversity.

Restore Competitive Economy

Calling controls as a "war-time legacy," he felt they had failed to achieve their objects and had in many cases proved superfluous. Every effort should be made to abolish controls in all spheres as speedily as possible and normal economic forces allowed to play their part. The aim must be to res-

tore competitive economy on which free enterprise had so far thriven.

Participation of the State in trading activities, the speaker pointed out, was neither desirable nor advantageous to the country. The uncertainties of State trade would be greatly reflected in the Budget and would bring in problems of their own which could be better avoided.

Referring to the recent Memorandum on the amendments to the Indian Companies Act, Mr. Chettiar said, it was yet another instance of shocks that were administered to private enterprise from time to time. The amendments would only result in crippling the managing agency system that had been responsible for the country's industrial growth.

Representation for Business

There is no separate constituency for business in the new Parliament and in the States' legislatures, and ways and means must be found for greater co-operation between Government and business. If the country is to benefit by the experience and guidance of the leaders of industry, Government must co-opt business men in all committees and bodies that are constituted in the economic sphere. Mr. V. S. Subramaniam, the new President, also urged that the business community should be given representation in the various Committees and Commissions the Government might set up to consider important economic questions.

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Vital Role of Co-operation

ITS PLACE IN CHANGING SOCIAL STRUCTURE

BY S. GORDON COLLIER

The place of the co-operative movement in the changing social structure of the world, which was in the minds of over 100 million members in some 40 countries on July 1—Co-operative Day—has been the principal theme of the 81st annual Co-operative Congress in Britain.

Throughout the Co-operative Congress it was clear that the movement views itself as a third force in the developing structure of United Kingdom commerce and industry, standing between—and hand-in-hand with—State-owned industry and private enterprise. While looking to the Labour Party for support in the political field, the Congress adopted by an overwhelming majority a report reaffirming its independence in trade and its right to be consulted by the Government before detailed decisions are reached on the reorganisation of such businesses as insurance, meat wholesaling, and sugar, or the future of bulk buying by the State.

A Potent Influence

Already, United Kingdom co-operators have played a part in persuading the Government to convert its scheme for the nationalisation of insurance into one of "mutualization", and they feel clearly, that they can make a similar contribution in other fields. This applies not only to Britain, but to overseas territories, like Malaya, where co-operatives are being successfully developed.

Measures to control the cost of living have come to the centre in United Kingdom affairs, and it is here that the Co-operative movement, by its very nature, claims to make a major contribution. One member, for instance, told the Congress that reduction of the costs of distribution was the most difficult task facing the Government in this field, and suggested that it was at this point that the movement should get its principles grafted on to the national economy.

However this may be, the Con-

gress has left no doubt of the vitality of the movement in Britain. It is now 106 years since 28 English pioneers, with a total of only £28 (Rs. 373) capital, opened their store in Rochdale, Lancashire, and founded a method of trading which accounts today for a world-wide turnover of over £2,000 millions (Rs. 2666.67 crores) a year. Robert Owen, in England, and Francois Fourier, in France, had worked out a basis for co-operative trading at about this time, and France later made great advances in agricultural co-operation. But it was in Britain that consumers' co-operation was first developed.

International Co-operation

Legally, one society could not be a member of another, and it was not until after the Industrial and Provident Societies Act of 1862 that retail co-operatives were followed by wholesale organisations. The first Co-operative wholesale Society depot was opened in Ireland in 1866 and, 10 years later, came the first in the United States (New York). Depots quickly followed in France (at Rouen in 1879) in Denmark (at Copenhagen in 1881), in Canada (at Montreal in 1894), and then in a long list of other countries.

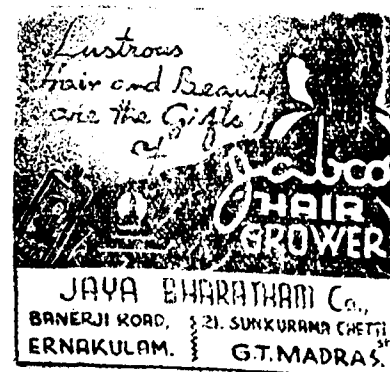
Before the century was out, a French member had suggested at a British Congress the formation of the International Co-operative Alliance which, by the outbreak of World War II, brought over 73,250,000 members in 28 countries together—mainly members of consumers' federations. If affiliated membership of the I. C. A. is included, the figures pass the 100,000,000 membership mark and cover some 40 nations.

The trading principles on which the movement was built—now so well known—were, a century ago, little less than revolutionary in Britain, where private enterprises were reaping the harvest of the Industrial Revolution. These principles were payment in cash; sales at current market prices, with return

of the net surplus as dividend on purchases; shareholding membership open to all on equal terms; one vote per member irrespective of capital held; low fixed interest on capital; provision for individual investment of dividends and savings and provision for withdrawal of shares at par above a minimum made transferable. These principles have been developed or modified in different ways in different countries since then. But in almost all co-operative organisations the central idea of distributing the profits in proportion to the trade of each member has been adopted.

Co-operative principles, as laid down by the early pioneers in Britain, stated that buying must be done without distinction of class, race or creed, and this theme was later translated into the constitution of the International Co-operative Alliance which "is not concerned either with politics or religion—it considers co-operation as a natural ground on which persons of the most varied opinions and different beliefs can act in common."

Trade naturally tends to be done among co-operatives themselves, but the principle has been kept alive by United Kingdom retail co-operatives, which buy about one-third of their supplies from non-co-operative wholesalers, and by co-operative importers who buy about one-third of their needs abroad from both private and co-operative organisations.



Handloom Industry Development

The handloom industry is the largest single industry in the country next to agriculture, providing employment to over 2.4 millions and directly supporting over 10 millions of the population. Being a labour-using and capital-saving industry, its development will reduce unemployment and under-employment in our country which is rich in man power but deficient in capital. It helps to distribute purchasing power more widely than large scale industries, and, being a decentralised industry, it has also important military and tactical advantages.

Phenomenal Progress

The industry is concentrated mostly in Madras State. There are 5 lakhs of looms in this State, and at least 5 per cent of the population depends on the handlooms for its living. The prosperity of the textile mills and dyeing industry in the State depends largely on the welfare of the handloom industry. The handloom industry today employs more than four times the number directly engaged in all other organised industries in the State. The yearly consumption of yarn by the handlooms in Madras State was 59.41 million pounds between 1910 and 1921, 72.6 million pounds in 1931-34, 78.8 millions in 1934-35, 81.31 million pounds in 1941, and 86.40 million pounds in 1949.

The progress of mill and handloom industries in the last two decades is also impressive. Weaving mills in India produced 1,790 million yards in 1921-25, 3,340 million yards in 1934-35, and 4,350 million yards in 1944-45. The estimated handloom production was 1,260 million yards in 1924-25; 1,240 million yards in 1934-35, and 1,600 million yards in 1944-45. The net import of foreign cloth during these years was 1,770 million yards, 940 million yards, and 5 million yards respectively. The per capita consumption of cloth was 14.61 yards in 1924-25, and 15.1 yards in 1944-45, nearly a third of the average

per capita consumption of cloth in the world.

It would be clear from the above figures that while mill production in India had almost completely replaced imports from other countries, handloom production had kept pace with the increasing population in spite of the tremendous advance made in mill production. Since with the progressive improvement in the standard of living the consumption of cloth including handloom cloth is bound to go up, the future of the handloom industry is bright.

The handloom industry is of great importance to the economic health of the Madras State, but the present plight of the average weaver is most distressing. He has to tackle various problems relating to supply of raw materials, credit, adjustment of production to demand and marketing. He is confronted with the growing volume of cheaper mill and powerloom production. His efficiency is low and he is still sticking to his throw-shuttle loom weaving only 4 yards a day while the fly-shuttle loom could weave 7 yards a day.

Plight of Weavers

The condition of the weaver today, as Mr M. S. Sivaraman, Director of Controlled Commodities and Chairman of the Madras Handloom Committee, pointed out at the inaugural meeting of the Committee at Madras last Friday, is worse than that of the agriculturist. He had to cater to the demand which was largely seasonal in character and therefore he had to depend on others with greater financial resources to purchase and stock his production. Though he is among the finest artisans in the world, he is in perpetual indebtedness with no hope of economic freedom. Though co-operative organisations offer a solution to his difficulties and Government has offered him liberal concessions with a view to induce him to join the co-operative fold, over 70 per cent of the weavers have not so far been attracted by them.

A note circulated to the members

of the Committee pointed out that marketing is the most vital thing in the development of the handloom industry, and to organise marketing successfully the handloom fabrics require to be standardised. The Fact-finding Committee on Handloom and mills have also rightly emphasised the need for standardisation. In the Madras State, the Provincial Handloom Weavers Co-operative Society controls nearly a third of the total looms, but its efforts to standardise production have not been entirely successful. In any attempt at standardisation, the weaver should have complete choice as regards the design but, as the note referred to above points out, there should be strict adherence to given specifications, like ends, picks, length and width of fabrics and a guarantee in respect of colours. Standardisation can be brought about in the long run by the weavers themselves if they realise that they only stand to gain in the shape of increased wages, better prices and assured marketing. Standard goods will fetch good prices in the market; if the specifications are guaranteed by a responsible organisation which will affix stamps after proper check. A good deal of propaganda, coupled with immediate realisation of extra benefits will induce weavers to conform to specifications.

Standing Handloom Boards

The suggestion put forth at the Conference for setting up a Standing Handloom Board in every important weaving district consisting of representatives of weavers, master-weavers, weavers' organisations, weavers' primary co-operative societies, handloom cloth merchants, consumers and others interested in the business, besides Government officials, is timely and may be implemented forthwith. The Board might study local problems of handloom industry, devise ways and means to solve them and advise the State Handloom Committee; maintain correct particulars of hand-

Our Plantation Page

(From our Correspondent)

The Colombo report that the Indian Rubber imported to that market and resold from there is at least 15 years behind its time and the idea that Ceylon can make foreign exchange at the expense of Indian rubber will naturally be opposed here. The last time that Indian rubber has been sold from Colombo market was in 1938. Since then, both owing to the war and the internal development of a large manufacturing industry, more than the Indian output of rubber was required within the country, and now we are no less than 4,000 tons short of our full requirements to meet which we have been importing even from Ceylon. This recent export of rubber from India was the result of queer manure within the country and the shortage is now being actually felt. Although the rubber Board's statement for May end gives stock figures as over 5,000 tons it seems to be more an accumulation of errors over several years than existing physical stock. Enquiries at Kottayam establishes the fact that no rubber is available and the manufacturers are finding a tight market. Under such circumstances, whatever be the world market it is unlikely that India can offer any and much less for the augmentation of dollar-earning for Ceylon!

Pepper Prices

The decision of the Government of India to revise the basis of export duty assessment on pepper has come as a shock to the West Coast market and to many it is surprising that a Commerce Ministry spokesman should have denied the press reports concerning such an imposition only 3 weeks ago. The spokesman had said that the Government was not thinking of revising the duty and that the enquiry that was made was a written affair of the Director of Commercial Intelligence and Statistics. In that case, the Director of Commercial Intelligence and Statistics must have discovered that the average prevailing price was about

3 times that of the tariff value fixed by the Government in November last. It would seem that the Government in revising the basis of assessment, has relied on the figure given by the departmental enquiry the facts of which were available to it even when the last duty was enhanced. At that time objection was raised against using the invoice value as the basis for assessment, and the validity of that argument was fully accepted by the Government. Now, to have gone back to it shows that there has been a radical change in policy unless, of course, it means that the Government has been off-handed in its levy of this duty. However, the effect of it on the pepper market has been that there was complete suspension of trade for several days and the subsequent pick-up has been largely due to persistent bullish activities of a small speculative group, and not due to any improvement in trading conditions.

Speculation in Cashewnut

India produced during the first half of 1950 approximately 5,00,000 cases of cashew kernels and

Cochin, June 29.

exported about 3,00,000 of it, and the remainder 2,00,000 cases have already been committed. The prices have been moving up, the highest to reach being 37.25 cents per lb. C & F. New York basis, but, since then, there has been a fall to 34 cents last Friday. The reason given for such a fall, when the market should have been rising, is that there has been the usual state of speculation by powerful processors who have also backed up the price of imported raw nuts. Quilon at the moment holds one of the largest cashewnut stocks in recent years and the entire processing of it will have to be completed within the next six months or even earlier unless a part of it is to be carried over into the weak consuming months next summer.

Last year, India exported 8,51,027 cases of cashew kernels, a record, and this year the export might be nearer 10,00,000, and production in Travancore alone might be nearer 12,00,000 cases. The price of raw nut is quoted at Bombay at Rs. 450 per ton, and about 12,000 tons of it are being expected at Cochin during the course of the next month.



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Business Brevities

Production Targets Increased

The large-scale importation of machinery into India during the past three years in addition to replacing worn out equipment, has enabled production targets for 1950 to be increased from 3 to 67 per cent. The estimated production of steel is up by 12 per cent, sulphuric acid 67 per cent, paper 18 per cent, and coal 3 per cent. Imports of capital goods prior to 1939 averaged about 13 per cent of total annual imports. During 1949, imports of capital goods accounted for 15 per cent. In terms of rupee value, imports in 1949 increased 535 per cent over those in 1939. The annual rate of imports of capital goods during 1947-49 was not exceeded in any pre-war year, even taking into account the depreciated value of the rupee.

The "Jawacar"

The prototype of a new kind of automobile was recently finished in Czechoslovakia. This prototype is the smallest Czechoslovak motor car. It has comfortable seating room for three persons, including the driver. The seats are so arranged that the driver sits in the middle while on either side, somewhat to the rear, sit his two passengers. There is still room behind them for luggage. This motor car is called the "JAWACAR"; it has a motor-cycle Ogar 350 twin cylinder two-stroke motor and has four speeds. The motor is installed in the rear and is cooled by means of an air turbine. During its trials the car reached a maximum speed of almost 50 miles an hour, fully loaded, on a consumption of four to five litres of petrol (i.e. about 62 miles per gallon). The body of the "JAWACAR" looks exactly the same whether seen from the front or from the rear. The doors on either side are also quite similar.

Swamp Reclamation in Madras

July 4 will mark the completion of the first step in a significant project aimed at reclaiming a large

area of swamp land 15 miles south of Madras. Karl O. Kohler, regional engineer for the U. S. Soil Conservation Service, completed a general plan for the development of 3,400 acres in the Pallikarai Swamp area. This large tract was assigned to Amalgamation Ltd., for use in a housing and grow-more-food project for the firm's employees.

The work directed by Kohler included a geological survey, soil analysis, underground water investigation, mapping and general design. The land is made unusable at present because of salt water backing up through the Buckingham Canal and flood waters coming on to the land from the adjoining catchment areas. Special interest is attached to the study since similar swamp reclamation conditions exist in other coastal areas of India.

Co-operation in Madras State

The co-operative movement in the State of Madras for the year 1948-49 continued to make satisfactory progress. On June 30, 1949 there were 20,756 societies under the administrative control of the Co-operative Department with a membership of 28,81 lakhs and a working capital of Rs. 7,10,45 lakhs as against 18,656 societies with a membership of 25.3 lakhs and a working capital of Rs. 5,66,43 lakhs on June 30, 1948.

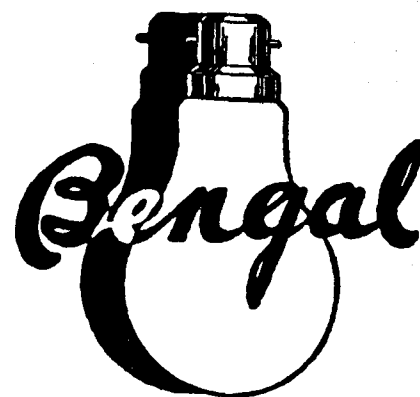
The credit structure is still the backbone of the movement and has helped to finance procurement operations on a large scale with success besides fulfilling its normal function of financing agricultural operations. The Madras Provincial Co-operative Bank disbursed loans and cash credits to the District Central Banks to the extent of Rs. 784 lakhs as against Rs. 435 lakhs in the previous year. The District Central Banks in their turn issued loans to the tune of Rs. 4,743,64 lakhs to their affiliated societies as against the disbursement of Rs. 3,314,47 lakhs last year. Out of this amount Agricultural Credit Societies and Marketing Societies absorbed only Rs. 944 lakhs as

against a little over Rs. 800 lakhs during the previous year.

Steady progress in the non-credit activities of the movement has also been maintained. The Milk Supply Societies and Unions supplied to the consumers milk and milk products to the value of Rs. 91.86 lakhs during the year as against Rs. 24.1 lakhs during the previous year. In spite of the policy of consolidation that was followed in respect of the stores movement the number of stores increased from 1,741 to 1,764 and the total purchases amounted to Rs. 21.99 crores as against Rs. 18.63 crores in the previous year.

There was an increase in the number of Weavers' Societies from 893 at the beginning of the year to 953 at the end of the year. The number of looms within their fold increased from 1,33,199 to 1,34,935 and their membership from 1,32,968 to 1,54,815. The number and business of cottage industries societies increased during the year. On June 30 1949 there were 235 such societies with a membership of 237.6. Co-operative Housing also made considerable progress. There were 247 Housing Societies of various types at the end of the year of which 58 were registered during the year. 39 Houses were completed by these societies during the year.

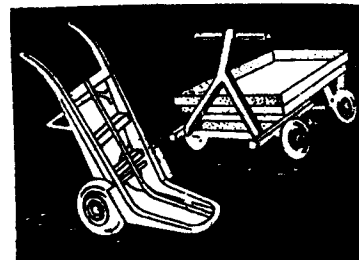
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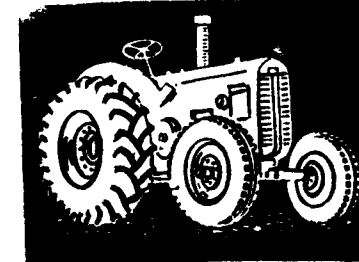
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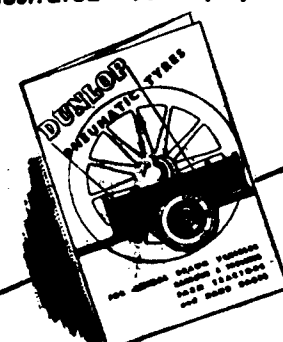


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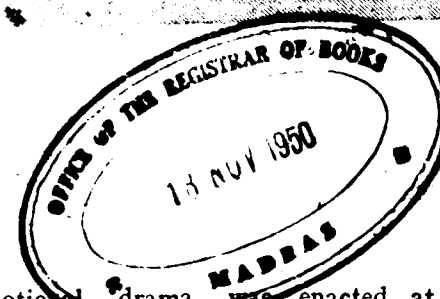
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Business Week
India

JULY 15, 1950



An emotional drama was enacted at Government House in New Delhi on January '8, when Chakravarti Rajagopalachari bade farewell to friends gathered there on vacating the Viceregal *gadi*. Tears flowed from the eyes of many who had gathered to see him off. Touching scenes were witnessed when the staff who had worked under him bade him farewell. To the sweeper, the chaprasi, the body-guard and others Rajaji gave a smile and bade good bye.

Rajaji, who retired from the political field only a few months ago, accepting a pension like any other retired Government servant has now happily staged a come back. On the 15th instant, he assumed the office of Minister Without Portfolio, thereby placing once again his practical wisdom, statesmanship and experience of a life-time in various walks of life at the disposal of the nation.

C. R.'s appointment will be specially welcome to financial circles, for his *perchant* for finance is well known. He is full of practical wisdom. He is not set in his ways, has a fertile brain, and is full of suggestions. He is a busy man, and he has a great deal to do, and also a great deal to do for the country. He is a man to rely on, and he is the father of the new tax in India.

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"	56"	62	225	11,900	Rs. 186
"	48"	53	240	9,050	Rs. 178
"	36"	50	315	6,660	Rs. 136

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Type	Sweep in inches	Watts at full speed	R.P.M.	Air delivery in cft per minute	Price F.O.R. Destination
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"	56"	40	240	12,150	Rs. 185
"	48"	35	270	10,880	Rs. 170
"	36"	27	375	7,840	Rs. 138

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Manufactured by The Engineering Works of India Limited, 96, Chowringhee Square, Calcutta.

BENGAL LAMPS

1. Vacuum Lamps

Watt.	Caps	Clear Rs. As. Ps.	Inside frosted Rs. As. Ps.	Daylight Rs. As. Ps.	Natural Colour Rs. As. Ps.
5	SC/BC	16 8 0	...	...	24 12 0
10	"	15 12 0	...	...	23 10 0
15	"	13 2 0	18 14 0	17 7 0	19 11 0
20	"	13 2 0	13 14 0	17 7 0	19 11 0
25	"	18 2 0	13 14 0	17 7 0	19 11 0
30	"	18 2 0	13 14 0	17 7 0	19 11 0
40	"	14 04 0	15 0 0	18 15 0	21 6 0

2. Gas-filled Lamps

Watt.	Caps	Clear Rs. As. Ps.	Inside frosted Rs. As. Ps.	Daylight Rs. As. Ps.	Natural Colour Rs. As. Ps.
40	SC/BC	15 12 0	16 8 0	21 0 0	23 10 0
60	"	16 11 0	17 7 0	22 5 0	...
75	"	19 14 0	20 10 0	26 7 0	...
100	"	23 13 0	24 9 0	31 11 0	...
150	"	39 12 0	...	55 0 0	...
200	"	60 0 0	...	80 0 0	...
300	G.S.C.	73 12 0	...	...	...

MAKERS: The Bengal Electric Lamp Works Ltd., Calcutta.
VOLTS: 110; 220/230, 240/250.
FINISH: Metal-Filament Drop Shape.

ELECTRIC FANS

	SWEEP	WATTS AT F. SPEED	R.P.M.	AIR DISP. Cu. ft. p.m.	PRICE WITH REGULATOR EACH
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	56"	52	250	12,150	Rs. 192/8/-
	60"	55	220	13,500	Rs. 210/-
	72"	68	190	16,000	Rs. 238/-
2 ANAND All-Electrical Sheet Stampings De Luxe A.C. 220/250 Volts, single phase, 50 cycles, Non-Capacitor Type.	36"	52	330	6,800	Rs. 17/-
	48"	48	240	9,200	Rs. 135/-
	56"	66	220	12,200	Rs. 174/-
	60"	70	215	13,500	Rs. 188/-
	72"	75	168	16,000	Rs. 206/-
3 LUCKY A.C. 220/250 Volts, single phase, 50 cycles, Non-Capacitor Type.	36"	58	330	6,660	Rs. 230/-
	48"	63	240	8,550	Rs. 19/-
	56"	72	230	11,860	Rs. 125/-
	60"	75	220	11,900	Rs. 163/-
4 AZAD D.C. 220/230 Volts.	36"	27	350	7,500	Rs. 173/-
	48"	32	260	9,500	Rs. 184/-
	56"	40	280	12,600	Rs. 19/-
	60"	43	228	13,905	Rs. 138/-
	65"	60	145	21,000	Rs. 170/-

*The above prices, inclusive of one foot down rod and regulator are F.O.R. Madras and are subject to alteration without notice.

Rates for "Raja" Toilet Products

"RAJA" Snow—Rs. 162-0-0 per Gross, Case of Two Gross, less 12½ per cent & 5 per cent. Rs. 239-5-3 per Case of Two Gross nett.

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"RAJA" Hair Fixer, Large—Rs. 162-0-0 per Gross, Case of one Gross, less 12½ per cent & 5 per cent. Rs. 134-10-8 per Case of one Gross nett.

"RAJA" Hair Fixer Medium—Rs. 126-0-0 per Gross, Case of One Gross, less 12½ per cent & 5 per cent. Rs. 104-11-9 per Case of One Gross nett.

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"RAJA" Agarbathi—Rs. 72-0-0 per Gross Packets of 2 Tolas each, less 12½ per cent & 5 per cent. Rs. 119-11-3 per Case of Two Gross, packets nett.

"RAJA" Face Powder—Rs. 144-0-0 per Gross, Case of One Gross, less 12½ per cent & 5 per cent. Rs. 119-11-3 per Case of One Gross nett.

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No. 31

NOTES AND COMMENTS

Leather Exports to U. K.

The prices of tanned hides and skins have been declining seriously for the past two months, and this has resulted in a big loss to many exporters. Tanners in India have gathered stocks believing that the scheduled price fixed by the British Board of Trade for hides and skins imported from India is the accepted purchase price of hides and skins. But it is now learnt that the scheduled price is also the maximum price.

The Indian Leather Federation, Melvisharam, has telegraphically requested the Ministry of Commerce, Government of India, immediately to take up the matter of the reduction of the purchase price by London merchants of tanned hides and skins imported from India, with the British Board of Trade. The Federation requests the Government of India to take steps to call a halt to the daily decreases in the prices offered by London merchants. This fall in price threatens to send out of the export business several Indian exporters and may affect India's leather export trade.

The Ministry of Commerce should have talks with the British Board of Trade in this regard for future assurance at least. The interests of our exporters and tanners should by no means be jeopardised by the pursuit of unwise price policies or unfair trade practices. The export of tanned hides and skins from India is fifth in importance of All India exports, and 95 per cent of these are from Madras where there are about 500 tanneries. Any grie-

vance of exporters therefore deserves immediate and prompt consideration by the authorities.

More Coal for Steel Industry

There are several reasons why India's good quality coking coal should in future be diverted for producing steel and not, as at present, burnt away by railway locomotives. Addressing a meeting of the World Power Conference at London, Dr. J. W. Whitaker, Director of the Indian Fuel Research Institute, said that India's steel industry would in future consume about 3 to 4 million tons of coking coal a year. This would meet the requirements of the two new steelworks. Coking coal had hitherto been used to raise steam; but the changeover will be welcome and in the country's true interests.

For the time being the railways, which had been consuming 10 million tons a year, would largely, if not entirely, use non-coking coal. At a later date, with the development of hydro-electric power, more of the tracks would be electrified, and definite fuel economy effected with increased all-round efficiency and cleanliness. Efforts by the Indian railways to increase fuel efficiency, Mr Whitaker pointed out, might result in cutting their fuel consumption by half—a saving of Rs. 7 to 8 crores a year. Another point emphasized by the speaker was that if only clean coal is transported, the cost of coal to the consumer might be considerably reduced, and the washeries now proposed to be established will be of much help in this direction.

Changing Food Habits

"Rice and curry" is the basis of the diet of the majority of people in South India. The "curry" usually consists of a side dish prepared with vegetables as a sauce containing small quantities of chillies, turmeric, and other spices. Boiled rice served with vegetable curry, a little buttermilk, and pickles and flavourings to relieve the monotony of the diet constitute the menu of the average South Indian. A few *atta-made chappathis* as the solid dish supplemented by vegetable dishes make up the *menu* of the average vegetarian of North India.

Food Fashions Change

Our fashions in food have changed considerably with the progressive tightening up of controls over food-grains during the past several years. People who were not habituated to taking rice are now compelled to take it, and habitual rice-eaters are starved of the requisite quantity of rice and supplied wheat and other millets, the preparations of which sometimes create disorders in the stomach. It is most unfortunate that this point has not been understood by some of our leaders and authorities. Shri Rajagopalachari, ex-Governor General, in his broadcast to the people some time ago, expressed the view that the upper classes should "set the fashion for greater consumption of ragi, chulam, maize and millet," and added, "like jail-going, hobnobbing with outcastes, spinning and wearing Gandhi caps, millet-food must be made a patriotic high class fashion."

The latest convert to this theory of changing our food fashions is our Food Minister himself, Mr. Munshi. Mr. Munshi, during his visit to our State last week, urged upon the people to change their food habits altogether in view of the national emergency. Here are his significant words: "Before December 31, 1951, our food habits must be changed....Those who eat fish and meat should substitute

vegetables for cereals....It is all a question of changing the national habit."

Baneful Consequences

The result of such kind of propaganda and the wide publicity to the food problem by the authorities through press, platform and radio have only been that people have begun to give up their usual food, take to whatever the authorities choose to give them, and get accustomed to strange ways of food preparation and eating which may be difficult to be got over even when normal conditions return. Since the majority of our people still do not know the nutritional value of different foods or the value of a balanced diet, but simply fill up their stomachs, wolfing down whatever they could grab at, it may safely be said that our people do not know what to eat and how to eat! Since protein foods like dal, meat, eggs, etc. which are body-builders and commonly known as dynamic foods, are generally not taken due to scarcity and high prices, and since even the food already taken is hardly planned and of low nutritional value, the way has been prepared for the incidence in the near future of malnutrition and deficiency diseases in epidemic form. To be forewarned is to be forearmed.

No one can yet say, in the total absence of reliable statistics, whether there is a food deficit in the country, and if so, the extent of that deficit. Mr. Munshi himself confessed this in one of his addresses at Madras last week. But taking for granted that there is a deficit of about 10 per cent., is it wise for Government to conduct alarmistic propaganda and ask people to adopt austerity measures, apparently in the hope that their sermons will enthrall the people to produce more foodgrains and put more land under the plough? In point of fact, only negative results have been produced so far. One unfortunate consequence of this unsparing and unimaginative use of the

propaganda machinery of the Government has been that black-marketeers have found this to be precisely the time to strike hard bargains. Since the semi-starved consumer finds his weekly rations inadequate and is told that there is no hope of his getting more, he is left with no other alternative than that of resorting to the blackmarket, with some justification perhaps since hunger has to be satisfied somehow and at any cost; fine words butter no parsnip! This is an open secret and the talk of the market place; and the authorities have just to connive at it.

Vegetables to the Rescue

Mr. Munshi's appeal last week to grow all sorts of vegetables to tide over the crisis is indeed timely. The growing of vegetables and fruits in our house-yards will make up for the shortage in calories and protection foods to a great extent. Vegetable growing is indeed the need of the hour, and it is a pleasant job as well. Certain categories can be easily produced without expense, and our resources should be directed to bring about the maximum overall production. Town-dwellers no less than village folk can assist if a concerted drive is made by the authorities by inaugurating a *Vegetable Week*.

Kitchen gardening, which was a feature of life in the villages in olden days, should be encouraged along with domestic dehydration of food and its storage for rainy days, which has been a thriving cottage industry since olden days. The possibility of stepping up the production of greens, roots, tubers, fruits, honey, poultry fish and the like should be fully explored. Our efforts, in short, during the present emergency, should be to grow such things as can be immediately grown and without much expense.

Labour, even the most humble and the most obscure, if it is well done, tends to beautify and embellish the world.

—Gabrielle D'Annunzio.

Taxation Anomalies

The Income-Tax Investigation Commission, appointed by the Government of India in 1948, for the purpose of suggesting amendments to the Income-Tax Act and for investigating cases of evasion, has been hearing and disposing of cases since July, 1949. To the end of January 1950, the Commission disposed of 116 cases, including 83 on the basis of settlement with the assessee. The concealed income detected in these cases was about Rs. 3.31 crores and the tax to be levied thereon was estimated at about Rs. 2.25 crores. Assessment and recovery proceedings in these cases are still going on.

On April 1, 1949, there were nearly 341,000 assessment cases outstanding. The special drive for clearance of arrears of assessments and expediting collection of taxes enabled the Commission to clear away 175,000 cases by the end of December, 1949. The undisclosed income uncovered as on May 26, 1950, amounted to about Rs. 7 crores. The Commission has also been able to collect vital material for disposal of several other important cases.

Top-heavy Structure

The usefulness of this commission has been questioned several times by responsible public bodies in view of the tardiness of its proceedings and its cumbersome and harassing tactics. Judging by results, it has not even touched the fringe of the problem, and has not achieved the object for which it was formed. The response from those who voluntarily came forward to render accounts of undisclosed income has been slight, and has considerably slackened of late since the term of the Commission is to expire after a few months. In spite of the concessions granted by way of lighter penalties and payment in easy instalments the cases of those who had made voluntary "confession" have been remarkably few.

The work of the Income-Tax Investigation Commission has also to be judged with reference to the framework of Indian economy at

present. In our country, out of a population of about 24,30,00,000 Income-Tax assesses number only about 6,00,000, i.e. just $\frac{1}{4}$ per cent! 99 $\frac{3}{4}$ per cent of the people, it has been computed, do not pay any tax at all! In the United Kingdom 44 per cent of the people pay Income-Tax, in U. S. A. 37 per cent., in Australia 34 per cent., and in Canada 20 per cent. Though only $\frac{1}{4}$ per cent of the population pay Income-tax, the tax comes normally to about 45 per cent. of the tax revenue of the Government! And income from this source is being augmented from year to year to meet the ever increasing expenditure of the Government.

No Index of Prosperity

The actual income-tax receipts during 1949-50 are reported to have amounted to Rs. 114.26 crores against the original and revised estimates of Rs. 104.04 crores and Rs. 100.06 crores respectively, exclusive of the shares of the States which amounted to Rs. 45.74 crores. The increased realisation is claimed to be the direct result of the drive to stimulate the assessment work in spite of the lack of trained and efficient staff.

This 10 per cent. increase in the actual net receipts under income-tax over the original estimates for the year cannot, by any means, be regarded as an indication of betterment of the economic situation in the country, or of the broadening of business activity. The increased collections can only be due to income-tax officers putting targets for collection and compelling assesses to pay heavy taxes without due regard to their requirements of finance for expanding their businesses by ploughing back part of the profits into the concerns concerned.

The difficulties experienced by assesses under legal provisions and their interpretation and administration were discussed in Bombay this week by Mr. K. Govindan Nair, Income-Tax

Member of the Central Board of Revenue and the Income-Tax Sub-Committee, with the committee of the Indian Merchants' Chamber. The outstanding questions relating to taxation discussed were difficulties caused by the requirement in Section 23-A of the Indian Income-Tax Act regarding compulsory distribution of not less than 60 per cent of the income by private limited companies; the difficulties resulting from assessing Indian residents to tax on the assumed income deemed to have been made by non-residents here in export and import transactions carried with such residents; hardships involved by the present position of taxation of foreign income and the consequent difficulties in repatriating Indian earnings abroad; extension of the recent relief granted by a decision of the Supreme Court for allowance of municipal property tax and urban immovable property tax as items of expenditure to pending transactions and completed assessments to a certain extent; tax relief in respect of preliminary expenditure incurred by factory undertakings in the years of construction and formation; arrangements for provision of double taxation relief between India and Burma; allowance of payments of gratuity to staff as an item of expenditure for purposes of taxation; refund of E. P. T. deposits and abolition of the system of advance payment of taxes and treating a proportion of the dividend income from agricultural companies as income from business.

Reduce the Burden

These grievances of the assesses are genuine and require immediate redressal. But more important than this is the reform of the tax structure itself. There is certainly a case for reduction of taxes all round, benefiting both the richer and the middle classes. The policy of 'soaking the rich' by taxation is wrong in principle and

(Contd. on page 570)

value of the shares subscribed for mostly by middle classes. The Association at Bombay is compelled to lavish money on advertisements to support their case and to carry conviction in the minds of the people as to the advantages of vegetable ghee.

Production in many units at present is uneconomic. The Government have accepted the formula of adjusting vanaspati prices every month on the basis of the cost of oil in the previous two months subject to a minimum variation of Rs. 70 per ton, but this acceptance is hedged with various restrictive conditions which do not benefit consumers. The Palanpur Vegetable Products, a new entrant to the field of vanaspati, incurred a loss of Rs. 3,09,019 without providing for depreciation during 1949. Producers still complain that trained labour is difficult to obtain, that raw materials are scarce, and the selling prices fixed by Government unremunerative.

The present position, they point out, is anomalous. The arbitrary control of vanaspati prices imposed by Government without a corresponding control on groundnut seeds and oil which form 80 per cent. of the cost of vanaspati, and the fixation of prices irrespective of the price of raw materials and the number of shifts in factories, are still working havoc on the industry. Groundnut seeds and oil prices are still abnormally high. The price upto April end was anything upto Rs. 250 per ton more than the basic oil price fixed by Government in costing vanaspati prices. How the new formula of adjusting vanaspati prices in terms of the cost of oil is going to work remains to be seen.

Way Out of Deadlock

A way out of the present stalemate may be found if some of the suggestions given by Mr. Munshi at Madras last week are implemented by the manufacturers. "I am quite willing to help the industry provided it is not identified with ghee. The condition is that you must put the industry above reproach". The Minister added that Vanaspati should have a distinctive colour and

smell so that the consumer might not mistake it for ghee. Only then, he said, the industry could earn public confidence.

This view, we hold, is quite correct. Though the available quantity of real ghee in the country is very much less than our demand, there is a wide-spread feeling that ghee is a sacred product, and hence no one should be allowed to tinker with it. Ghee merchants should be strictly prohibited to adulterate ghee with vanaspati, and the manufacturers of the latter should by all means be prevented from dumping on the market a stuff even remotely resembling ghee. If colorization can achieve this without harmful effects to the consumer's well and good.

If the vanaspati manufacturers are prepared to sell their goods on the strength of their being purely vegetable products without any possibility whatsoever of even an unwary purchaser being deceived into accepting it as ghee, there is a case for the existence of the industry. Production may be regulated to meet internal requirements at cheap and competitive prices so as to be within the reach of the middle classes, and in such manner that it does not compete with ghee. This arrangement may continue for the time being. If scientific opinion crystallises against the use of this product, production may be diverted for exports, for which there is still a good market abroad. Even at present, manufacturers are well

advised to build up a good export market to safeguard their future.

(Contd. from page 567)

would be of no advantage to the country whatsoever as it is, odd as it may seem, undemocratic and is not calculated to encourage the growth of enterprise. The present taxes are on the high side, and are justified perhaps in view of the difficulties of the Government which compel them to have larger funds at their disposal. But a policy of lighter taxation on industries and a liberal policy towards investors is also justified if the desired object of industrial progress is to be achieved within a reasonable time.

Tax reliefs to the harassed middle classes are also all the more urgent since the much-advertised relief to the middle class people has proved a myth. The relief in tax granted by the last Budget of the Central Government has gone mostly to those whose incomes exceed Rs. 10,000, while the real middle class who clamour for relief in these hard days is those whose income ranges from Rs. 3,000 and above. Much hope is now entertained in the matter of savings for investment purposes from the middle classes, but the chances are remote indeed in the present look of things, this particular class being harassed and exploited in a thousand ways almost to the point of extinction.

India Needs Firm Oil Policy

The importance of petroleum to national defence as well as to industrial progress has been keenly demonstrated in the two World Wars, and the advantage the victors had in petroleum supplies was an important factor in determining the outcome of that struggle. Soon after the entry of the United States into World War I, President Wilson sought and obtained the active co-operation of the petroleum companies. In England, Ambassador Page, announcing this co-operation, is reported to have said that "Standard Oil, by order of the President, was harnessed to the victorious chariot of the Allies", and later on, when the Armistice was signed, Lord Curzon exclaimed that "the Allies floated to victory on a sea of oil".

Post-war Oil Hunt

Leading statesmen of the world have recognized the high place which petroleum holds in modern industrial activities, and the economic significance of the great variety of products which are made from it, such as gasoline, kerosene, fuel oils, lubricating oils, greases, asphalt, and coke. Petroleum, as well as coal, now furnishes the raw material for a growing chemical industry, the products of which enters into numerous avenues of industry, such as paraffine, vaseline, medicinal oils, benzene, and dyestuffs. The world-wide recognition of the industrial significance of petroleum since the First World War led to a keen contest for concessions during the years immediately following, which developed into one of sharp international rivalry. During the past two decades even the remotest regions of the world have been ransacked in search for evidences of petroleum possibilities, and, at present, individuals or corporations have obtained exclusive rights to explore for oil in nearly all lands wherever potentialities are believed to exist.

India is dependent on other countries for her petroleum requirements.

The present supply from Digboi is insignificant, and production is confined mostly to gasoline, kerosene, furnace oil, cheap grade white oil and spindle oil. According to one estimate, we get only about 5/6 per cent. of our annual requirement of gasoline from this source. For diesel and lubricating oils we are entirely dependent on foreign sources for our supplies. We are using light diesel oil as fuel in millions of diesel engines, and our tractors, water service equipments, diesel-operated loco-engines, ships, boats, trucks and tanks would be rendered useless and reduced to scrap if the supply of diesel fuel is cut down. Most of our liquid fuel is also imported, and our steam plants are either provided with coal or liquid fuel furnaces. Some of the big mills in Bombay have also converted their furnaces from the use of coal to oil. The advantages of diesel engines and liquid oil furnaces for raising steam have led to their increased popularity in our country, but our dependence on foreign countries for oil has also proportionately increased.

India's Dependence

The greatest industrial significance of petroleum is its use as fuel and lubricant for automobiles, trucks, and airplanes. Our motor industry is expanding, and its progress and prosperity will undoubtedly usher in a host of other lines of activity reflecting the glow of prosperity, such as coal mining, steel manufacture, copper mining, and fabrication, and the manufacture of rubber tyres. But our dependence for oil on foreign interests will increase several-fold since we have no oil interest outside India, and our own oil is raised and refined through the good offices of friendly foreign concerns. If our motor cars and trucks are to ply on producer gas it is undoubted that our forests will be denuded within a remarkably short time, and it is doubtful whether our manufacturers can be induced to adapt the vehicles for such use.

All this points to the urgent need that exists at present for a firm oil policy. The question should be finally decided whether our merchant ships and navy should use coal or oil. Whether our coal resources are adequate enough for such use and justify the enormous saving on imported fuel oil is a question of paramount importance.

Ways of Lessening Dependence

Though the widespread use of diesel engines in our country proved to be of immense disadvantage to us when supplies of oil were restricted during the last World War, the time has come when a scheme should be formulated fixing the optimum number of engines we may use without involving any drain on our national wealth. Since, when our hydro-electric projects are completed many diesel sets will have to be necessarily replaced, the tackling of this problem is also of paramount importance.

Our dependence on foreign countries for gasoline is also great since we produce at present only a fraction of one per cent. To some extent it must be possible for us to do without foreign gasoline supplies by following the example of Germany which succeeded in making herself independent of foreign supplies to the extent of two-thirds of her peace-time requirements by the large-scale manufacture of synthetic oil, chiefly from lignite and by developing her small oilfields. We have the additional advantage of the capacity to produce power alcohol on a large scale from molasses which are largely wasted in our sugar factories. The large-scale use of power alcohol mixed with petrol, the manufacture of synthetic petrol in which we have already made some small beginning, supplemented by the small quantities of petrol available from Digboi must enable us to find out a way for self-sufficiency.

Our deficit in petroleum may be gradually minimised by refining unrefined crudes, which is a much

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No such deposit will be allowed to run beyond 30th September, 1950.

Business Brevities

Lignite Deposits In Madras

Exploitation of the 500,000,000 ton lignite (coal) potential in south Arcot district—hampered by underground rush of water at present—is expected to be carried on without interruption by the sinking of artesian wells in the area. With this object the Madras Government has given approval to a scheme of sinking 100 such wells there.

Increase In Salt Production

The Government of India have decided not to import any foreign salt from this month. This decision follows a recommendation of the Salt Advisory Committee and aims at encouraging production trends in the country. According to official estimates, India expects to attain self-sufficiency in salt by the end of this year—a year ahead of the target date of 1951.

New Uses for Wood

Dr. S. Kamesam, Expert Consultant to the Government of India on timber construction and preservation, has just returned after a study tour of Switzerland. He spent there four weeks investigating the use of wood in place of steel in that country. In a statement on his impressions, Dr. Kamesam said that he found in Switzerland wood utilisation more intensive, extensive and planned. He added, all the pole supports for electrical, telegraph and telephone conductors are of pressure preserved wood. All the goods wagons are also made of treated wood.

Book Production

In planning for education, the design of text-books should receive due thought and care. Most present-day text-books reflect poor taste and have little appeal for young minds. Scant attention is paid to the choice of paper and type, and to the correct grading of lessons and continuity. The pattern of text-books used in English schools, with their profuse illustrations, attractive colour schemes and smart get

up, offer a striking contrast and may be usefully employed in our schools, writes a correspondent. The Text-book Committees set up by universities should contain a representative of the printing trade in addition to members of the teaching profession.

Jap. Textile Exports

Japan's cotton cloth exports this year will exceed 1,000,000,000 yards and probably make Japan the world's leading cotton exporting nation, according to private forecasts by Japanese textile manufacturers. This is 175,000,000 yards above the estimate given to the Anglo-American Textile Mission in Japan a month ago, and based on the sustained advance of cotton exports for the first six months this year. Pakistan has ordered \$25,000,000 worth of cotton textiles for shipment in September or later this year.

Mixed Fertilisers

While the importance of the usage of ammonium sulphate as a fertiliser for the supply of nitrogen to plants is well known in India, that of using phosphatic fertilisers has not received the attention and importance that it deserves. This is due to the fact that quick and visible growth is seen when ammonium sulphate is applied to the plant unlike when super-phosphate is supplied to the plant, writes a correspondent.

While in all other countries about twice the quantity of phosphatic manure to that nitrogenous manure is consumed, in India only a very small percentage of phosphatic manure is used in agriculture. It is highly important that phosphatic fertilisers are popularised. The intention of the Government to supply phosphatic manure at subsidised rates is therefore extremely welcome. Phosphatic manures when supplied to plants will hasten the maturity of the crop, encourage root development, increase grains in cereals and strengthen the plants. At times it balances the harmful effects of

excessive nitrogen. A proper dosage for paddy cultivation will be 1 1/2 cwts. per acre. In U.K. and the Continent straight fertilisers are not sold to the farmer, but only mixed fertilisers are supplied. This ensures that the farmer gets a fertiliser containing all the plant-foods necessary for healthy growth. It is worthwhile copying this and encouraging sale and purchase of ready-mixed fertilisers containing nitrogen, phosphorus and, when necessary, potash.

(Contd. from page 575)

houses put up in New Delhi, this one looks very different, is more roomy, and there is no temperiness about it. The designer has put up one such house at the Commerce Minister's residence and two more in a Delhi hotel compound.

Mr. Heinz, who has spent many years in India, said that the idea of housing millions was a revolutionary concept but it could be executed without waiting for foreign materials and experts. By introducing some pleasing colour scheme, houses could be built for labourers without haggard buildings taking the place of the original slums.

Stone Slabs for Houses

While much is being said about prefabricated houses, it is to be wondered why red stone slabs have not been tried in building houses. Besides being weatherproof, these are strong and beautiful enough to be used in the construction of any type of building, writes a correspondent.

The slabs could be cut into the required sizes and made to slide into grooves in wooden or steel skeleton frames. A casual enquiry revealed that slabs are retailed at eight annas per square foot. A stall with an area of 64 square feet and a height of eight feet could thus be built for Rs. 350 to Rs. 400 inclusive of the cost of roofing, floor, doors and windows. In this way the Government could promote the use of indigenous materials.

Social Welfare Schemes

The social welfare activities in Britain and Switzerland—two of the world's foremost States in attainments in this field—were explained recently by two speakers who addressed the Constitution Club in New Delhi. Speaking about Britain, Mr. J. T. Hughes, Deputy Director of the British Information Service in New Delhi, explained that the ideal of social welfare legislation in Britain was to provide an assured standard of life to the individual from "the cradle to the grave." The welfare services were not to be regarded as charity, but as the natural benefits due to the citizens of a civilized State.

Britain, A "Welfare State"

Britain, which today was known as a "Welfare State," accomplished most of her comprehensive social welfare legislation during this century. The idea of social security got its first stimulation during World War I, and progressing through the inter-war years, attained its poignancy in World War II. It was, thus, that the famous Beveridge report came about in 1942, and found its consummation in the National Insurance Act of 1946. This Act ensured that no man, woman or child in Britain need remain destitute today.

Among the numerous legislative measures for social welfare were the Education Act of 1944, the Town and Country Planning Act and the National Health Service Act of 1946 which assured free clinical and hospital treatment to every Briton.

Britain had in existence an elaborate system of welfare for the industrial workers—financed by contributions from the employers, workers and the Government. Welfare standards in the industries, Mr. Hughes pointed out, were considerably higher than those prescribed by law. Side by side with these State sponsored welfare services, there were several voluntary organizations which were rendering valuable services.

Mr. Hughes said that he did not foresee any conflict between the State and private bodies rendering

the services. Indeed, there could always be a happy co-ordination between them.

Switzerland

In Switzerland the social welfare services were the charge of her 3,107 Communes and other voluntary bodies. Mr. G. E. Bucher, Secretary to the Swiss Legation in New Delhi, explained that decentralization being the very essence of the structure of the Swiss State, the Central Government was expected to do no more than to accord financial assistance to such activities. All the same, a Swiss citizen was elaborately looked after from the cradle to the grave with meticulous efficiency.

Almost all normal welfare needs of a Swiss citizen were provided for by the Commune. It had its hospitals, schools and orphanages; and would organize feeding and clothing of school children in need. Mr. Bucher pointed out that all these facilities were given not only to the citizens, but also to the foreigners residing within the territory of the Commune.

The Australian social welfare system ensures security of the citizen against want, ill-health, disability and ignorance, said Mr. H. R. Gollan, Australian High Commissioner, in a recent address at Delhi. The various amenities provided by the Federal Government, he said, included maternity allowances, child endowments, unemployment and sickness relief, pensions for widows, invalids and the old, free medical aid and funeral benefits. These were supplemented by facilities for free education in certain States, child welfare services and public health and cultural activities. Besides, there were private charitable endowments backed by Government subsidies. This mixed system wherein the Government and the citizens jointly played their part in ensuring social welfare suited the Australian temperament because it provided a certain amount of individual freedom.

Giving illustrations, Mr. Gollan said that a mother, rich or poor,

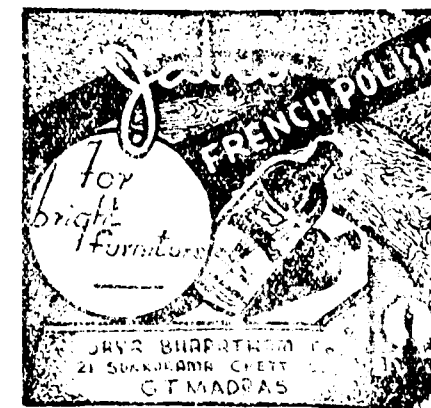
giving birth to a child was entitled to £15 toward expenses of pregnancy and confinement. If she had other children this sum was increased. A person having to support more than one child under 16, irrespective of status, became entitled to 10 s. a week per child till the age of 16.

Pension Scheme in Australia

Education for children between 6 and 16 was free and compulsory. For those living in remote areas correspondence courses were provided. Persons unemployed or sick received pensions according to the size of their families. A man with a wife and child, for instance, normally received Rs. 100 a month.

A person living in Australia for a continuous period of 20 years was entitled to old age pension, widows included. A person with five years' residence was entitled to a pension if invalidated. Wives of prisoners sentenced to six months or more of imprisonment got a pension for maintaining their dependents. A sum of £10 was paid to a person bearing burial expenses for an invalid or old-age pensioner.

Mr. Gollan, continuing, said that the standard of life in his country was very high. Higher incomes were increasingly taxed to provide for the poor which eliminated the possibility of there being very poor or very rich persons. There were very few with incomes of £5,000 or more annually, in his country.



cheaper method, and by-products may be utilised with advantage. Japan built several refineries before the last war, which supplied her requirements fully. The building up of refineries in India will prove immensely beneficial in the present juncture, since it will provide employment to many and meet internal requirements to some extent.

Since lubricating oils are as important as fuel oil, the possibility of their production in our own country with the aid of technical experts may be explored, along with speciality oils such as Branded premium type motor oil, detergent oil for internal combustion engines, inhibited turbine oil, steam cylinder oil, steam refined oil and black oil and greases. These latter are now exclusively imported. The lubricating oils at present used by Army, Navy, Railway, Diesel and Steam Engines, and Turbines run

to an enormous quantity, and an emergency may take us off our feet. It is time we make an attempt to produce these oils both for current use and to build up reserves. The substitution of lubricating oils by castor oil and other indigenous oils may also be explored.

Need for A New Oil Policy

It is time we outline our oil policy. The issues are whether it is safe to depend exclusively on any one single source or even on one group of companies. An understanding should be arrived at with the major oil companies at present operating in this country, with regard to our future policy over a number of years, particularly since petrol is now off the ration leading to enormous increase in consumption. Such an understanding cannot be difficult since our foreign friends as much need our markets

as we need their products. If we do not dictate our policy here and now, the day may come when such a policy will be dictated to us!

The facts should never be ignored that a few countries so completely dominate the oil industry of the world that by agreement among themselves they can readily determine which trade policies shall prevail and hold to ransom the consuming countries. No other industry, whose influence permeates all the corners of the world, is dominated by so few countries and by so few men. There are many advantages arising from this concentration; unwise competition is avoided and efficiency, through immense expenditure on research and organisation, is increased. So long however as international peace is in the balance it is essential we should take precautions against sudden cutting off of supplies.—T.R.S.

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Govt. Competition in Private Enterprise

SOAP INDUSTRY HARD HIT BY UNFAIR COMPETITION

There have been several instances in recent years of inroads by the Government-owned industries into the sphere of private enterprise in the manufacture of certain consumer goods. This is a most unfortunate development. The State owned factories, not being run on sound commercial principles and not having to bear the heavy burden of taxation like private industry, are in a supremely advantageous position compared to the latter, and when competition arises between the two the latter are invariably bound to suffer. The idea of Government competing with private enterprise is also not in keeping with their declared industrial or economic policy, and such practice must be discountenanced in the interest of production itself.

When Competition Is Healthy
Competition to a certain extent is necessary under a capitalistic economy for improving the quality of the products and eliminating monopolies, but it should be healthy in the sense that it must not annihilate the smaller and weaker units. This competition must emanate from the units of private enterprise themselves, and never from Government. Government competition with private enterprise is most undesirable and when it is unfair, is grossly unjust. The resources of private concerns are limited whereas Government concerns have large funds and personnel to fall back upon. When it is a question of loss it may ruin the sponsors of private business while loss in a Government concern is borne by the community at large.

All this goes to underline the fact that the principle governing the establishment of pioneer factories under Government auspices should be to guide other units that may come up by means of example, experiment and demonstration. They should limit their activities to finding out by research and experiment new ways of economic working of the concerns and bringing about improvements in technique. The value of these Government concerns are to be gauged not by their cash

profits but by the profits of private concerns which they stimulate into existence.

Encroachment on Soap Field

This broad view seems to have been lost sight of by the Madras Government, judging from a recent communication released to the Press by Mr. A. K. Menon, the reputed soap specialist. "The present attitude of the Government," writes Mr. Menon, "differs from the considered view of Sir Frederick Nicholson, the Founder of the Kerala Soap Institute at Calicut. The Government are now out to compete with and crush private enterprise by not only insisting on Government Departments patronising Government factory products but by offering to the trade big rebates and discounts which bring down the prices far below the prices charged by private factories. Considering the ruling prices of raw materials, chemicals and perfumery materials, the rates quoted by private soap factories leave only a bare margin of profit."

To what extent private factories have been hit hard by this *volt face* of the Madras Government it is too early to say at present, since fuller details of Government's policy are not available and instances of private factories meeting with trouble have not yet come up. At any rate, the undue preference given by the Madras Government to the products of their own manufacture and the profit motive behind it have no justification whatsoever. The Soap Institute at Calicut is one of the pioneers in the manufacture of soap in this country, and has fully justified its existence all these decades despite financial loss, since with the help of students trained by it a number of factories, large and small, have been successfully established throughout the country. To convert this institution from a temple of learning to a mere profit-making commercial concern is simply unthinkable.

The Government Soap Factory at Mysore provides an example as to how a Government enterprise can run without detriment to private

entrepreneurs. The Factory, as Mr. H. C. Dasappa, Minister for Finance and Industries, pointed out, presiding over the anniversary of the concern last month, was started thirty-five years ago with less than Rs. 5 lakhs as capital. That efficiency, and *not* profit, has been the keynote of the policy of the management since its inception is evident from the steady progress the concern has made from year to year. The Government at present are keenly interested in improving the factory's capacity from 550 tons to 5,000 tons, though owing to financial stringency and dollar shortage it could not be carried out immediately. Efforts are now concentrated to increase the productive capacity to at least 2,500 tons. Government are also trying to make improvements to existing plant, and the factory would be shifted to a new site of about 19 acres in Yeshwantpur.

New Scheme of Management

The Industry and Supply Ministry of the Government of India is now working on a plan for co-ordination of the management of the State-owned industries run by different Ministries, and the Industry Minister, Mr. Hare Krishna Mahatab is reported to be drawing up plans designed to build up a separate cadre of services for industries. These industries are likely to be placed in charge of a statutory Corporation.

Although this is necessary, no doubt, but the point should never be lost sight of that these Government-sponsored concerns should not in any way affect private enterprise, and that no unhealthy competition arises in the same field of production. A panel of experts should always be at work studying the repercussions of all Government enterprises on private enterprise and initiative, the effect of monopoly conditions and other advantages enjoyed by the former, and the chances of other units coming up thanks to the encouragement and initiative of the Government-sponsored units.

School for Business Men

Training courses developed in co-operation with business and industrial firms are offered by a leading business college in the United States. The School of Business and Civil Administration of the City College of New York also makes use of the services of industrial specialists to supplement its staff in planning and teaching more than 350 courses. Co-operative work-study programmes are offered in such fields as advertising, foreign trade, business administration, retailing, sales, statistics, and credit management. Students work 20 hours a week at their regular jobs while studying at the business school.

A similar plan is followed for trainees in civil administration. It provides for study combined with part-time work with city, state, and federal offices, as well as for internships at the United Nations headquarters. Several students have been sent to countries of South and Central America on a work study basis. This was made possible through the assistance of the U. S. State Department, Pan American World Airways, and universities and business firms in the co-operating countries. The school also has established a personnel development service. A survey is made of a company's training needs, and in co-operation with individual com-

panies or trade associations, the service works out special courses. Men's wear, office furniture, and wholesale hardware businesses have benefitted from the service already. Most recent of these courses is a series of seminars that is being conducted for the General Foods Corporation. For 12 weeks, 20 junior executives of the corporation attend 2-hour sessions which are conducted by leading representatives of the food distribution field.

Sri Krishna Spg. & Wvg. Mills Ltd.

Formerly known as the Sri Krishna Weaving Mills, the firm has now been converted into a private limited concern with the above title under the Managing Agency of Messrs. Yadalam Subbiah Setty & Sons, one of the pioneers in textile industry in South India, writes a correspondent.

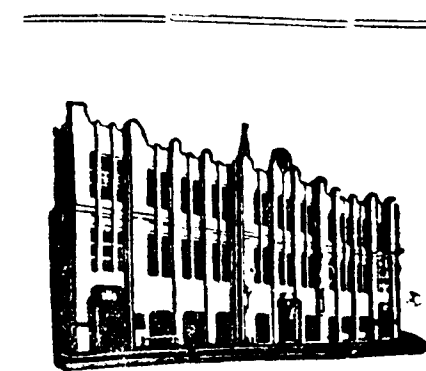
The mills are situate in Subramanyapuram, Bangalore, an ideal place, with offices at Chickpet. They are equipped with 2,484 spindles and 174 looms capable of producing yarn of counts 36° to 40° and cloth of width 27-54 inches. The main production is confined to Suitings and Shirts in different grades and patterns and the quality has always been of an exceptionally high standard.

Their products are known as KRISHNA SUITINGS & SHIRTINGS and the speciality in regard to these Suitings & Shirts is that they are not only moderately priced but at the same time ensure a decent dressing standard to the common man, whether a worker, an officer or a dandy.

The manufacturers have a passion to produce the best material at the lowest cost and they have been consistently successful in this attempt. Their yeoman service to the country in this field has already been recognised and with the introduction of their new SILCOT SUITINGS the public can rest assured of plenty of good, decent and modern

dressing material, with the least expenditure.

Under the able guidance of the trio, Sri N. Venkatadasappa, Factory Manager, Sri B. N. K. Iyengar, Weaving Master, and Sri Y. V. Venkataramiah, B.Sc., B.E., Engineer, Sri KRISHNA SPINNING & WEAVING MILLS LTD., are an asset to the nation in the present critical period of cloth and yarn shortage.



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N. GOPALA IYER, Secretary.

Our Plantation Page

(From our Correspondent)

Cochin, July, 11.

Pepper prices have again gone up. Although it is attributed to the Korean War the real reason seems to be that Bombay spice interests are actively in the market providing a strongly Bullish tendency. They probably feel that American buying will recommence once the Central Government's decision on export duty is finally known. To contract at the highest rate now is clearly profitable and they are encouraging trade via Bombay by offering pepper at prices below the current quotations at Alleppey and Tellicherry. This is made possible by the forcing down of the pepper market last month to about Rs 2,200 per candy. Although Rs 3,500 was quoted yesterday at Alleppey, business at that rate has not taken place. But contracts for about 80 candies have been made in the futures market.

Indian export of pepper during 1949-50 has been the highest on record in terms of value. In the previous year over 141,000 cwt. were exported valued at Rs 2,67 crores. During the 11 months ending February 1950 India shipped abroad 278,000 cwt. at a value exceeding Rs. 12 crores.

It is reliably known that the Government will restore the Tariff price as a basis for export duty assessment although an increase in the price is possible. This will enable the price to move up or down according to the demand and supply position.

Tea Exports

Tea exports from Cochin totalled over 20 million pounds for the first four months of this year compared to 18 million pounds in the corresponding period of 1949. Shipments to the United States, Canada and Australia show marked increases and if this tendency persists South Indian tea is likely to establish itself as a favourite with some of the most important consumers in the world.

About 5 lakh pounds were offered last week and sold out at prices fully firm for common grades and

2 to 3 annas dearer for better grades. For the first time in the record of this market exporters were wholly absent in bidding and the purchases were all for the internal market.

Areca Nut Prices May Rise

The betel nut trade is excited over the prospects of a price boost as a result of the investigations that are now proceeding by a committee appointed by the Areca Nut Committee. Areca nut is used in chewing which is almost a universal habit with the lower sections of our people. A pressure group in Areca trade has been forcing the Government to raise the import duty and to restrict imports so as to create a scarcity condition in India. It is doubtful whether any commodity has been so lifted in prices by artificial props as areca nut. India (Divided) produces about 23 lakh maunds of areca nut and has to meet a demand of about 42 lakh maunds. Although 16 lakhs maunds must be imported, the high duty and restricted import permits reduce it to an actual 10 lakh maunds. The price of areca nut so imported is only about Rs 22 per cwt. but the duty on it is Rs. 52/8 in 1949-50, and if the present agitation of the price boosters succeed it will be Rs. 84 per cwt. This punitive taxation is ostensibly for the protection of the growers who make even now about Rs 2,500 per acre in a well cared for estate. It is actually a higher return per acre than for pepper and far higher than for any other plantation crop. Yet, the cry goes up that the price should be no less than Rs. 100 per maund!

Research In Rubber Industry

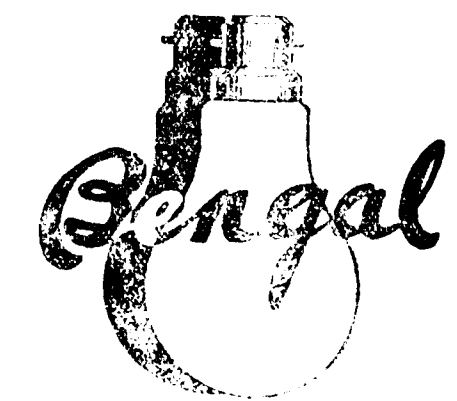
The opening ceremony of the Dunlop Rubber Research Centre at Birmingham, on June 7, performed by Sir Lawrence Bragg, F.R.S., Cavendish Professor of Experimental Physics of Cambridge University, marks an important step forward in the development of rubber

industry. This work of the Centre is linked with many different sciences as a result of the extraordinary properties of rubber. The Centre houses workers in the field of chemistry, physics, statistics, industrial design, compounding, and textiles to name only the most important fields from which the staff are drawn.

The work of the Centre may be broadly divided into two sections: The principal responsibility of the research group is fundamental long-term enquiries in the diverse fields in which the rubber industry has stakes. The second group is engaged in turning the ideas of the research worker into factory propositions and in the solution of problems referred to it by various Dunlop factories—25 in Britain and 16 abroad. An important part of this section's work is carried out in the pilot plant, virtually an experimental factory, where new production techniques can be tried out before being passed over for commercial use.

Some idea of the size of the Centre may be obtained from the fact that the total floor space of the present buildings is over 151,000 sq. ft. where some 270 researchers, a large portion of them University graduates, are at work. There are more than 50 laboratories in addition to a host of service rooms, conference rooms, libraries, and exhibition halls.

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553

Business Week India

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553/50
Sri K. Patil, the Chairman of the Film Enquiry Committee appointed by the Government of India in June last year, is today the conscience of the film industry in the country no less than of the film industry and of its auxiliaries.

This is undoubtedly the best for the film industry is in the doldrums. It means the best organised industry nor most stabilised; it is, however, doubtless one of the most, if not, as the representative industry contend, the most heavily taxed in the country. The public exchequer appropriates to itself in different ways little less than 50 per cent. of the total box office collections. The public authority from the panchayat to the local and Central Governments deems the theatre a gold mine. Publicists and charity seekers seem to think it a veritable *Kamadhenu* on which they lay indefeasible claims. One hopes that Mr. Patil and his colleagues will be able to make what today is a fiction a palpable fact tomorrow. The possibilities of converting the industry into a prosperous one such as it elsewhere is, thanks partly to State action and more largely to private enterprise, are undoubtedly encouraging.

Sri Patil possesses qualifications which eminently fit him to help the industry. He is a journalist turned politician; he has high organising abilities, inexhaustible resourcefulness, earnestness to look at every problem from all points of view, ability to reconcile differing points of view based on a rich fund of commonsense, personal knowledge of what has gone on in the industry in recent years and patriotic zest to make the business here at least tolerably efficient and reasonably prosperous and capable of rendering social service. These qualities of his ought to enable the Committee to turn its work to good account.



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BUSINESS WEEK

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Ash Tray High Pattern	15 0 0	Doz.
Ash Tray Shallow Pattern	18 0 0	"
Badna 5 1/2"	4 12 0	Piece
Badna 6 1/2"	6 0 0	"
Betel Box 7"	4 8 0	"
Blotter	21 0 0	Doz.
Cigarette Case Large Size	3 4 0	Piece
Cigarette Case small Size	12 0 0	Doz.
Do. tin with match box cover and Ash tray	2 12 0	Piece
Dabba Sada 3 1/2"	12 0 0	Doz.
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Gandhiji Bust, Big	36 0 0	Doz.
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Glass 4 1/2" (Tumbler Plain)	15 0 0	"
Glass 5 1/2" (Do.)	18 0 0	"
Glass Stand	7 0 0	Piece
Jewellery Box, Square or Round Corner, 12" x 8" x 2"	12 0 0	"
Do. 12" x 8" x 2 1/2"	13 8 0	"
Lunch Box	35 0 0	"
Match box Cover	3 0 0	Doz.
Medical (Doctor's) box	21 0 0	Piece
Photo Stand, big	57 0 0	Doz.
Photo Stand, small	42 0 0	"
Plate 8"	18 0 0	"
Plate (3 pcs. in a set)	9 0 0	Set
Powder box, big	12 0 0	Doz.
Powder box, small	9 0 0	"
Puff box	9 0 0	"
Shoe Horn, big	4 8 0	"
Shoe Horn, small	3 0 0	"
Side Tea Table	10 8 0	Piece
Soap Case	18 0 0	Piece
Suit Case, Round Corner 13" x 9 1/2" x 3 1/2"	15 0 0	"
Tea Tray Square, Strong	50 0 0	Doz.
Thali box	80 0 0	"
Tray square, big	50 0 0	"
Tray square, small	9 0 0	"
Velava Tumbler 3 1/2"	10 8 0	"
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20		13 2 0	13 14 0	17 7 0	19 11 0
25		18 2 0	13 14 0	17 7 0	19 11 0
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JULY 15, 1950

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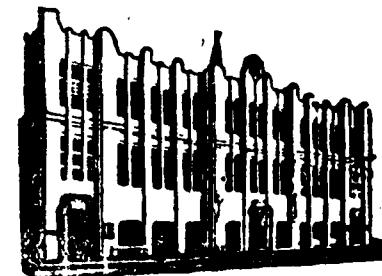
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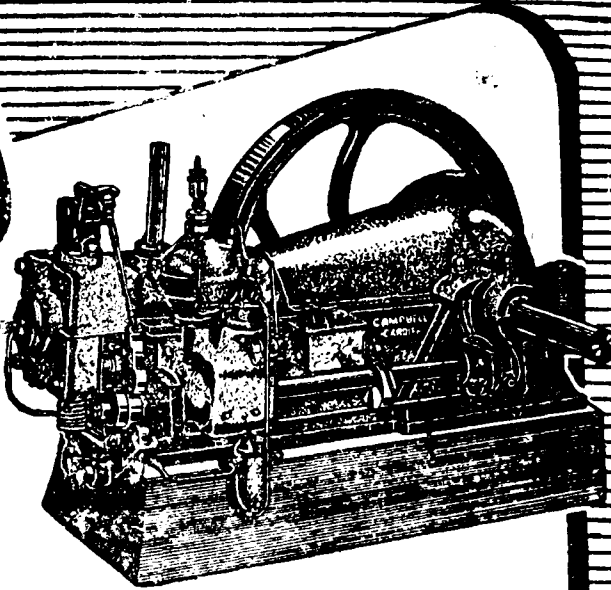
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VOL. III No. 33

NOTES AND COMMENTS

Avert Cloth Famine

The view that estimated production of cloth this year is only 3,600 million yards as against 4,600 million yards produced in 1948 and that the target of 5,000 million yards fixed for the current year is impossible of attainment under existing conditions of the mill industry was expressed by Mr. Chandulal J. Shah, Honorary Secretary of the Panchkuva Cloth Merchants' Association in a statement this week. "It is common knowledge", Mr. Shah observed, "that owing to lopsided controls over cotton and cloth prices many mills find it uneconomical to operate and hence so many closures. Even good mills have no enthusiasm to expand their undertakings because artificially controlled prices are not enough to meet increased manufacturing costs."

Grave portents of a cloth famine which may hold the country in its grip are appearing sporadically. Cloth prices in Calcutta have gone up by about 30 per cent. since the Korea war started, and fears are expressed in commercial circles that production of cloth this year may touch a new all-time record of 3,000 million yards. The cloth situation in U.S.T.C. deteriorated so considerably during recent weeks that the Government was forced to freeze the stocks of wholesalers. In Madras early this month cheap textile goods produced by well-known firms were simply not available. Since textile prices for next year are not announced, there is speculation going on leading to hoarding and cornering activities.

Added to all this is the uneconomic working of several mills, and the closure of a few. A news item appearing on Monday indicates that all the 11 mills in Madhya Pradesh, employing some 30,000 men between them, are working at a loss. Last year, their total loss was Rs. 60 lakhs, and the loss in the coming six months alone has been computed at Rs. 72 lakhs! One mill employing about 2,700 workers has closed down from July 1, and three or four others are on the point of closing down, the reasons given being that prices of cloth and yarn are unremunerative and that sufficient cotton is not available within the ceiling price.

Various remedies have been suggested by the mill magnates such as the total abolition of all controls, the upward revision of the ceiling prices of textile goods, the restoration of the 4 per cent. cut in cloth and yarn prices accepted by the industry from November 1949, lessening of the tax burden, and so on. The attention of the Government should now be focussed on the cloth situation since the middle classes would be hard hit if good quality cloth at reasonable prices is not available, and the remedial measures adopted by Government should be calculated to benefit the middle class millions.

Oil Industry's Headaches

The importance of the oil industry in the general economy of the country can be seen from the fact that during the current year major

oilseeds, estimated at about 5 million tons, contributed as much as Rs. 205 crores to the national income. Our country still occupies an important place in the production and export of vegetable oils and seeds. Our production comes to one-sixth of the total world production of oilseeds of 12 million tons in terms of oil equivalent. India is the second largest in the world and first among the Commonwealth countries in the production of oilseeds. The area under all oilseeds is about 23 million acres out of the total gross cultivated area of about 276 million acres.

The prices of oilseeds and oils have shown a phenomenal rise during recent years. The present prices are six times the pre-war prices. The increase is much greater than in the case of other agricultural commodities such as food-grains and cotton. One of the reasons for this abnormal rise in prices is unwarranted speculation, and Government have now circulated for opinion a draft Bill for the control of speculation.

Since regulation by Government can never be completely effective, it is the duty of merchants to co-operate and bring down prices to reasonable levels. On account of speculative increases in prices, oilseeds and oils are in most cases out of parity with world prices, and it has become increasingly difficult to find a market for them. On account of the various special trading arrangements in the international oilseeds market, such as reservation of West African groundnut crops for the U. K. and France and difficulties in penetrating hard currency areas, the competition we have to face is very severe, and unless our prices are attractive, we may lose the trade altogether. The high prices of oils have also adversely affected the soap and vanaspati industries.

There is urgent need today to organise the oil industry. Oilseeds, as other agricultural produce, are mostly grown by small cultivators either as a seasonal or mixed crop, and the primary producers are un-organised and their resources are limited. The Federation of Oil Chambers, a central organisation

proposed to be set up at the Oilseeds Merchants' Conference held at Bombay last week, should guide and assist them in their problems.

The crushing industry and trade have been suffering from various difficulties such as lack of supply of unadulterated seeds, absence of healthy forward markets, transport difficulties, etc. The proposed Central organisation should devise suitable remedial measures. The regulation of exports, the evolution of uniform terms for trading in different vegetable oils, the elimination of malpractices such as adulteration and supply of pure oil to consumers are some of the other pressing problems the industry has to tackle.

* * *

New Loans

Madras, Bombay and Madhya Pradesh have invited subscriptions for loans of an aggregate amount of Rs. 8 crores, all bearing interest at 3 per cent. and repayable on July, 31, 1960. The Bombay loan will be utilised to finance capital expenditure in connection with post-war reconstruction and development programmes, the Madras loan will be spent on electricity schemes and irrigation works, and the proceeds of the M. P. loan will be used for financing productive capital expenditure on electricity projects.

Principal Features

The issue price in the case of the Bombay loan is Rs. 99.8-0 the running yield being Rs. 3-1-0 per cent., the Madras loan Rs. 99 giving an yield of Rs. 2-2-0 per cent., and Madhya Pradesh Rs. 98.8-0 yielding Rs. 3-3-0 per cent. All the loans have been underwritten, and hence their success from Government's point of view is assured.

The offer of a higher rate of interest apparently indicates a departure of the Government from their cheap money policy. Some indication of Government policy may perhaps be forthcoming after July 31, when the extent of public subscription to the loans and the reactions of the money market will be known.

Unjustified Criticism

Commentators notice four features in the flotations. One is that

money rates are hardening up and the recognition of this fact by the Reserve Bank and the borrowing Governments. The other is the tendency for differential rates for the different Provinces to become more pronounced than before, resulting from the natural preference of investors to trust their own people and their own Governments in a greater measure than other borrowers. The third is the greater faith of the investing public in expert run industries on business lines than industries and enterprises run by civil servants or under their direction. The fourth is the growing uneasiness of investors about the administrative policies of Governments and about the fantastic methods some of them have proposed to finance their schemes.

One notices certain criticisms of the flotations some of which seem to be misinformed. The suggestion that the Reserve Bank has bungled, that it has departed from its past policy of ensuring uniformity in the terms of issue and that a new technique of flotations should be evolved in order to enable the States to obtain credit on even terms seems to be unjustified. Such differences in the issue price obtained in the past and it must be said to the credit of the Reserve Bank that, in spite of changed conditions which, if they were emphasised, would have resulted in wider differences, it has been able to retain the differences at the pre-war level. It is forgotten that the substantial financial freedom which the States have secured under the new constitution is being exercised by some of them against the advice of the Central Government and that the Central Government have little authority to compel them to conform to sound financial canons.

The terms of issue are in fact a reflection of the growing consciousness of the investing public of the implications of the almost absolute financial freedom of the States and of their doubts and fears in the States' conduct of their financial affairs.

Taxes on Motor Vehicles

NEED FOR DRASTIC REVISION OF EXISTING SYSTEM

With the rapid growth of motor transport in the country in recent years, the Government of India have realized the importance of undertaking a scientific examination of the present methods of taxing motor transport, and the urgent need that exists to bring about uniformity in the basis and level of taxation, to remove anomalies of double and multiple taxation, to promote inter-State reciprocity, to ensure a sound utilisation of the the proceeds of the taxes and to develop a properly co-ordinated system of road transport.

Committee Appointed

On the recommendation of the Transport Advisory Council, a Motor Vehicles Taxation Enquiry Committee was appointed recently. The terms of reference to the Committee are as follows :

To survey the existing systems of taxation of motor vehicle users in India, and to recommend (a) the basis of a scientific system of taxation of the motor vehicle users, to ensure the provision and development of cheap, rapid and efficient transport for different categories of users by means best suited for the kind of traffic involved, and with a view to obtaining proper co-ordination between the different forms of inland transport; (b) the method of securing reciprocity in taxation between the various taxing authorities; and (c) the principles on which any part of the proceeds of the taxation of motor vehicle users by the Union and State Governments and Local Authorities should be made available for road maintenance and development.

While the principle is recognised in all advanced countries that cheap and efficient transport of goods and persons would yield to Government a much larger revenue than what could be derived from heavy and oppressive taxation on motor vehicles, in India unfortunately this is not the case, as is clear from the evidence tendered so far by witnesses to the Enquiry Committee. The incidence of taxation is unduly oppressive and the scale is the

highest in the world. As the Secretary of the A. A. S. I. observed in a statement this week, "The need for quick private transport is attested by the many office cars and vans owned by large firms and Government Departments. Yet, the men who decide the fiscal policies of our country and of our State do otherwise, looking at private transport as a luxury which should be severely taxed, a silent cow to be milked dry. Every Finance Minister in difficulties casts his eye on transport and loads it with greater taxes."

Madras State Worst Hit

Various representations have been made to the Madras Government by responsible public bodies to the effect that the existing rates of customs and other Central duties on motors trucks and spare parts are excessive. The position at present is this. The tax on passenger transport buses is the highest in the world. Direct and indirect taxes paid on a 30-seater bus operating in Madras State exceeds Rs. 10,000 and represents over 40 per cent. of the gross collections of a bus. The 300 per cent. revision on most of the commercial vehicle components and parts has enhanced the cost of operation of the vehicle to such an extent that it will be uneconomical to run a road transport service unless the fares and rates are put up even to a higher level than at present.

In the Madras State too, the tax on the medium car is double that in Bombay or Bengal. Heavy taxes are collected for a car from the moment it is landed in India. The cost of maintaining a car has become so high that the middle classes can never hope to own cars in the near future. In pre-war days, one could buy a car at Rs. 4,500 and he could afford a new car every three years. Now he must make his car last at least 10 years, according to the figures worked out by the A. A. S. I.

The present price of a car ranges between Rs. 13,000 to 15,000, without tax the price of petrol will be

only Rs. 1-2-6 per gallon, and the price of a medium car will be half of what it is now! By the end of one year of ownership of a medium car, one has to pay Rs. 5, 012 in taxes alone, and thereafter recurring taxes amount to Rs. 912 a year. As it stands, as the A. A. S. I. remarks the Government has taxed private transport so much that a man of the middle class cannot afford to buy a car, nor can be maintain it, if presented with one!

Need for Revision

The evidence tendered so far to the Enquiry Committee proves conclusively that the taxation of road transport in India at present is uneconomic and ruinous to the country. The amounts spent by the Central Government and State Governments on development and maintenance of roads are inadequate, though the total volume of taxes paid by motor transport is unduly high. While New Zealand, Australia and U.S. spend roughly 9 per cent. of their revenue on road construction and maintenance, India is spending no more than 4 per cent. of its total revenue on roads.

The suggestion by one of the witnesses that the import duties collected on motor vehicles besides other taxes should be spent on roads alone stands to reason. After the introduction of the Petrol Road Tax of 2 annas per gallon in 1929 all additional taxes on petrol save half an anna has been taken to General Revenues, instead of to the Central Road Development Fund. Since motor transport is paying enough for an adequate road system, all revenues from this source should be spent on roads. There is no question of motor transport being obliged to contribute to General Revenues since as long as General Revenues have to bear no burden towards expenditure on roads, that itself is tantamount to contribution to General Revenues.

If all road-user revenues minus the nominal contribution to General Revenues and the cost of collecting

taxes are spent on roads, it might be a reform in the right direction. If, however, it is thought necessary that motor transport should also contribute to General Revenues, it should not be on a higher basis than the Railways and the whole of the balance should be utilised for improving the roads.

Inter-State Transport

There are certain anomalies in the working of the tax system as regards inter-State transport. There is overlapping in taxation of vehicles by different administrations. Non-transport vehicles taxed in one State are exempted from further taxation in most other States. Inter-State bus transport between Madras and Travancore, at present is taxed by both Madras and Travancore, the operator paying two-thirds of the full tax in each State.

Full reciprocity between the States should be established, each State recognising the tax paid in the other, though there is some difficulty in this matter since the rates of taxes are not uniform throughout the country. Reciprocity for buses could be worked out on the basis of taxes on the vehicles being divided between the administrations concerned in proportion to the length of the road used by the vehicles in each area. As lorries are not tied down to definite routes, it would be desirable to levy a tax of two-third of the annual rate in each State.

Some of the witnesses stressed the need for uniformity on the basis and level of taxation as between the different States, and one of the witnesses at Bombay suggested that this could be best achieved by consolidating the various existing taxes into a compounded single tax and having a single agency and medium for collection and recovery. On the other hand, even if the tax is deemed a mere service tax and nothing more, it may be contended that there is no special virtue in enforcing a uniform scale throughout the country since the capacity of the people to pay varies from State to State and the profitability of industries too varies. Each State should be left to decide its own rates of direct vehicle taxation

since uniform scales of taxes throughout the country may, as Dr. B. Natarajan pointed out, adversely affect the finances of certain States like Madras where the rates of motor vehicle taxes are higher than in other States.

The principle that should be recognised and followed by the authorities should be the rendering of maximum service in return for the taxes. In other words, taxes should be related to the services rendered by the State to road users.

Single Tax Better

One way of replacing the present petrol tax, State Motor Vehicle Tax and other levies by one single tax will be the levy of the tax on fuel, as was pointed out by a witness during the enquiry of the Committee at Madras and by automobile interests elsewhere such as the Western India Automobile Association and the Automotive Manufacturers Association. Such a tax would be the fairest under the circumstances, since it would tax the owner of the vehicle according to the use of the road and since the consumption of petrol by motor vehicles is a measure of their weight and of the wear and tear of roads due to them. It would be the nearest approximation of an automatic tax and the result would be (1) that large cars with greater consumption of petrol would naturally pay more; (2) motor vehicle owners would be encouraged to keep their vehicles in proper maintenance; (3) it would lessen the potentialities of damage caused to roads by ineffective and uneven transmission; and (4) better maintenance of vehicles.

It is desirable therefore that further taxation of motor vehicles should only be on the basis of a tax on fuel consumption. Thereby heavier vehicles would automatically be paying more tax because of higher consumption of fuel, and each vehicle would be contributing to the cost of road development and maintenance proportionately to the extent to which it uses the road.

There is a case for the lowering of import duty on motor cars and trucks, and a one-

point sales-tax instead of multiple points sales-tax as levied at present. There should be no annual taxes, but only an initial tax levied on the first purchase of a vehicle, and even this initial tax should be kept at as low a figure as possible so as to encourage road transport. This tax, however, can be uniform throughout the country since it entails no complications in levy and collection.

Imposition of restrictions on long-distance transport by road retards the natural and healthy development of the country by thwarting the attempts at co-ordination of transport services. These restrictions may be removed as far as possible. The means of integration of road and rail transport and the extent of the merging of the finances of the two in particular areas may also be explored with a view to make transport cheap for the common man.

Other Measures

Local bodies should be induced to spend on roads much more than the toll compensation and grants-in-aid received by them from the State Government concerned since we are still lacking a network of good roads connecting rural and urban areas. A higher proportion than at present of the Central tax on petrol should also be made available for the different States for the development and maintenance of roads.

"The bullock-cart owner is the one lucky individual who does not pay any taxes", observed one of the witnesses before the Enquiry Committee, and suggested that the bullock-carts too should be brought within the purview of the tax system. This, we hold, is not justified since it is a poor man's vehicle. The feasibility of replacing iron tyres which cause considerable damage to roads by rubber tyres may be considered, though our dependence on foreign vested interests should not become higher on this account. The surplus rubber produced in our country may be utilised for this purpose with advantage both to manufacturers of rubber tyres and bullock cart owners.

Prevent Price Spiralling

RESPONSIBILITY OF GOVERNMENT AND BUSINESS MEN

To bring down sharply rising prices has become the nation's Number One economic problem. There has been an all-round increase in prices of essential commodities since hostilities started in Korea and they are still rising.

All-round Rise

There has been a rise in price of all controlled and uncontrolled foodstuffs. Pulses have risen by 15 to 40 per cent., potatoes by 50 per cent., and cinnamon, cardamoms and other spices registered a steep rise of 2 to 6 rupees a pound in the Bombay market last week. Metals, led by copper, have shown a rise of between 15 to 20%. There is a sharp rise in non-ferrous metals, platinum and mercury. Leather, including hides and skins, still shows a rise in price, which is fluctuating. The prices of electric wires, bulbs and electrical equipment have gone up between 15 to 20 per cent. Uncontrolled textile and woollen manufactures show an upward trend, and there is also scarcity of finer varieties of cloth in the market. Prices of raw art silk have gone up by 75 per cent., a box of 200 pounds of ordinary art silk which was available at Rs. 730 now costs about Rs. 1,300.

In the Quilon market, prices of certain commodities have shot up by 50 to 100 per cent. since the outbreak of the war. A fifty-pound bag of chillies, which was sold at Rs. 50 before is now being sold at Rs. 70; blackgram which was selling at Rs. 160 per candy, now costs Rs. 190; coriander has gone up to Rs. 540 from Rs. 340 and jaggery has registered an increase of cent. per cent. in its price.

In Calcutta last week prices in some cases went up by more than 100 per cent. Sago, a staple food for children, which used to be sold at Rs. 1-8 per seer, is now selling at Rs. 3-12-0. The price of barley, spices, catechu, cloves, cinnamon, cardamom, and pulses have all gone up abnormally. Cornering activity is reported in medicines, the price increases

ranging anything between 50 and 400 per cent. Sale of drugs has become a veritable scandal, and many of them are simply not available.

In Delhi, a correspondent writes, the price of groceries has gone up from 10 to 33 per cent. since the Korea war started. In Purnea and certain other Bihar districts affected by floods prices have broken all bounds, the price of rice alone having shot up to Rs. 40 a maund! No wonder, deaths from starvation are reported.

The inflationary spiral has begun to hit the common man in this country in the eye. Prices of everything—not excluding shaving blades and sewing needles—have gone up. Cloth prices in Calcutta record a rise of 30 per cent. since the war in Korea, and the annual production of cloth in the country will, it is feared, touch a new low level at 3,000 million yards this year as against 3,904 million and 4,319 million yards in 1948 and 1949 respectively.

Price Level Trends

While attempting to tackle the problem of rising prices, it is necessary to have an idea of the trend of prices during the past year or two. In the twelve months ended March 31, 1949, the general index of wholesale prices had gone up by slightly under 9 per cent. An increase of about 8 per cent. in the food index and an increase of 16 per cent. in the raw materials index influenced the general index in equal degree, thanks to their different weightages. Food prices, the indices suggest, had been more inflationary last year than this year, the index having raced up to a level of 397.7 during the short-lived phase of decontrol, before going down to 376.5 in March 1949. The trend in manufactured articles has been similar in that there also an interregnum of decontrol had pushed up the index to 370.2 in July 1948, after which it turned rapidly downward, declining to 329.4 in March 1949, as compared with 324.5 in March 1948.

Price developments since the end

of March 1949 fall into two distinct phases, divided by the devaluation of the rupee in the last week of September. Over the six months of the first phase, the general index went up from 373.2 to 389.6, i. e. by over 5 per cent. Between the beginning of October 1949 and the middle of March 1950—a period of 5½ months—the general index has risen only negligibly. In the case of industrial raw materials, the index has moved up from 438.5 in September 1949 to 487.1 as on March 18, 1950, the rise being at the rate of 4 per cent.

Middle Classes Hit in the Eye

"Hard times" is the cryptic comment of the middle classes on the recent sky-rocketing of prices, particularly since the Korea war started. If the present state of affairs continues it would spell ruin to the middle classes, who have already been harassed and exploited to the point of extinction. The rise in prices increases the cost of living and makes serious gashes in the budget of the working man and the lower middle classes getting a fixed income, for it means a proportionate decrease in their real income. Since prices have shot up without proportionate increase in dearness allowance the standard of life will

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deteriorate further. Higher prices do not lead to increased or expanded production, and unemployment may assume still more dangerous proportions among the middle classes.

Black-marketing and profiteering have been mainly responsible for the rise in prices. Unscrupulous traders and business men have not been slow to make capital out of the scare of a World War III and batten on the poor and the helpless. Speculators have been busy cornering up practically every commodity, even of those commodities for which there is normally no demand. The activities of these speculators are not localised; they tend to spread throughout the length and breadth of the country.

The present motive of a section of business men, Mr. Dinkerrao Desai, Bombay's Civil Supplies Minister, observed last week end, was to raise prices to prohibitive levels on even the slightest rumour of scarcity of any commodity. The mercantile community, he added, had got the mentality of "get-rich quick", and had no regard for fair prices and fair profits.

Mr. K. M. Munshi, India's Food and Agriculture Minister, expressed the view that unfair trade practices were largely responsible for the recent rise in prices. "So long as the profit motive—prowling about for heavy profits—continues to snatch at any opportunity to satisfy its unregulated craving, the responsibility of perpetuating Government control must be shared by it." Controls had become necessary, he said first to prevent the rise in the cost of living and secondly, "due to the inability of the trade to reconcile itself to a voluntary effort to co-operate with Government in keeping down prices." The trade, he added must help Government in stopping this panic, and must stop exploiting the panic by speculating, hoarding and profiteering.

Traders and business men should play fair in their own interest and in the interest of the nation. They should exercise their influence to control the rise in prices and help

Government in maintaining a reasonable price level in the country. Mr. Mahatab warned last week that "Government will not allow a situation of high prices to develop in any circumstance. Necessary steps however unpleasant they may be, may have to be taken to check the artificial rise in prices."

But mere appeals will not bring down prices. Some eight months back the Government of India declared their intention to bring down prices by 10 per cent., and certain striking measures, including voluntary cuts and a big slash in the capital budget were taken. But prices refused to come down, and continued their onward march. This time it is imperative that Government should have a firm grip on the prices of all consumer and essential goods, since negligence in adopting stern measures to check runaway prices immediately will soon annihilate the middle class—the backbone of the nation.

Measures Suggested

The situation should be tackled realistically. Mere threats will not force down prices. Some of the ways in which prices may be brought down are indicated below.

The Law Department, it has been suggested, should be asked to issue a notification under the Public Safety Act fixing the prices of all necessary articles at the same level as they were before the Korean war started. This should be the first step, and if successfully enforced, it is assumed, the slashing of prices will become easy.

There are manifest dangers of a sudden and arbitrary slash in prices all round. Cultivators will be scared if prices begin tumbling down. What is needed at present is a co-ordinated endeavour on the part of the Government to secure price reduction by stages within a couple of years.

The instrument of control could be utilised for directly bringing down prices by stages. Success, however, depends on the vigour with which the measures are pursued

with the strength of the masses behind them.

Both agricultural and industrial production should be tackled simultaneously. The farmers should be induced to accept steadily diminishing prices for their products, and the commodities they buy should be supplied to them at cheaper and cheaper rates.

Consumers' Committees may be formed in mofussil areas for the purpose of assisting District Officers to ensure equitable distribution of controlled commodities and for stopping corruption, blackmarketing and other malpractices. The members of these Committees may hold office for a period not exceeding six months. Apart from being mere advisers to the District officers, they may render active assistance to them in ensuring prompt and equitable distribution of controlled commodities and rooting out all kinds of corruption and malpractices. They should undertake tours of the interior whenever necessary and they may be given travelling allowances. Their main duty and responsibility should be to look after the interest of consumers as regards the quality and quantity of essential goods and their availability at fair prices.

—T.R.S.

USE



LAMPS

THE NATION'S BEST

Motor Industry

HOW U.S. AND BRITAIN BOOST PRODUCTION

Road transport industry, as an essential public utility service, has become vital to the life of our nation. It is estimated that there are about 1,25,000 buses and lorries in the Indian Union. Passenger transport service is mainly made use of by the lower middle class and the poor. Lorries serve the nation by transporting foodstuffs and other essential commodities. The road transport industry now employs over a million persons, and a larger number if allied industries are also taken into account.

India's Dependence

Almost 90 per cent. of the commercial vehicles on Indian roads are of North American manufacture, and components for these vehicles have necessarily to be imported from North America. The devaluation of the rupee has increased the prices of these vehicles and vehicle-components by about 44 per cent.

Though there are 13 plants in India set up with the specific purpose of manufacturing automobiles, not a single one manufactures complete cars. Seven plants are engaged in mere assembling of parts, while manufacture of some component parts is undertaken by others. Some are still in the process of construction.

With regard to the manufacture of important component parts we have not made much headway. Most of the vehicle-parts are not manufactured at all, and no facility exists for their manufacture. Many of the parts like crankshafts, etc. are proprietary, i.e., patented products made by specialist firms abroad. While in Western countries, manufacturers of motor vehicles do not make all the parts themselves but leave it to large auxiliary industries which manufacture most of the component parts, we have not even thought of developing auxiliary industries.

The Government of India, as a Press Report released last week shows, propose to start an investigation of the equipment, raw material and technical manpower resources

of the factories engaged in the manufacture of automobile component parts. The automobile expert committee, with this end in view, has approached the various Chambers of Commerce with a questionnaire regarding component parts manufactured in India and the conditions of companies dealing with them.

The Government of India have also decided to continue the existing arrangements for the import of motor cars and trucks till the end of 1952 in view of the representations made by certain important firms that they have not been able to make up their mind about their future activities. To what extent existing manufacturers will be affected by this new policy of Government remains to be seen. But it is undisputed that the industry in India has not progressed much in spite of the ambitious plans of the promoters and the enormous amount of public money sunk in it.

Giant Factories of U.S.

The progress made by the automobile industry in America and Britain during recent years has been phenomenal. Motor vehicle manufacture ranks among the leading American industries as a producer of consumer goods, employer of workers, and user of raw materials.

Giant factories, skilled workmen, and ultra-modern methods have made the United States the world's greatest producer of automobiles. The American automobile industry is setting new production and sales records. Department of Commerce reports show that about 6,000,000 motor vehicles—5,000,000 passenger cars and 1,000,000 trucks and buses—have come off assembly lines during the 12 months ending December 31. Automobile manufacturing will account for more than \$7,500,000,000 of the nation's gross output of goods and services.

Three factors have combined to increase output and sales. The pent-up demand for new automobiles, unsatisfied since the end of the war, has created an eager market.

Consumers have a high level of ready cash or liquid savings. Extensive credit facilities have returned after three years of post-war credit controls, for those who buy on instalment-payment plans.

Record production in the automobile industry, prior to 1949, was in 1929, when 5,600,000 units were manufactured and sold. The industry has been approaching that record annually since resumption of normal peace-time manufacture in 1946. In 1947, a total of 4,797,922 units were manufactured and in 1948 the total was 5,285,425.

The 10 passenger-car manufacturers, 21 motor-truck producers, 5 manufacturers of station wagons (all-purpose automobiles), and 4 motor-coach (bus) manufacturers have an annual payroll of approximately \$2,500,000,000. They employ 810,000 production workers. A total of about 9,000,000 persons are engaged in the industry as a whole—sales, service, and manufacture combined.

The industry uses 10 to 15 per cent. of the national output of steel and coal. It consumes 20 per cent. of all the copper and 35 per cent. of all the rubber used in the United States. It uses some 70,000 items of raw materials, buying them in all the 48 States and in 55 other countries. Substantially increased imports of natural rubber since 1947 have been used to meet the needs of new car production and to replace worn-out tyres of cars driven throughout the war years.

The Department of Commerce estimates that 43,300,000 motor vehicles are now in operation in the United States—35,400,000 passenger cars, 7,900,000 trucks, and more than 200,000 buses. The market for automobiles in the United States stems from widespread dependence on motor vehicles for all types of transportation needs. An analysis of American driving habits shows that 86 per cent. of all car trips are made to and from places of work and 12 per cent. are to and from shopping places. Some 6,320 cities in

the United States are entirely dependent on buses and automobiles for transportation. More than 5,400,000 school children—one out of every five—depend on the 90,000 school buses to get to and from school.

Trucks Play Vital Role

Trucking within and between States has become vital to freight transportation. The more than 7,500,100 auto-trucks in operation in the United States in 1948 covered more than 75,000,000,000 miles and carried more than 5 per cent. of the vegetables to the nation's 12 major markets, 97 per cent. of live poultry, 65 per cent. of fresh eggs, 69 per cent. of livestock, 66 per cent. of sand and gravel and 20 per cent. of the coal. Two-thirds of all United States freight moving over distances of 100 to 300 miles and four-fifths of all freight hauled over shorter distances is delivered by truck.

Simple pleasure driving widens the market for motor vehicles. The vacation travel figures for 1948 show that 60,000,000 persons, traveling in 2,000,000 automobiles, covered 150,000,000,000 passenger miles. (A passenger mile is one person carried one mile.)

The automobile industry sees little likelihood of early contraction in its market. About 42 per cent. of cars now in use are 10 or more years old and 12 per cent. have been driven more than 100,000 miles. Only 16 per cent. can be classified as new cars—cars made since 1946.

British Motor Industry

The motor industry is the chief exporting industry in Britain. The motor-cars produced in Birmingham and Coventry bear such famous names as Austin, Rover, Daimler, Singer, Hillman, Jaguar and Standard.

About 40 per cent. of all cars made in Britain are produced either in Coventry or Birmingham. Certain makes of car are associated with other areas such as the Morris with Oxford, the Bentley and Rolls Royce with Crewe, the Bristol with the city of the same name, the Ford

with Dagenham, and the Vauxhall with Luton, but production is centered in the Midlands as much of the Midlands' traditional drive is now being directed to producing more cars to supply the needs of world markets.

The outlook for 1950 is reported to be encouraging. The intention is that about 75 per cent. of the total production should go into the exports trade. Should this intention be realized, exports of British motor-cars in 1950 should top the 335,000 mark. In 1949, 258,000 vehicles were exported.

Between 1947 and 1949 the volume of motor-car and commercial vehicle exports from Britain almost doubled. Since devaluation the industry has begun to recover from the export setback it received during the spring and summer of 1949. Given the expected increase in production and the absence of a similar setback this year, 1950 should be another record post-war year for car exporters.

The Birmingham-Coventry manufacturers will play their full part in the export drive. Among the biggest names in the export trade are Austin, the Rootes Group (who make the Humber, Hillman and Sunbeam Talbot at Coventry) and Standard, with which is associated the Triumph car. Exporters of the more specialized products are Alvis,

Jaguar, Armstrong—Siddeley and the Daimler Company.

Australia's Motor Trade

Huge turnovers are being experienced by motor distributing companies in Australia. Many firms are now selling in one month more vehicles than they sold in a year before the last war. With present prices about three times higher, the annual turn-over in some cases is about forty times that of pre-war years.

The demand shows no signs of slackening over the next twelve months. Dividends paid by some of the companies are as follows: Adelaide Motors, 40 per cent.; Austin Distributors, 45 per cent.; Standard, 32½ per cent.; Winterbottom Motors, 20 per cent.; York Motors, 20 per cent.

Austin Distributors sold 1,338 vehicles in Victoria during May. In its best pre-war year, 1938, total sales for 12 months was only 1,308 vehicles. Standard Motors delivered more than 7,000 cars and trucks in Victoria and New South Wales in the first eleven months of the financial year, against less than 3,000 in the same period in 1949. In Perth, Winterbottom Motors recently reported that sales in Western Australia during the first six months of the year had equalled 1949's full trading.

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Printing Metals

MANUFACTURING PROCESSES IN DENMARK

Denmark possesses none of the minerals from which printing metals are made, nor the coal with which to smelt them. Yet not only are they made in Denmark; they are also widely exported. The following account will give some idea of what printing metals are, how they are used, and how it is that Denmark, an agricultural country, is able to export them.

The composition of the metals which Gutenberg used when he invented the "art of employing movable types in printing" is not known. But it is known that they consisted of lead with the addition of tin and antimony. The same metals are the basis of the alloys used today.

Up to a little over a hundred years ago the casting of types, the setting up of the pages, and the printing of books were all done by hand. After the Industrial Revolution mechanical methods were gradually introduced, and productive capacity was raised while costs were reduced. This increased the demand for printing metals, and the calls made on their technical perfection were intensified also.

Modern Printing

Modern printing works still use loose types for hand-setting in roughly the way they were used in Gutenberg's time. The types are cast in special machines; the alloys used have a high percentage of tin and antimony—namely, 5—15 per cent. tin, 20—30 per cent. antimony, and a little copper, the rest being lead. These alloys excel in great durability and hard-wearing quality, so that the types can be used for repeated impressions. After printing from a hand-setting, the types are sorted according to symbol and size ready for later use. The making of printing types is an old and important Danish industry.

Although by skilled compositors hand-setting can be done rapidly, it remains too slow a method for general printing. Recourse is

therefore had to the composing machine, where, by means of a keyboard similar to that of a typewriter, the types are cast in slugs that are then assembled column by column and page by page. A linotype machine is a complicated mechanism which calls for fluid and pure alloys. The standard alloy in general use contains 4 per cent. tin and 12 per cent. antimony, the rest being lead. Sometimes a larger or smaller proportion of tin is used, say, 3—5 per cent., with 11—12 per cent. of antimony, the remainder being lead.

Another form of machine-composing is obtained by using the Monotype machine, which enables single types to be cast. These are then assembled into lines and pages. The monotype machine is a good deal more involved than linotype machines and demands exceptionally fluid, pure, and hard-wearing alloys. The alloys used consist of 6—9 per cent. tin and 15—19 per cent. antimony, with lead for the rest.

Stereo-printing

A special method of printing is the stereotype, which is mainly used in the printing of newspapers, large editions of books, etc. While types produced by the previously mentioned methods can be assembled for later printing on a flat surface only, in stereotype printing an impression is first taken on a sheet of soft cardboard, which is then dried and bent to form the outer side of a semi-cylindrical mould. The stereo metal is then cast in this mould, and when the mould has set the result is a semi-cylindrical surface that is an exact copy of the contours of the composed page. This semi-cylinder is locked in position on the impression cylinder of a rotary printing press, and can be printed at great speed. For newspapers, especially those with large circulations, printing by stereo plates is a necessary means of getting the paper out in the shortest possible

time. For stereotype work the alloys used must be easy and hard wearing; they consist of 5—10 per cent. tin, 13—18 per cent. antimony, and lead for the rest. The life of the stereo plates can be prolonged by coating the impression surface with a galvanically precipitated layer of copper or nickel. If this is done, the plates will be capable of printing from five to ten times larger editions.

Where a very sharp impression and a large edition is desired the assembled page of type is first impressed on a lead plate (corresponding to the cardboard stereo). A sharp impression of the print is produced on this lead plate, and in this impression is deposited a heavy, galvanic film of copper. The copper film is backed with a metal which must be fluid, strong, and plastic. This method is called electro-typing. The alloys used consist of 3—4 per cent. tin, 3—4 per cent. antimony, and the rest lead.

In large printing jobs and in the production of journals it is common to combine the various methods, by assembling hand-sets, linotype, and monotype to stereotypes or copper plates. If this work is to function smoothly it is essential that the metals employed shall be uniform and of high quality, so that the printer can concentrate on the actual printing.

The Danish Factory

The manufacture of printing metals in Denmark is carried on by Paul Bergsøe and Son, Glostrup, near Copenhagen. This firm has been concerned with tin and lead alloys, including printing metals, for half a century. It has supplied all the requirements of the Danish market for the past 25 years and has also carried on an extensive export business.

During the war a factory was built in Sweden, and the factory now supplies the bulk of Swedish

requirements besides exporting considerable quantities of goods.

The Danish firm and its Swedish affiliated company make lead alloys for every type of printing. The capacity of the Danish factory in printing metals alone is 15,000 tons a year.

Exacting demands are made on the quality of printing metals. They must be uniform. The composition of the alloys must be exactly constant. They must contain no impurities that impede casting in the complicated machinery. The cast metals must be hard-wearing to enable the type or plates to print the largest possible edition. And when the type or plates are remelted after use they must give as little ash as possible if they are to be economic.

In view of these exacting demands constant experiments have been carried out in order to improve the quality of the metals. The factory has a fine

chemical laboratory, equipped with every technical device, such as a spectograph which reveals the slightest impurity, a polarograph, microscope, testing machines, etc. For the practical testing of metals, an automatic composing machine is used which tests the metal while in continuous operation.

The methods of manufacture are in many respects original, being adapted to the high technical standards set by the Danish printing trade. During many years an undertaking has been developed which, not only by products of a high technical quality but also through a highly developed purchasing and selling organization, has succeeded in establishing itself against competition in the international market.

Before the war, large quantities of printing metal were exported to the Continent of Europe, to Africa, Asia, and South America. After a temporary suspension the exports

have been resumed and are now greater than ever.

Specialities

Of the firm's leading specialities in printing metals, first place must be given to metals for the casting of types for hand composing. The largest specialist firms making single printing types, throughout the world, are using more and more the metals produced by the Danish firm; they are more hard-wearing, more uniform, and more easily cast than the metals previously employed. The same is true of metals for the other departments of printing, where improvements in technical quality and thorough scientific control place the Danish products in a class apart.

The firm has made a name in other fields as well, notably in white metals for bearings as used by leading motor manufacturers, shipyards, and railways in all parts of the world; and it also makes soldering tin, copper, aluminium, and zinc alloys, and other non-ferrous metals.

South-East Asia Today

CHAOTIC INTERNAL SITUATION

BY ANNE WHYIE

The eyes of the world are increasingly centred on the turbulent region of South-East Asia. This was so long before the Korean conflict gave a new urgency and danger to events in the six countries where Communism is a considerable threat—Burma, Thailand, Viet Nam, Malaya, Indonesia and the Philippines.

For the Western countries, particularly Britain, the United States, France and Holland, all of whom have close links or responsibilities in the region, the emphasis shifted from Europe last summer, with the almost simultaneous slackening of tension in Europe that followed the ending of the Berlin blockade and the Communist conquest of the Chinese mainland.

Stability in Burma

The past year has seen great changes in the internal situation in most of the countries, some for the better and others for the worse. On the credit side, the Burmese Government has made great strides in its five-sided struggle against rebellions. By recapturing Prome from the Communists and Toungoo from the Karens it has freed long reaches of Irrawaddy and Sittoung rivers, and now seems well on the way to greater stability.

Thakin Nu, Burmese Premier, announced last July his objective of 'peace within one year.' He is nearer achieving it than many of his supporters or critics thought possible six months ago. He has been assisted to rehabilitate the economy of Burma by a Commonwealth loan of £6,000,000 granted last March. The oil fields, however, are still out of action, and rice exports, so necessary to Burma's neighbours, are still not back to normal.

Also encouraging has been the remarkably smooth way in which Indonesia has started its existence as an independent State after troubled years of fighting against the Dutch. Independence was finally granted after the round-table conference at The Hague last December. The moderate Government

has been able to maintain order with little difficulty, and has dealt with rebellion by the Communists and by the extremist Moslem group, Dar-ul Islam.

Rice Exports

In a changing world, the strong Government of Pibul Songgram in Thailand has a record of stability, and it strongly supports the Western Powers in the eastern struggle against Communism. Of the three rice exporting countries—Thailand, Burma and Indo-China—Thailand alone has maintained its exports at the pre-war level. Burmese exports are well below normal and Indo-China has virtually ceased to export rice at all.

The scene is darker and less encouraging in Indo-China and Malaya. There has been some improvement in Indo-China during the year, but the struggle between the French-sponsored Bao Dai and the Communist leader Ho Chi-Minh is the most intense in the east outside Korea. It has been sharpened by the recognition of Bao Dai by France, Britain and the United States, and of his rival by the Soviet Union and her satellites.

Bao Dai may be handicapped in the struggle for popular and nationalist support by the fact that the French have not granted him complete independence. Large French forces are tied up in Indo-China in support of Bao Dai who could scarcely exist without them. His position has been further strengthened this summer by American determination to help with arms and money.

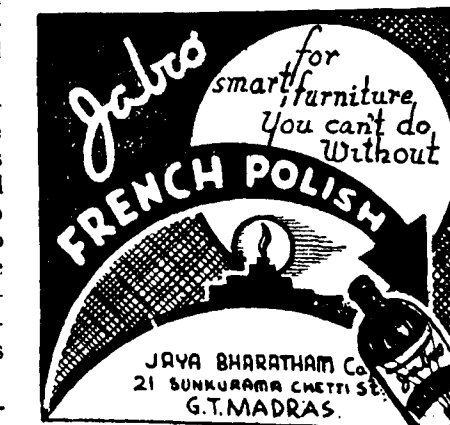
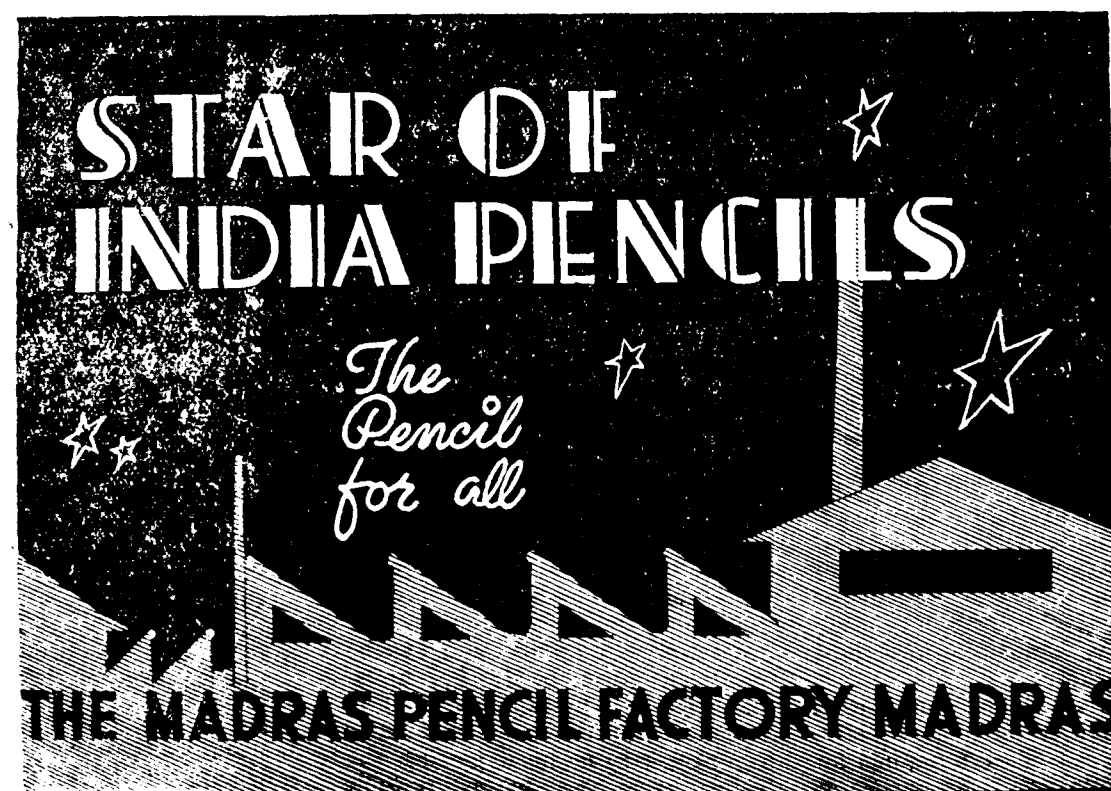
The position in Malaya has undoubtedly deteriorated during the year. The strength of bandits based in dense jungles has increased and the efforts of British forces to suppress them have developed into a full-scale military operation. The effect of the fighting on the economic life of the country, and in particular on rubber production, has been serious.

The Commonwealth has recognis-

ed the importance of economic assistance to all these countries, whose welfare is of great concern to all its members. This recognition found expression in the Colombo Conference last January and the follow-up conference in Sydney in May. It has been agreed to set up a fund of £8,000,000 to provide technical assistance to pave the way for wider economic development. In these first stages, the conference only concerned itself with those countries in South and South-East Asia within the Commonwealth. But when the conference meets again in September it will extend its view to take in help to other countries and to draw up long-term development plans.

The year has also seen a quickening of American interest in South-East Asia, both economic and military. The fighting in Korea has led to a speeding up of American aid to Indo-China and the Philippines.

The world threat of Communism has made the Americans more aware of the problems faced by the British and French in Malaya and Indo-China respectively. When the British, French and American Foreign Ministers met in London in May, they regarded the welfare of South East Asia as one of their most important objectives. They agreed that the newly emerging Governments must be supported and that steps must be taken to raise the standard of living in all those countries.



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6	17-H	130	11½"	7"	9"	115/-	105/-
6	19-H	145	11½"	7"	9"	125/-	115/-
6	21	162	11½"	7"	9"	135/-	125/-
6	23	180	23½"	7"	10"	175/-	150/-
6	25	202	23½"	7"	10"	200/-	175/-
12	9	70	11½"	7"	9"	130/-	120/-
12	11	80	14½"	7"	9"	145/-	130/-
12	13	100	18"	7"	9"	195/-	175/-
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10	"	15	12 0	...	...	...	...	23	10 0
15	"	13	2 0	13	14 0	17	7 0	19	11 0
25	"	13	2 0	13	14 0	17	7 0	19	11 0
30	"	13	2 0	13	14 0	17	7 0	19	11 0
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40	"	14	4 0	15	0 0	18	14 0	21	6 0

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40	SC/BC	15	12 0	16	8 0	21	0 0	23	10 0
60	"	16	11 0	17	7 0	22	5 0	...	...
75	"	19	14 0	20	10 0	26	7 0	...	...
100	"	23	13 0	24	9 0	31	11 0	...	...
150	"	39	12 0	...	...	58	0 0	...	...
200	"	60	0 0	...	...	80	0 0	...	...
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Business Brevities

Value of Tung Oil

Tung oil, the product of a tree of the same name in China, commonly used as an ingredient for paints and varnishes has been the subject of research at the Forest Research Institute, Dehra Dun. Experiments at the Institute show that the Tung tree has a wide range which renders its propagation in many localities in India possible.

Ceylon's Co-operatives

Ceylon's Co-operative Wholesale Establishment, set up by Government during the early days of civil defence administration, has now been taken over by an independent commercial corporation. The C.W.E.—created in 1943 when the food emergency was at its peak—has up to now been the chief distributor of food and other essential supplies to the civilian population through the medium of the consumer co-op's societies. Prime Minister Don Stephen Senanayake—popularly known as the "Father of the Island's Co-operative Movement"—inaugurating the new C.W.E., recently, said the occa-

sion marked a new era in the history of the co-operative movement in Ceylon. From now it would be run as a commercial concern "untrammelled by Government's financial and other regulations," he added.

Production of Sunn Hemp

An account of the production and marketing of sunn hemp, one of the important fibre-yielding plants of India, which ranks in importance only next to jute and cotton, is contained in a bulletin issued by the Agricultural Marketing adviser to the Government of India. Out of the total estimated annual production of 116,000 tons of sunn hemp, nearly two-thirds is used within the country. A considerable quantity is used for making twines, strings, ropes, fishing nets, and matting for floors on a cottage industry basis. Small quantities are also used in the manufacture of paper. Besides its use for fibre, the sunn hemp crop is valuable as green manure and the tops of plants are also used as cattle feed in certain parts of the country. About one-fourth of the total production of sunn hemp is exported,

with room for further developments particularly in view of the standardisation of quality grades under the Agricultural Produce (Grading and Marketing) Act. The bulletin makes suggestions for improving the yield and the quality of fibre.

New Uses for Brass Scrap

Brass scrap in the form of turnings, off cuts and rod ends is used in the extruded production of brass rods and sections by an up-to-date group in the Australian metal trades industry in Melbourne. With this scrap substantial quantities of virgin copper and zinc are also used. The charges to the furnaces are loaded into the foundry room furnaces by overhead crane. Two types of electric furnaces are used in one factory. One is a low frequency induction type with a capacity of 1,400 lb for brasses, whilst a rock-ing arc furnace, holding 800 lbs. casts copper and high copper alloys. Extruded sections are finding a wide application in Australian industry for the economical manufacture of parts like pinions, gears, hinges, door handles, padlocks, safety razors and other products.

Books for Business Men

INDUSTRIAL FINANCE IN INDIA.—By Saroj Kumar Pasu. University of Calcutta. 1950. Price Rs. 12. Pp. 454.

The problem of providing adequate financial facilities for industries has assumed an importance at present it had never done before. Besides industrial reconstruction we have to meet increased competition in the markets of the world. Old industries require to be re-conditioned and extensions are urgently called for. To start new industries finance is required on a larger scale than ever before. The very life-blood of industrial growth consists in the systematic and orderly supply of long-term finance. But it has not been forthcoming during the past few years due to what is sometimes termed a strike in the capital market.

The book under review is an attempt at a survey and solution

of the main problems of industrial finance in India. The principal agencies for the supply of industrial finance have been analysed. The role of managing agents in rendering financial assistance to industry, and the extent and form of financial assistance furnished by the State to industry have been investigated. A review of the recent activities of the State in other advanced countries in regard to industrial financing forms a useful and interesting background for the study.

The question of banking policy with regard to industrial financing in some representative countries has been examined in some detail, along with the feasibility of establishing special institutions in India for solving the problem of long-term industrial finance. The author also suggests the lines on which a suitable machinery for solving the problem of long-term industrial

finance may be evolved under present-day conditions.

In the second edition which is now available, war-time and post-war developments in the financing of industry in India and abroad have been carefully examined. The problems of industrial credit in war-time have been analysed against the background of the mechanisms that were evolved in several belligerent countries for financing their war industries, and some of the major gaps that existed in the financial mechanism in India have been indicated in this connection. A critical study of the Industrial Finance Corporation of India and the ways in which it can profit from the experience of foreign institutions are indicated.

The present work is based upon a thesis approved for the Degree of Doctor of Philosophy of the University of Calcutta.

European Payments Union

SALIENT FEATURES OF NEW SCHEME

By JOHN KINGSLEY

Inadequate reserves of foreign exchange, including gold and dollars, have been a main cause of trading difficulties in the non-dollar world since the war. These reserves have, with few exceptions, not yet recovered to the point where they could stand the strain of being exposed to the normal fluctuations of trade. The importance of the European Payments Union which has just been set up by the Marshall Plan countries with the assistance of the U. S. A. is that it enables a large number of countries collectively to take the risk of making their currencies convertible with each other, a risk which they could not face independently.

The machinery which is now set up has many features which express the fear that currency convertibility may mean the loss of gold.

Clearing House

The European Payments Union is to act as a clearing house which will balance out surpluses and deficits in the trading accounts of the various nations taking part, and will calculate for each member country its net surplus or deficit. This will be done every two months in 1950, and every month thereafter.

By the terms of the agreement the transfer of gold will be both postponed and limited. Each country's stake in the scheme is expressed approximately in terms of its European trade in 1949. Net deficits and surpluses amounting in value to 3 per cent. of the country's 1949 trade will be settled by credit.

Larger net deficits, up to 15 per cent. of the country's 1949 trade (which is known as its "quota" on the E.P.U. books) will be paid by a combination of gold payments and credits, with the proportion of gold payments rising on a sliding scale to discourage running a large overall deficit in European trade. On the other hand, up to 15 per cent. of the quota in a country's net surplus will, after passing the first

three per cent. step, be paid half in gold and half by credit.

Extra Credit Margins

This cuts out the possibility of any one country pressing another for gold payments or of exploiting some special advantage over another country to secure payment in gold. A consequent effect is that the European "hard" currencies, such as the Belgian and Swiss francs, are put on the same footing as other European currencies.

Some countries which are expected to earn net surpluses will be required to write off a proportion of their claims for E. P. U. gold in exchange for Marshall Aid dollars. The U. K. is recognised to be in a specially difficult situation because some of the European countries, notably France, Italy and Sweden, hold sterling balances known to exceed £100,000,000. There are to be negotiations to settle payment of these debts so that they do not immediately make the U. K. a net debtor under a liability to pay gold to E. P. U. But any repayment of debts will be reflected in the E.P.U. accounts, and therefore the Economic Co-operation Administration has agreed to underwrite any gold losses the U. K. may suffer from the use of sterling balances.

Even with so many safeguards the Marshall Plan countries have not adequate gold reserves to prime the European Payments Union with a working capital. This working capital, amounting to between \$350,000,000. and \$400,000,000, is being provided by the United States through the Economic Co-operation Administration.

In addition, the Economic Co-operation Administration will provide a "special assistance" fund which can be used in special circumstances to help debtors who get into exceptional difficulties.

The vital part played by the U. S. A. in setting up the European Payments Union underlines the

fact that this is the most important stage in the European Recovery Programme. It can be said that the first two years of E. R. P. were mainly directed towards the physical problems of restoring European production, and that the main problems of the second two years will be the establishment of freely moving international trade—the smooth exchange of goods and services made available by the successful production drive,

Transition Period

The transition into the new European Payments Union has been contrived to interfere as little as possible with current trade. Indeed, though it will be effective as from July 1, its first consequences will not be known until the first balance is struck at the Bank of International Settlements in Basle in September. It supersedes many of the existing bi-lateral trade and financial agreements, several of which will have to be re-negotiated in various respects—for example, to fit into undertakings to eliminate trade discrimination between countries, and to raise the proportion of European trade to be free from import quotas from 50 to 60 per cent.

To avoid any sudden break with useful trading practice it was agreed that members of the European Payments Union need not necessarily hold their surpluses in the new "E. P. U. units", but in any of the national currencies in use. This will, for example, enable countries which have found it convenient to hold sterling to continue to do so and enjoy the advantages of an established international currency.

In this respect in particular, the European Payments Union has contrived to incorporate into the new machinery the progress already made towards the revival of multi-lateral trade based on convertible currencies.

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Mr. K. C. Neogy's successor in the Commerce Ministry may now be said to have ceased to be the "New Commerce Minister." He has been in the saddle for some months, for as long a time as is essential to enable him to take the bearings of his Ministry; and he should be in a position to steer his course so as to avoid the Scylla as well as the Charybdis which endanger his way.

One of the most important problems which face him is the reform of the company law. This has to be done in such a manner as to instil confidence in the minds of the investor that his money will be properly utilised by company promoters and directors on the one hand, and to encourage enterprise, initiative and a sense of responsibility on the part of company managements on the other. The proposals of Mr. V. K. Tiruvankatachari and his colleague are now before him and the country looks to him to bring this part of India's legal system into line with that in advanced countries.

That Mr. Prakasa realises the importance of this branch of the Commerce Ministry's work is evidenced by his interest in the accountancy profession and his appreciation of its potentialities in the direction of promoting traditions of healthy and efficient standards of management. The accountant has developed into the friend, philosopher and guide of the *entrepreneur* in the business world and the success of modern administration of large-scale businesses is conditioned by the efficiency of this new and rising profession.



AMRUTANJAN

that of the essential requirements of the peasants to carry on cultivation. The change in the habits of life too of rural folk that has come about since the war started does not hold out any hopes of their becoming bank-minded in the near future. The construction of modern houses and the adoption of artificial ways of life *a la mode* the townspeople must have absorbed much of the surplus money they may have had during their recent spurt of prosperity.

* * *

Film Industry's Woes

The evidence tendered so far before the Film Enquiry Committee shows unmistakably that the film industry is in a very bad plight and that nearly every one engaged in it is handicapped for one reason or other. Producers in South India are finding that it costs nearly 4 lakhs of rupees to produce an average picture. While an established producer might get loans at from 10 to 25 per cent. interest, less established ones had to pay even up to 60 per cent. Lack of finance was responsible for the non-completion of 30 to 40 per cent. of the films. Studio charges have risen from Rs. 135 a day in 1940 to nearly Rs. 1,000 a day at present. Star actors, who were getting about Rs. 4,000 a picture before, now demand nearly eight times this figure. Exhibitors on their part complain that entertainment tax has been doubled, that the cost of running a theatre has greatly increased, and that publicity charges have gone high. There is a great dearth of film stars, with no reserve of talent to draw upon and no facilities to train up young men and women in this line. Film stars of established reputation work in several studios at the same time, and earn fabulous amounts by acting, while the smaller fry get next to nothing. Technicians find their service conditions intolerable and clamour for better wages, allowances and amenities. Studies and researches in film technology, film manufacture and film production are lacking. Censorship is slow in operation and delays the exhibition

of pictures, and there is no uniformity whatever in the matter of censorship from State to State.

The above is a catalogue of the grievances as given by witnesses before the Enquiry Committee. There may be some exaggeration on the part of the witnesses, but the impression one gathers cumulatively is that the film industry is in the doldrums, that the production of a picture has become a mere speculative gamble, and that the prospects of the industry are gloomy to a degree.

Censorship is now to be centralised and the Government propose to do away with the Boards in the various States. This is a step in the right direction, no doubt. The proposal by one of the witnesses to start a Film Finance Corporation to help producers in trouble by advancing money at reasonable rates of interest is also commendable. The Film Enquiry Committee may be expected to submit its report to the Government without delay so that early steps may be taken to do away with the present bottlenecks and put the industry on its feet again.

* * *

Mr Deshmukh's Octachord

The policy which Dr. Deshmukh proposes to pursue as the new Finance Minister of the Government of India was detailed by him in India's Parliament which met in New Delhi last week. Here are the eight points round which that policy is to rotate:

(1) To ensure that no fresh inflation was generated and to that end to follow sound fiscal and monetary policies; (2) in particular not to relax in the pursuit of economy; (3) to endeavour to remove or minimise the strain on the country's economy attributable to her political and economic relations with neighbour countries; (4) to press forward purposefully plans to attain self-sufficiency in food, cotton and jute; (5) to make sustained efforts to establish conditions in which industrial production could be maximised; (6) to assist as far as possible in alleviating rural under-employment; (7) to watch

the price level vigilantly and take measures within its constitutional and administrative resources to hold it in check and (8) utilisation of the country's limited resources in the most advantageous manner possible.

The fundamental difference between this programme and that of Dr. Matthai is that whereas the former laid down targets and sought to attain them, the new policy is generally to do one's best in every field without seeking to achieve any rigid aim. Mr. Deshmukh's policy is realistic, pragmatic and, above all, defensive in the best sense of the word. The Government will retain all powers of control and even seek more of them; but he will use them strictly to achieve limited goals, to concentrate effort, not on pursuing shadowy ideals which may recede like the horizon the moment you seem to approach them, but on avoiding hardships to the community. The policy will be resilient and controls will be administered, not to attain abstract ends, but to promote "measures within its constitutional and administrative resources."

The implications of such a policy are far-reaching and they are in accordance with the fundamental principles we have been upholding in these columns these well nigh three years. "Let well alone; One stop enough for me!"

United India Assurance

The United India Life Assurance Co. wrote 11,170 new policies assuring over Rs. 9.14 crores in 1949. The Life Fund rose from Rs. 4.24 crores to over Rs. 4.82 crores and the Company's larger resources were attested by the rise in annual income to Rs. 1.12 crores. After meeting claims totalling Rs. 22.86 crores and expenses, the surplus was transferred to Reserve and Life Fund. The assets of the Company at the end of 1950 were held largely in Government Securities totalling over 2.85 crores and cash with banks covered out standing claims. The report presented to the 41st annual meeting on July 31 shows continuous rise in the income and funds of the company whose total business in force exceed Rs. 21 crores.

New Deal for Small-scale Industries

Whether from the point of view of solving the growing problem of unemployment or of avoidance of social evils consequent on over-centralisation of large-scale industries, or of the paramount need for raising the standard of living of millions of our countrymen particularly in the rural areas, from whichever point we examine the problem, it is obvious that we must encourage a co-ordinated and systematic growth of cottage industries. Mr. Harekrishna Mahatab, India's Minister for Industry and Supply, addressing the Maharashtra Chamber of Commerce the other day, emphasised the point that as many small-scale industries as possible should be started to make the country industrially active. That was the best policy, he said, adding that his Government was ready to place at the disposal of any Indian *entrepreneur* the services of two Japanese experts, brought to India to advise on the development of small-scale industries.

Introduce Modern Methods

Though there is no real conflict between large-scale and small-scale industries in our country at present, both, in the national interest, have to be properly integrated into one coordinated economy suited to the welfare of the people at large. Such a co-ordinated and systematic growth of cottage industries, however, bristles with difficulties, such as procurement and distribution of raw materials, maintenance of proper standards, prices and profits, and above all, finance and marketing.

A new orientation should be given to production in cottage industries, and this orientation can be brought about only by a larger mechanization of the methods of production, the invention of small machines and labour-saving devices, the adaptation of imported machines to local conditions and to the use of our raw materials, the study of techniques of production followed in other countries and experimental work relating to adoption of new small-scale and cottage industries. The

most important question confronting small scale industries is modernising the methods of production and adapting them to changed and changing market tastes and conditions.

Whether the newly constituted Cottage Industries Board can serve any useful purpose in bringing about this change is a moot question. From the very nature of things, no Central Government organisation can efficiently deal with individual units of cottage industries. The functions of the Centre have necessarily to be limited to co-ordination of the work done by the State Governments and others, rendering them specific assistance when required. The Centre can only undertake their own activities in certain limited fields such as the training of instructors and experimental work in a Central Institute, the promotion of exports, etc. The development of cottage industries, therefore, becomes primarily the responsibility of the State Governments, and the Centre should co-ordinate their activities and assist them by grants, supplying controlled materials, developing export trade, etc.

Problem of Modernisation

A resolution passed at the two-day session of the All-India Cottage Industries Board held last February at Jaipur recommended adequate credit facilities for small-scale and cottage industries by extending state aid or by organising separate Finance Corporations in each State. Government help, financial or otherwise, and guidance are quite essential for the promotion of new industries and modernisation of existing ones. Without such help they cannot make much headway, even if they are organised on cooperative lines and adopt modern methods of production.

Cottage industries production at present is confined mostly to artware, and there is a comparative lack of utility goods. Unless they produce also utility articles for the average consumer, there is little

hope of their expansion and development. The Congress Agrarian Reforms Committee made the following weighty observation: "Many of our cottage industries are still being operated on lines which have come down to us from ancient times and the articles produced are not calculated to meet the modern changing demand. Hence it will be necessary to carry on extensive research in such industries so as to enable them to play their role in the modern economic structure."

The handicrafts even in highly industrialised nations have switched over to modern conditions. In Germany, handicrafts have adapted themselves to modern conditions and are able to keep pace with the changing times. According to a recent estimate, one-eighth of the entire population of the Reich lives on handicrafts. The Madras Committee on co-operation observed in 1939, "Japan is largely a country of small industries, handicrafts and family enterprises and a marked tendency has been observed towards their expansion." 60 to 70 per cent. of the industrial workers are employed in domestic industries and more than 50 per cent. of the exports, measured in terms of value are produced in these domestic factories." There are 20,000 handicrafts' co-operatives in Russia with a membership of 17.5 lakhs, and modern methods of production are in vogue.

In India production should be switched over to utility goods preferably for immediate domestic consumption in the area concerned.

Co-operative Organisation

It is now recognised on all hands that one of the best possible organisations for small-scale and cottage industries is the co-operative one. Several planning committees during the past few decades have come to the conclusion that the existence and development of rural and small-scale industries depend on the introduction of the principle of

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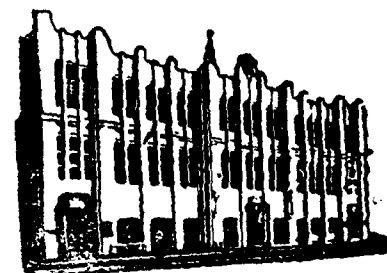
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cooperation in their organisation. This is essential if the artisans are to reap a reasonable profit from their labour and if rural industries are to be placed in a position to survive the threats to which they are exposed. If the artisans are so organised the task of the Government to organise credit facilities, purchase of raw materials, market the products, and advance credit for purchasing improved machinery will become easier.

The Congress Agrarian Reforms Committee recommended that the working of all small-scale and cottage industries should be regulated by Multi purpose Co-operative Societies which would issue raw materials necessary to the registered workers, take back the worked-up material, and when such is turned into consumer goods will put them in the market. The Co-operative Society should also supply the necessary tools either for sale or on hire and guide and supervise the work necessary. When the registered worker returns his product to the society, he should be paid according to time or piece-work. Where necessary, workshops should be provided by the Society for the registered workers to carry on their occupation. In the case of industries which produce for an outside market, patterns and designs should be supplied by the Co-operative Society according to the instructions of their research department.

It is now almost an year since the above recommendations were made. What is needed now is not so much new Committees and Boards to consider the problem anew but efforts at organisation and implementation of the recommendations already made.

It is disappointing that the co-operative movement has made little progress in spite of elaborate official organisations. Efforts may now be concentrated on the establishment of well-organised co-operative institutions working intensively in a limited area to deal with problems of particular industries in all their aspects. Such intensive work in selected areas should be directed towards the development of traditional crafts

and particular selected industries in the area concerned so that local genius may find an outlet for expression and migration of workers from one area to another prevented.

(Contd. from page 619)

responsible. The employer should create stable conditions of work for his employees, a healthy atmosphere to work in, and offer them sufficient inducements now and then, monetary or other, so that they may put in their best. At least, he must look to it that his employees get enough to satisfy their basic needs, such as food, shelter and clothing. If he does this to a reasonable extent, he may be said to have done his duty to his employees, whatever be the prevailing cost structure of essential commodities. Employees too, once they are assured these basic necessities of life and given tolerably good treatment, must reward their employers with sincerity, loyalty, and increased turnover. If the labour problem is viewed in this broad light, much of the prevailing confusion about standards of living, cost of living, living wage, fair wage, amenities, and so on, will disappear.

Human efficiency is conditioned by human weaknesses and the atmosphere in which an individual has to live and work. Though competition under modern conditions tends to make man more and more impersonal and mechanical in his ways of life, man differs basically from a machine in that he has hidden talents while a machine has none, and can change and become more efficient given proper treatment and a congenial atmosphere. Just as it is more economical to repair a costly machine instead of replacing it, the human machine too, which is the costliest of all machines, though comparatively cheap in this country, can be set right if it goes out of order by means of proper remedies applied in right time.

"Guidance Clinics"

Industrial establishments in our country employ many lakhs of persons of varying capacities and abilities; but a psychological study will

reveal how far below the efficiency level of their potentialities they all function, resulting in an enormous amount of waste of human energy and mental capacities. Emotional conflicts, jealousies, hostilities, feelings of hatred and guilt and an attitude of inferiority complex towards their employers and masters are getting accumulated in the minds of workers which not only prevent the fuller growth and development of their personalities but also reduce by stages the degree of their efficiency. Prof. K. T. Shah observed on the floor of the Assembly on Monday that labour in our country is as disgruntled as ever and that there are the greatest of misgivings on the part of organised labour.

A correct understanding of the psychology of workers and the opening of efficiency schools and "guidance clinics" may enable the workers to achieve a better integration of their experiences and abilities with a proper assimilation of unpleasant experiences which are bound to crop up in the life of every individual. This will result in better turnover to the advantage of all—the workers, the employers and the nation at large.

The study of industrial psychology in our country is in its infancy. Dr. G. D. Boze, an expert in this field, in an address at the Rotary Club at Madras, said that in our country, we are just beginning to utilize the contributions of modern psychology to our advantage and that we need more "guidance clinics, with a mental health programme and education. A psychological clinic, Mr. Boze said, may not merely be a centre of treatment for neurotic disorders, but also a centre of counsel and guidance and "serve the important function of helping people to maintain their efficiency level at the highest possible limit." Certainly, the study of industrial psychology requires maximum encouragement in our country. America, U. K. and other industrialized countries of the West are much ahead of us in this respect, and it is time we made at least some modest beginning.

—T. R. S.

New Approach to Labour Problem

There is an ever pressing call for increased production in almost every industry today; there is also a persistent clamour from labour for increased wages and amenities. While the war gave a fillip to industry, the men too quickly learnt that they could demand and get higher wages than they had ever earned before. There is a widely current view among labour leaders and a certain section among socialists that to enlist the intelligent and active co-operation of workers in the organisation of industries higher wages and a continuous improvement of their working conditions are necessary. Mr. Asoka Mehta, the Socialist leader, outlined recently a six-point Labour Charter to grant fair wages, better social amenities and security, better housing facilities, and incentives to higher employment to labour.

Wage Incentive Scheme

Various incentive schemes have been discussed during recent months with a view to create the right type of atmosphere for the worker so that he may give to the industry the best that he is capable of. Mr. G. G. Patman, addressing the Bombay section of the Institution of Production Engineers recently, observed that the incentive should be in the form of money, which the worker could have in his pocket to spend as he liked. He was convinced, he added, that to increase the output of any man in any country, the will to work must be created by offering the person concerned something over and above what he normally received for his labour, and that that something must be individual to the person concerned, and not related to groups or bodies of people in general. In other words, the person must receive something tangible and personal. Any scheme such as making this payment in the form of Saving Certificates, contributions to a provident fund, or to general welfare would be unsatisfactory, he said. Mr. Patman suggested besides that the fact of an individual earning incentive money should continually be brought to his notice, that the money should be paid at

frequent intervals, and that the worker should not be made to consider such incentive wage as a right since "anything received as a right could not be regarded as an incentive."

Value of Monetary Incentives

There are certain decided advantages in the scheme of Mr. Patman. No individual will work harder by mere patriotic motives, lip sympathies, or the love for his boss, but only by the conviction that if he did work harder he could have more of the amenities of life which his fellowmen enjoy. If he is assured that he will benefit by putting in extra work, his will to work will be strengthened and the chances are that the output per man will increase at least in proportion to the incentive granted. It is indisputable that there are several millions of young men employed in all walks of life who, given suitable monetary incentive, may yet give increased and better outputs.

Whether this will to work will be created by monetary wage incentives is a problem which does not admit of an easy solution. Though wages have increased in recent years, the prices of commodities have also shown a sharp rise with the result that the real wages of the worker have hardly shown any improvement. A further increase in monetary wage will not therefore constitute a way out of the vicious circle. Besides, the increase in the general standard of living brought about by enhanced wages for labour has lagged far behind compared to the rise in the cost of living. The result has been that though men found themselves with money in their pockets where they had none before, they could not secure the same amenities as before. Such among the workers who had families to support spent it on their families, while others spent it foolishly. The result in both cases has been that increased wages have not proved conducive to sustained physical efforts over long periods and unauthorised absenteeism has increased.

Available statistics prove unmis-

takably that the increase in wages and dearness allowances and other ameliorative measures for the wage-earning population in our industries have totally failed to increase productivity levels. The *per capita* output in the coal industry alone has decreased from 141 tons per annum in 1938 to 94 tons in 1947, a fall of about 35 per cent., while both gross and real earnings for labourers in this industry have increased enormously. In the case of jute and cotton textile industries too labour costs have been steadily going up while the *per capita* output has been falling. No wonder, labour costs constitute at present nearly 80 per cent. of the total cost of production in some major industries. The low productivity of the labourer is resulting in inflated prices to consumers and the maintenance of a surplus labour force the cost of which is being ultimately borne by the community at large. Hence, one of the nation's needs today is economy—both in money and manpower.

Satisfy Basic Needs

It is however possible for short-sighted employers who are keen on the efficiency of their workers and the rationalization of their concerns to wield the economy axe without mercy; and since human material may become as cheap as dirt due to growing unemployment among all walks of life, more work may be extracted from existing employees. This is not warranted by economic justice. Unwise axing of workers by industrial establishments in the interests of economy and increased efficiency may result only in unemployment and the killing of all initiative, both of which are extremely uneconomical. If a man is thrown into the dustbin, he becomes a liability for the State besides becoming a victim to perverse doctrines and ideologies, and his family may go to dogs.

Increased efficiency can result only from the creation of certain basic conditions for which both employer and employed are

(Continued on page 618)

petroleum and salt, the increase was only slight. The coal industry yielded the peak production of over 30 million tons in 1947, while the manganese-ore production showed an increase of about 78 per cent. over the previous year's production. The total value of minerals produced in the Indian Union during 1947 was about Rs. 60 crores against Rs. 50 crores during the preceding year.

College for Conservation

A novel graduate programme of research and instruction in the conservation of natural resources is now offered in the United States. Yale University, in co-operation with the Conservation Foundation, a private organization devoted to the preservation of natural resources, has established recently a two-year course that will lead to the degree of Master of Science in Conservation. Many other American colleges and Universities also offer instruction in conservation. The programme is described by Mr. Fairfield Osborn, president of the Foundation, as "a step of extraordinary importance in the development of the conservation movement in the United States".

The Yale programme, open only to graduate students, deals mainly with renewable resources. It includes courses in ecology (the study of mutual relationships between living organisms and their environment), geology of soils, oceanography, forestry, and microbiology. Many such courses are already included in the Yale curriculum. A considerable part of the new programme centres upon study and research in the field.

Utilising Industrial Waste

It is now possible for us to produce synthetic rubber, ammonia, nitric acid, mineral oils and other important products from easily available substitute raw materials and to recover sulphur, chemicals, metals, fertilisers and building materials from various waste products. Modern industrial operations extract only a small fraction of the raw materials as valuable marketable products, while large quantities of foreign ingredients are dis-

carded in the process and discharged into the air as gases or dusts and into the rivers as effluents. These discharges pollute the air and water and cause considerable damage and annoyance to the public besides seriously endangering public health and aquatic life. Recovery of useful products from these industrial wastes is necessary in the interests of national economy and public health.

Dr. J. K. Chowdhury of the Bose Institute at Calcutta, in the course of his presidential address at the Chemistry section of the Indian Science Congress held at Poona in January, pointed out that sulphur was an important article that could be recovered in large quantities from waste gases. Germany recovered the major part of her sulphur requirement from cokeoven gases and synthesis gases, while U.S.A. recovered considerable amounts of by-product sulphur mostly from natural and refinery gases. A large number of processes have been developed in recent years, some of which are quite efficient and enable economic recovery of sulphur even from dilute gases. He added that in India, Assam coal was particularly rich in sulphur, but the sulphur dioxide in the combustion gases was not recovered, though British power plants were reported to have been recovering it from gases containing only 2 per cent. sulphur dioxide. It is said that about 20 tons of sulphur were lost every day in the smelting of copper ores in Singhbhum district, and it was worth-while to explore its possible utilization for the manufacture of ammonium sulphate in the synthetic ammonia plant at Sindri.

Wealth from Waste

As regards municipal wastes that consisted mainly of refuse matter and sewage Dr. Chowdhury said that sorting was the basis of the exploitation of refuse matter. Important articles such as tin vessels, non-ferrous metals, scrap iron, rags, paper, glass, rubber goods etc., were picked up from municipal refuse. The residual organic matter was fermented in closed chambers when

fuel gases and valuable organic manures were obtained.

In the field of minerals, he said, improved dressing processes had enabled utilization of low grade ores, thus greatly expanding the raw material supply within the country. Valuable by-products were now obtained from metallurgical operations such as the smelting and electrolytic process. The utilization of low grade coals and coal dusts had made considerable progress in recent years and coal ash promised to become a source of several valuable rare metals.

Cellulosic raw materials used for pulp and paper industries contained large percentages of lignin and other organic substances which found little use but, many interesting processes have now been developed for utilizing these waste materials and recovering a part of the sulphur used in the extraction of cellulose.

A programme of work on national lines for the exploitation of mineral resources can be drawn up by the combined effort of scientists, technicians, financiers and administrators. The formation of a national committee similar to the Royal Commission in England and the National Resources Committee in U.S.A. can solve many of our problems of resource conservation.



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Future of Cheap Money Policy

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With the outgoing of Hon'ble Dr. John Matthai from the Cabinet and the entry of Hon'ble Mr. Deshmukh some change of policy is likely to take place. Comments have already appeared in the press with regard to their difference of opinion on the question of cheap money. Mr. Deshmukh appears to be less firmly committed to cheap money policy than his predecessor, as is clear from the attitude of the Reserve Bank towards it. Mr. Deshmukh's speech under the auspices of the Gokhale Institute in 1948 also clarifies his view on this issue.

But, an abrupt change of economic policy may mean economic chaos. As a contemplated change in the monetary policy involves a fundamental change in the principles and practice of monetary theory it may affect the country's economy. We shall analyse the implications of such a change.

What Cheap Money Means

The idea of cheap money is not new. As a stimulant for economic activity by making income more stable and through it the employment, it came to be widely advocated in the years of the last great depression. Prof. Pigou means by cheap money policy, "the policy of holding the representative money rates of interest (or, better, the complex of rates), on the average and on the whole substantially below the level at which it would have stood in the absence of intervention."

Economic activity is stimulated by reducing the cost of investment in the form of a reduction in the bank rate via an increase in the quantity of money. The result is that money is available at a lower rate than when the ordinary rate of interest prevails. Such policy is designed to reduce the marginal productivity of capital and bring about an increase in production and employment and augment the wage-bill of the nation and bring about an

all round prosperity by placing more money in the hands of the masses. Sometimes it is achieved and accompanied by promotion of investment in some undertakings which appear attractive to the people, as it happens in war to meet war-time needs.

Lord Keynes was a powerful exponent of this theory and the socialist Chancellor, Dr. Dalton too, followed it mainly to cheapen the cost of nationalising schemes and ensure full employment.

Ill Conceived and Ill-timed

The course of cheap money policy in India was not smooth and well-designed and, contrarily, it was only an ill-conceived and ill-timed measure to finance war at all costs by sacrificing the country's economic stability. In 1931 the bank rate was 7% and it was reduced to 3% in 1933 together with the call money rates. The funds of the banks increased due to sale of gold and the depression resulted in the reduction of demand for money from Government, trade and industry. The economy-axe of the Government fell on its every activity and most of the development projects were abandoned. There was no outlet for investment and the gilt-edged securities got a fillip.

Between 1936-39 the market was stringent and there was brisk business and high demand from commerce and industry. There were many company floatations and an increase in the volume of foreign trade. All this increase in the economic activity required large funds, and as a result the short term rates shot-up. But for the Government interference, the rise would have been more steepening at the out-break of the war in 1939, when there was enormous expansion of currency and credit in India as in other countries. The quantity of money to lend and spend multiplied. But financial and physical controls and restrictions were enforced due to which money to spend could not be turned into goods and money to

lend into profitable investment. Goods were scarce and investments restricted. So the Government acquired monopoly over the glutted funds of the market and there was heavy speculation in shares. All this cumulatively resulted in a reduction of the bank rate. Such a downfall in savings was the result of very important and most fundamental causes. As was observed in the course of an economic survey: "Since in the war economy savings are applied to a purpose whose productivity is zero it is natural and desirable that the interest rate should be zero or as close to zero as possible."

In the sphere of Indian war finance there was a new era of cheap money in 1946 when Government converted 3½% Non-Terminal Loan to 2½% 1976 Loan and/or 3% 1986 Loan and floated a new 2½% 1954 Loan. Thus to Government cheap money policy was a distinct advantage. But it had serious repercussions on other sectors of our economy and resulted in hydra-headed inflation.

But, as was pointed out in an issue of *Tata Quarterly*, the cheap money policy affected only the organised sectors of our highly unorganized money market. In this way it touched only a fringe of our total investment and money transactions. Multitudes of petty traders and indigenous bankers as a class were left out of its purview. As noted by a Reserve Bank Bulletin, its benefits have not percolated to other sections of economy, particularly agriculture and the indigenous bankers—the backbone of our money market. Unlike the organised capital market of the West, our capital market has not taken any countable benefit therefrom. Lack of coordination between organised and unorganised sections chiefly stood in the way of this percolation of the benefits of the cheap money policy into the dry channels of our under-developed

Abolition of Zamindaries—What Next?

BY PROF. S. C. SAKSENA, M.A., M.COM., LL.B.
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Legislation for the abolition of Zamindaries is in full swing in nearly all the States of the Indian Republic. But in order to make the scheme of abolition a success, it is very essential to consider its after effects. There must be a well-thought out plan to replace the existing faulty system. The problem of ownership of land when the Zamindaries are abolished is now engaging the attention of the authorities.

There are a number of alternatives, and we must choose the one which is best suited to Indian socio-economic environments. Let us have a look at the various systems and examine their merits.

Collective Farming

This is followed in Russia. It is a mere cultivating partnership. It is an economic community of cultivating tenants, who pool their resources and entrust the work of management to a committee. The plan is laid down by the state, which issues also detailed instructions. Remuneration is calculated in workingday units.

Dr. R. K. Mukerjee, in his *Land Problems of India*, holds that Collective Farming is not suited to our present socio-economic structure. It lacks private initiative and hence will aggravate our food problem. Our peasantry has a love for property and this Russian model would be regarded as an expropriation of their natural rights. The age-old advice of J. S. Mill, "give the ownership of a rock to a man and he will turn it into a garden," is a correct description of the Indian mind. It may however be suggested that Collective Farming may be carried on as an experimental measure by the State on arable waste lands and reclaimed lands.

It is based on the capitalistic ideal and profit is the main consideration. All the evils of absentee landlordism are found in it, and hence this system is unworkable.

Here the state owns the land and the processes of production and

makes payment to the labour. This method is also unfit for India because it lacks the personal touch and may be recommended simply for experimental purposes.

Co-operative Farming

This term is used in different senses with different meanings. Co-operative societies have been organised in some European countries such as Italy, Palestine, Bulgaria, etc.

The societies in Italy usually begin by taking land on either rent or profit-sharing basis, and after gaining experience of land management, purchase it. They are generally of two types, viz., *Conduzione Unita* and *Conduzione Divisa*. Under the former the land is cultivated jointly by the members the means of production being owned by the society. The members work on wages, but the surplus income, after meeting expenses and providing for reserves, is distributed among them in proportion to the wages earned. In the latter, the small tenants join together to obtain the advantages of association. The land is leased out to members for individual cultivation. The society exercises the function of direction and supplies common services, such as credit, marketing, and use of costly machinery.

A co-operative farming society may take one of the following four forms: (a) Co-operative Better Farming Society, (b) Co-operative Joint Farming Society, (c) Co-operative Tenant Farming Society and (d) Co-operative Collective Farming Society.

In Co-operative Farming the ownership vests in the society, namely in the members of the society and that is the crux of the problem. Benefits may be many if co-operative cultivation is introduced as an experimental measure in certain selected areas in our country. Better Farming societies may also be started whereby the ownership will remain with the members. The actual processes of farming may be carried on

individually, but the members may approach the society for specific purposes such as for credit, manure, seeds, improved machinery, grading, marketing, and so on. This was recommended by Dr. K. N. Katzu for Uttar Pradesh when he was Minister of Co-operation and Development.

Peasant Proprietorship

This is now considered the best substitute for the Zamindari system because it is in consonance with the present socio-economic environment and the traditions and sentiments of the tillers of the soil. The famous dictum of Arthur Young, "The Magic of property turns sand into gold", will work wonders.

It may be suggested here that Bhumidari rights may be granted to those peasants who contribute to the Zamindari Abolition Fund, and this scheme will be a success because their love of property would persuade them to arrange for appropriate funds even by selling their ornaments or by borrowing from Land Mortgage Banks.

Better Farming Societies may be introduced by the States in each village, as also a Demonstration Farm exhibiting the use of improved seeds, manure, implements, machinery, pest-control devices, standardization, etc.

USE



LAMPS

THE NATION'S BEST

Resources' Conservation

Prof. Edmund W. Sinnott of the Yale faculty notes that there is a growing demand in industry and Government for men trained in conservation. He adds that without sufficient attention to adequate conservation techniques "there will be tragic implications to human life. Serious problems of sociology and economics are involved as well as the question of men's stewardship of the earth's resources"

There is no justification whatsoever for the widely prevailing view that our country is poor in her mineral resources with no scope for large-scale development of non-ferrous metal industries. Only during the past two or three years has any systematic prospecting for metallic ores been attempted, the usual practice being to dismiss without detailed prospecting non-ferrous ore deposits which occur in a scattered or disseminated state as not worth the attention of the modern metal miner or smelter.

Introduce Modern Methods

With more student graduating as mineral engineers, along with the expansion and co-ordination of the Geological Survey of India and the Bureau of Mines, the Indian Republic may yet play an important role in the mineral industry of the world. What is needed today is the adoption of modern methods for prospecting and development, basic changes in the mineral concession rules, and establishment of more technical institutions.

Modern methods of exploration include Aerial surveys and taking of aerial photographs for geological mapping, and the adoption of geophysical methods, namely the application of physics to locate geological structures or bodies under-ground. While geological observations on the surface give fairly good information in two dimensions, core drilling by mining engineers will give an exact picture of the third dimension, namely depth. Thousands of feet of exploratory drilling in foreign countries in recent years has revealed millions of tons of precious ores. In our country, however, it has been possible only for a few mining companies to maintain their drilling units, while others find themselves helpless. The maintenance of drilling units and exploration work at nominal cost may yield dividends.

Sufficient data is not available as yet regarding the extent of the natural resources we possess. But even on existing information a good start can be made in the development of new industries if finance is forthcoming and industrialists co-operate with the Governments concerned.

Abundant Resources

Presiding over the Rajasthan Industrial conference recently, the Industries Minister of the State said that Rajasthan possessed immense untapped natural resources and mineral wealth, and that several important industries could be started immediately. The State possessed, the Minister said, plenty of lime, gypsum, mica, sandstone, asbestos, silver, copper, emerald and other minerals. There are also prospects of discovering petrol.

In the last session of the Madras Legislative Assembly the Industries Minister replying to a question observed that a recent report of the Geological Survey of India indicated that high grade limestone deposits occur near the Pandalkudi, Palavanattam and Chinnayapuram villages in the Ramnad district and that the estimated reserves of the deposits might be about four million tons. The Minister added that the deposits have been reported to be useful for chemical and cement industries and that orders have been issued that they should be reserved for these industries. Replying to a question, the Minister said that though the Government had no intention to start any industry, if any private person or company would come forward to start an industry Government would give them all possible help.

"The raw materials and the abundant mineral resources of Chotanagpur, hidden inside the hills have indeed great potentialities and we have to explore all possible and up-to-date scientific ways and means for the production of wealth",

observed Dr. S. K. Sinha, Chief Minister, Bihar, addressing a public meeting recently.

The investigation of the lignite deposits in the South Arcot District of Madras was undertaken in October 1943 and continued up to the beginning of 1947 under the guidance of Dr. M. S. Krishnan, at present Director of the Indian Bureau of Mines. A reserve of 352 million tons of lignite has been estimated.

The importance of the sillimanite group of minerals in the field of neutral high alumina refractories and ceramics is now universally recognised, and the world's largest concentration of sillimanite occurs in the Khasi Hills of Assam. The minimum reserve in the area has been estimated at 251,000 tons.

The discovery of extensive manganese ore deposits in Kalahandi (Bihar) with total reserves estimated at one million tons has been mentioned in the quarterly report of the Geological Survey of India published last week. A number of coal exposures in the Sindhi district of Vindhya Pradesh have also been reported. A reconnaissance survey of the Andamans was also carried out for oil, and some dark sands interbedded with chocolate clays in the Outram island may, it is stated, prove to contain traces of oil residues.

These are only a few among recent discoveries.

Statistics Available

Mineral statistics for areas in the Indian Union have been published for the first time since Partition. The Director of the Geological Survey of India, in the course of his observations, says that the year 1947 showed an appreciable increase in the production of bauxite, calcite, chromite, fire clay, limonite, magnesite, manganese-ore and Ochre. In the case of some other minerals such as apatite, coal, feldspar, fuller's earth, gypsum, iron-ore, kyanite,

economy. In backward countries like India, the cheap money policy cannot ensure the tempo of progress of developed economies. Hence even during the long period of cheap money our business men and industrialists paid high rates of interest.

Hydra-headed Inflation

The U. S. President's Council of Economic Affairs once observed: "Inflation is dangerous and it is fed by our cheap money policy." So, notwithstanding our economic progress cheap money policy has resulted in raising further the inflationary spiral. Prices shot up and, in the absence of planned exploitation of natural and human resources and whole-hearted co-operation between Government and people, goods became scarce. We lived in a closed economy. Though theoretically possible, the excess purchasing power could not be withdrawn due to political reasons. India had a dissatisfied public in the throes of economic crisis. Interest rates were not raised for fear of increase in the burden of national debts and cost of business. During its long career, cheap money policy has not contributed to our economic progress to any substantial extent and there has not been much private investment.

But what should be our future policy with regard to money-rates? We have seen that an excessive and aimless cheap money policy could not thrive on the Indian soil on account of transport bottlenecks, dearth of capital goods and raw materials as well as communal and trade strifes. The increase in note circulation was not absorbed by effective demand for investment. This piled up money caused an era of stock exchange booms, further leading to boom in general prices and intensifying inflationary forces.

A prolonged period of defective and lax administration in the working of various economic and financial controls and the inability of the staff to show more efficiency and clean dealings have aroused the public against every kind of control. Recently Government have been wedded to a policy of slow and steady decontrol. But

every planned cheap money policy is fed by various restrictions. Agitation against controls and demand for a cheap money policy are opposite poles which can never meet.

Due to extremely low rates of interest, Government loans no more remain attractive and of those floated during last year many were under-subscribed and unsuccessful. Our bank rate under the present circumstances is fictitious. Hence practical bankers, Reserve Bank financial experts and many theoretical economists were in favour of consolidating the progress made by the cheap money policy.

In the present stringency in the market the bank-rate calls for a mild rise. Reaction against a mild rise in the bank rate is based on the fact that it will raise the cost of business and industrial operations and this will retard our economic progress. But the bank-rate is not the only factor affecting business and industry. In the unhealthy economic and uncertain psychological climate business men cannot undertake huge operations. Moreover, as observed earlier, the bank rate does not affect the bazar rate to an extent the business men can appreciate its advantages because ours is not an organized and well-knit money market like the U.K.'s. The great change brought about by war is a shift in money accumulations to persons who are not investment-minded.

Plea for Enhanced Rate

Much capital has gone surreptitiously underground due to unfavourable economic environments and if we are not committed to a policy of wholesale nationalisation, we must offer an attractive rate of interest to bring that capital in the market. As was observed by Mr. Yodh Raj in a recent speech, as Chairman of the Punjab National Bank, Ltd., "In all countries which are on the threshold of industrialisation the rate of interest has to be attractive to tempt capital from abroad or encourage savings and capital formation at home." He has

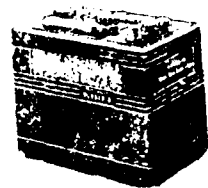
substantiated his statement by quoting conditions in U. S. A. and U.S.S.R. To attract, a reasonable amount of foreign funds we must give sufficiently attractive rates of interest besides other things.

Some fear, and rightly too, that high rates will cause capital depreciation in assets of institutional investors and thereby it will inflict serious injuries to them. But out of their inflated income they can create a Reserve Fund against this contingency.

To revive economic activity we should create the necessary economic climate and increase the profit expectations in the present stage of rising prices and falling production. This will both encourage capital formation as well as bring it to the market reviving genuine stock exchange operations, which is entirely stage-managed at present for all practical purposes. The cumulative effect of all this would be an increase in production and consequent decrease in cost of living and of Government administration. Such a measure would no doubt remedy present economic ills when administered carefully and our body economic nursed watchfully by financial experts and practical business men.

A graduated rise in the bank rate accompanied by a steady and uniform economic policy will remove all impediments to economic reconstruction and restore the country's economic health.

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Economic Development of South East Asia

SIX YEAR PROGRAMME TO BE DRAWN UP

By JOHN KINGSLEY

At the Colombo Conference of Commonwealth Foreign Ministers last January it was decided to go ahead with a plan for economic assistance to the countries of South and South-East Asia, and at a further conference at Sydney in May a committee of officials was appointed to act as a technical assistance bureau which could promote early economic assistance on the limited basis of organising expert advice on technical problems. This bureau may prove to be in embryo the headquarters staff for the South East Asia economic assistance programme and it is starting work in Colombo this month.

Meanwhile, work is going ahead in South and South-East Asia on the preparation of information which will be used to form a six-year development programme to run from 1951 to 1957. Questionnaires have been sent to each Government asking for details of its own resources and an outline of the main developments which can be reasonably attempted in the next six years with some outside help. The Governments are asked to provide this information by the beginning of September in time for a further conference in London which will set about drawing up a programme of development for the area.

Vast Problem

Inevitably the preliminaries involve the collection of information and the preparation of a report. Both the geographical area and the problem are vast. In South and South-East Asia is a population of about 700,000,000 people—nearly one-third of the world's population—living in an area extending for more than 4,000 miles from West to East and about 2,000 miles from North to South.

The Commonwealth countries concerned are India, Pakistan, Ceylon, Malaya, Singapore, Borneo, Sarawak and Brunei. The non-Commonwealth countries invited to

take part are Burma, Siam, Indo-China and Indonesia. In almost all parts of this area economic resources are under-developed and, therefore, the standard of living is low.

This is an area which could clearly absorb vast sums of money and equally vast quantities of key materials, such as steel, if every desirable project were to be attempted. It was, therefore, an essential condition of success that all the countries at the Sydney Conference in May agreed that the six-year development programmes must be kept strictly within limits of what is practicable in six years.

Even so it seems almost certain that the London conference in September will be confronted with larger needs than there are available resources and will, therefore, have to decide on the order of importance of the development proposals. It may also become clear that the available resources will have to be concentrated on schemes of exceptional urgency.

Technical Assistance

For countries with a large population at a low level of general education and often with poor communications, there are formidable problems even in the preparation of the reports on their own resources. This is one example of the need for technical assistance which is the first problem being tackled by the Colombo standing committee.

The committee will receive requests for technical assistance and try to meet them through the resources made available by the other Commonwealth Governments. It will also make a report to the London conference on the organisation of technical assistance, for which £8,000,000, to be spent in the next three years, was allocated by the Sydney Conference.

One of the main problems facing the Government of South East Asia is to raise the technical standards of agriculture. This is a

particularly important problem in India, for Pandit Nehru has set India the task of becoming independent of imports of food grains after 1951. Experience of experimental farms in India has shown that output from farming could be greatly raised. To do so would call for a drive against pests with new insecticides such as D.D.T. and "Gammexane", the introduction of good seed strains, and the intelligent use of fertilisers.

These are problems which are already being tackled by Indian agricultural experts, and India is able to offer some technical assistance to other parts of South-East Asia. At the same time, they are the kind of problems where the experience of experts in other parts of the Commonwealth would be useful.

At the same time, it would be a delusion to suppose that technical knowledge alone will suffice. Agriculture, for example, needs capital investment in elementary equipment; the need for fertilisers must be met by local chemical industries, involving the building of new plant. Other local industries need to be established to meet the demand for essential consumer goods. For though the difficulty of raising enough food to feed the increasing population is admittedly the most menacing problem, the development of South and South-East Asia calls for the establishment of a balance of improved agriculture and adequate local industries.

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Business Brevities

Nylon Typewriter Ribbons

Trials are now under way in the United Kingdom for the manufacture of nylon typewriter ribbons from broad loom cloth. Nylon typewriter ribbons are made in some other countries from continuous filament yarn but it is believed that ribbons made from spun staple yarn might be even more suitable. Spun staple yarn is likely to assist in ink retention, and because of the covering power of the yarn and its relative softness—compared with continuous filament yarn—would result in a clearer impression being typed.

More Australian Goods

Indian import licensing regulations for July-December 1950 allow the import of a larger range of commodities from Australia.

Import licences will not be issued for many items which Australia can export but which were hitherto restricted from entry. These include canned or bottled jams, jellies and marmalades, fruit juices, squashes, syrups, self-raising flour, canned fruit and certain farinaceous and patent foods. The new regulations also allow for larger imports of stearine. Quota percentage for imports of tallow has been maintained at 50 per cent.

Australia offers other items which are now permitted imports including salted or unsalted fish, wet and dry, butter, cheese and ghee, powdered and condensed milk, canned vegetables, semolina, pearl barley and various liquors and liqueurs.

The increase in the importable quota of domestic refrigerators for established importers from 20 to 40 per cent. of their past annual imports would allow increased imports of this item from Australia. Australian manufacture of domestic refrigerators has considerably expanded during the last few years.

Woollen hosiery and woollen knitting apparel, wool raw and wool tops, woollen yarn for weaving and knitting wool including hand knitting wool are some of the other importable items of which small quantities are available for export.

In the machinery line, the main items which Australia is in a position to export to this market are diesel engines, small units of agricultural equipment and certain types of machine tools.

Technical Help from Italy

An important Italian organization is desirous of contacting Indian parties interested in securing its services for technical planning and erection of industrial plants, particularly in the chemical sector. The organization has already set up in the Middle East the following important plants for the production of:

Carbonic acid gas from the combustion of coke or fuel oil or from lime or the fermentation of molasses (Carbonic acid gas is widely employed by the aerated-water industry); Starch, from rice or maize; Glucose, from starch. (Glucose is mostly employed by the confectionery and syrup industries); Hydrogenated fats for the manufacture of margarine, etc.; Refined oils; Ice and dry ice; Soaps, glycerines, red lead, pharmaceutical specialities, sulphuric acid and derivatives (alum, etc.).

In addition to similar undertakings, the organization is prepared to examine proposals from Indian parties regarding projects for any other types of industrial plants.

Interested parties are invited to contact the Commercial Secretary, Italian Embassy, New Delhi.

Coir Industry in U. S. T. C.

A five-year plan to reorganise the entire coir spinning industry in Travancore-Cochin State on a co-operative basis, was outlined last week by Mr. N. Kunjuran, Minister for Industries. The scheme needed an investment of Rs. 2 crores by the Government. The aims of the scheme were to increase the wages of labour and to put the industry on a stabilised footing.

Analysing the present position of the industry, the Minister said that about six lakhs of people were engaged in coir spinning, producing one

lakh tons of coir per year which was now sold at about Rs. 8 to 10 crores. Labour was now getting only a daily wage of eight annas per head. Adulteration by mixing sand and water with coir was now prevalent resulting in loss of prestige in foreign markets. Adulterated coir found markets in Calcutta and Rangoon. The United Kingdom was the chief consumer of coir mats and matting.

Ban on the export of adulterated coir was now under consideration. Adulteration could be prevented by arranging the sale of entire coir yarn through central godowns where standardised varieties could be stocked. This system of sale can also fetch a reasonable price for coir.

The present cost of labour for producing one candy, i.e., 600 pounds of coir, amounts to Rs. 100, which amount is to be distributed among about 220 labourers per day. Thus a labourer now gets only a very meagre wage. Co-operative societies of small coir spinners and labourers can double the wage. Co-operatives would take up soaking of raw coconut husk and spinning unadulterated coir. 22 co-operative societies have already been started in various parts of the State and more will be registered soon.

The Central Government have already expressed their preparedness to advance a loan of Rs. one crore for the development of cottage industries out of which a considerable amount can be invested on this scheme.

"Ithaya Geetham"

Citadel Film Corporation's second offering to the Tamil screen, ITHAYA GEETHAM, was released at Casino in the City and various other mofussil centres on July 29. The story has been set against the background of 15th century Rajput chivalry, and gives glimpses of the traditional Rajput valour and courage. It has been developed amongst magnificent and artistic settings. There is plenty of action and appeal to emotion. M. Joseph Talath, the Producer Director, has done a good job.

Trade Union Wages Policy

By HERBERT TRACEY

Member of the British T. U. C.

The British Trades Union Congress General Council has given a new turn to trade union wages policy. At its regular monthly meeting in June, the General Council decided upon the terms of an interim statement which has been circulated to all the affiliated unions modifying in effect its recommendation of rigorous restraint upon wage movements that has been enjoined upon the unions since November 1949.

The rigidity of the wages structure resulting from the operation of the policy of keeping wage rates stable as long as the cost of living index remained between prescribed upper and lower limits has been the subject of considerable criticism from affiliated unions. To some extent freedom of collective bargaining has been affected because employers in some industries have taken the view that the Congress policy justified them in refusing to consider even the merits of claims submitted through the normal machinery of trade union wage negotiation.

Two Developments

Moreover, since the T.U.C. policy was enunciated two developments have made impracticable the scheme of rigorous control over wage rates within upper and lower limits in cost of living movements. One development has been a relaxation of rationing and control over various commodities. This has given an impression to many people that the United Kingdom is rapidly climbing out of its economic difficulties, and that the need for anything in the nature of a wages standstill no longer exists.

Another development has been a natural desire, although the cost of living figure has risen much more slowly than many people anticipated, to secure and preserve better living standards.

The T. U. C. General Council believes that even yet it is not sufficiently realised that living standards maintained throughout the war and post-war years are much better today than they would have been

without the assistance received from the United States, Canada and other parts of the Commonwealth.

There has been a recovery in U.K. exports to the dollar countries, which is satisfactory in the case of Canada but less than is needed and hoped for in the case of the United States. The prices of imports into the U.K. are still rising. Some further price increases are regarded as likely by the General Council as the increased cost of raw materials receives fuller reflection in the price of goods in course of manufacture.

Need for Restraint

Thus, the General Council warns the unions that although the improvement in productivity as well as the rise in industrial production indicate that the economic position of the United Kingdom is stronger, it is still far from stable. Britain's economy is still very dependent upon the maintenance of demand in the United States both for the exports from Britain and those of the sterling area.

The General Council, therefore, is emphatic that the trade unions must continue to act with moderation and reasonable restraint in making wage claims. Increased efficiency and lower cost in industry are as necessary today as a year ago, the General Council declares, and these must be accompanied by, and are indeed considerably dependent upon, reasonable restraint in all personal claims for higher wages and incomes generally.

What, however, is new in the General Council's recommendations to the affiliated unions is that in the circumstances there can be greater flexibility in wage movements. Nine months of rising productivity, increased exports, improved economic conditions in the world at large, the relaxation of national controls, and the general impression of economic buoyance have generated a growing volume of opposition inside the trade union movement to anything like a wages standstill. More flexibility in the wages structure is, therefore,

recognised as necessary and prudent Facilities for Consultation

It is too often forgotten that the T. U. C. General Council cannot and did not attempt to impose a wage policy on the unions. But in its interim statement to them it does propose, very tentatively in terms, a method by which union wage movements can possibly be co-ordinated. The unions are reminded that the General Council provides machinery for such co-ordination and co-operation between them in other fields of policy. The Council now offers facilities for such consultation with them as affiliated unions may desire to assist them in the consideration of their problems.

In its context this statement that facilities for consultation are available asks the affiliated unions to appreciate "the interdependence of various sections of the trade union movement in the struggle to secure economic stability, and also the difficulties created by the lack of any practicable formula as to how the necessary flexibility should operate." Without saying so, in so many words, the General Council's special economic committee has, in fact, come to the conclusion that it is a responsibility of the T. U. C. to try to prevent run-away wage movements by individual unions or groups of unions.

The General Council's cautious approach to the unions on a matter of this kind may seem somewhat pusillanimous to those who do not realise how obstinately the trade unions cling to their autonomy in all matters affecting their organisation and policy in relation to the industries to which they belong. Counsel and guidance from the General Council in respect of particular claims for wage increases could produce very serious problems for the T. U. C. and for the unions concerned as well as for the trade union movement as a whole.

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15	"	13	2 0	18 14 0	17 7 0	19	11 0
20	"	13	2 0	13 14 0	17 7 0	19	11 0
25	"	18	2 0	13 14 0	17 7 0	19	11 0
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75	"	19	14 0	20 10 0	26 7 0	...	...
100	"	23	13 0	24 9 0	31 11 0	...	...
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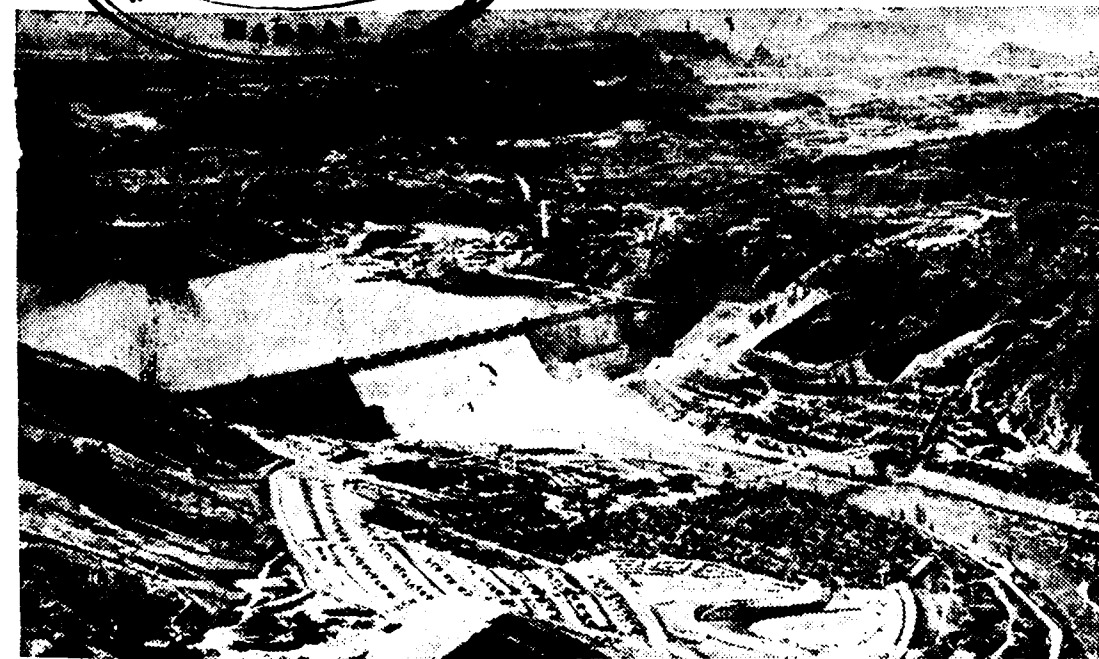
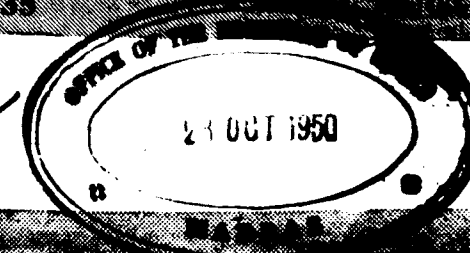
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New industries have been built, land reclaimed for cultivation, floods controlled, and low-cost electricity made available to farm and city dwellers as a result of dams and irrigation projects constructed by the U. S. Government in the Columbia River Basin in north-western United States. Development of water resources in the Basin began in 1933 and involves eventual construction of 142 major dams on the Columbia River and its tributaries in the 259,000-square-mile area.

The photograph shows the Grand Coulee Dam on the Columbia River, in the State of Washington, the key dam in the project and the largest single source of electricity in the United States. It produces 1,404,000 kilowatts—enough electricity to supply an industrial city of more than 1,250,000 population. Below the dam is the new town of Mason City (foreground). Lake Franklin D. Roosevelt, a huge water reservoir for irrigation, extends behind the dam some 150 miles to the Canadian border.

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Business Week
India

VOL. III

No. 35

NOTES AND COMMENTS

Cloth-printing Industry

Difficulties in obtaining controlled cloth for the cloth-printing industry in Ahmedabad and consequent unemployment of thousands of labourers working in the trade were represented to the Minister for Industry and Supply in New Delhi last week. The industry in other States is also labouring under a similar handicap. Though the war gave a stimulus to the screen printing industry, fashions have now changed and the demand for such fabrics has fallen much. Government should look into their difficulties.

Storage Batteries Industry

A factory for manufacturing electric storage batteries will be erected at Saidapet, near Madras. Building operations have been completed, and the plant is reported to be on its way to India. Full-scale manufacture of batteries is expected to commence early next year.

Negotiations have already been completed between Oldham & Son, Ltd. and the Government of India for floating a rupee company under the title Oldham & Son (India) Ltd. The parent company will have a 55 per cent. interest in the project, while the remaining share capital will be subscribed by the company's selling agents in India, the South Indian Export Company of Madras and Mousell & Co. Ltd., Bombay.

Mr. Chintaman Deshmukh, Finance Minister, disclosed in Parliament last week that from July 1948 to December 1949 U.K. business

men had invested Rs. 611 lakhs in business enterprises in India, and from January to June 1950 about Rs. 23 lakhs were invested. Remittances to an extent of Rs. 17 lakhs were received from Canada, Rs. 1 lakh from the U.S. and Rs. 1 lakh from Hong Kong during the period. These amounts are not considerable, and indicate that the concessions given to foreign business men in the last Budget have not resulted in any noticeable increase in their investment in this country.

While welcoming this venture we suggest that more attention should be focussed on the training of Indian personnel by this company and its acting as a model for other purely indigenous concerns and co-ordinating the efforts of other Indian companies in the field.

Plight of Middle Classes

An appeal to the Union and State Governments to enquire into the economic condition of the middle classes was made by the Shop Assistants' Association of Gujarat and Saurashtra last week. The Association passed a resolution urging relief from taxation to the middle classes whose condition, it said, was steadily deteriorating. It is precisely the middle classes, who are the backbone of the nation, which have been the worst hit by the inflationary conditions that have persisted since the World War started and to which momentum was given by the large-scale cornering and black marketing activities since

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Korea War started. Relief to the middle class is therefore urgent.

* * *

Geologist's Role

The ways in which geologists were concerned with multi-purpose projects were explained by Dr. J. B. Auden, Superintending Geologist, Geological Survey of India, at a symposium held in Calcutta last Friday by Fellows of the National Institute of Sciences of India. Mr. Auden emphasised that geologists were not only required to survey dam sites and investigate their suitability but also discover in the vicinity of the dam sites materials necessary for the construction of the dams. They had also to survey the region to find out minerals which might be utilized for the starting of new industries in the area covered by the project. It is needs at present several thousands of geologists to explore her hidden wealth and its industrial possibilities, though it is a matter for regret that the facilities available for students taking up geology are afforded by every few colleges, and many students too do not appear to be keen on taking up this subject of national importance.

The Banker's Dilemma

According to an official review of Indian Banks by the Reserve Bank of India, the operating expenses of Indian scheduled and non-scheduled banks more than offset their earnings during the year 1948. The ratio of the current operating expenses to total earnings varied between 68 per cent. in 1946, and 73 per cent. in 1948 in the case of scheduled banks, and 76 and 80 per cent. respectively for non-scheduled banks. Though the figures relate only to three years, namely 1946-48, the position must have become much worse since then due to the abnormal increase in cost of living obliging managements of banks to grant enhanced dearness allowances to their employees.

One reason adduced for this increase in operating expenses is

the increased emoluments of bank staffs, which in turn is related to the awards of Labour Tribunals. Bank staff are certainly entitled to a living wage, which is justified by the present-day conditions. But to what extent banking progress has been hampered by this single factor is, and ought to be, the subject matter of an enquiry. Costs of operation vary from bank to bank, and the fixation of an arbitrary scale for all employees in all banks may work havoc with the smaller banks. As a corollary of the development of banking in India by a contributor is published elsewhere in this issue. It would be clear from the facts brought out that banking is still in its infancy in this country, that the banking habit has not percolated into the rural areas and that even the existing structure of banking calls for several reforms. It is therefore imperative that while all consideration should be shown to bank employees in the matter of increased allowances, its impact on Banking in this country should not be lost sight of.

Indian Perfumery Industry

A determined plan to check imports of perfumery goods and develop the indigenous industry may result in a saving of about Rs. 2 crores a year which is now being drained from the country. A representation made by Mr. Viswanath Bala, a member of the Indian Chamber of Commerce and a prominent perfumery dealer of Benares, to Mr. Sri Prakasa, India's Minister for Commerce during his visit to

Benares last week, pointed out the need for the Government of India taking early steps to encourage the manufacturers to exploit the natural resources of our country in this field which are so abundant that the entire internal demand for cosmetics and perfumery can be fully met with further scope for exports. The grant of land by the Government for the cultivation of such species of herbs as peppermint, ocimum, etc. was suggested in this connection.

If the industry is to develop further, only limited quantities of perfumery goods should be imported, and indigenous toilet and zarda manufacturers should be encouraged in their production by allowing liberal imports of essential raw chemicals which are not at present produced in India. A list of such chemicals is given in the memorandum submitted by Mr. Bala. The clarification of the position with regard to the future imports of natural and synthetic essential oils, compounds and aromatic chemicals is also called for.

Oleic Acid Available

Indian importers are informed that Australia is now in a position to supply oleic acid. Hitherto India imported oleic acid mainly from the dollar area but, with the availability of this item from Australia, considerable dollar savings could be effected. Interested Indian firms should get in touch with the Australian Government Trade Commissioner at Bombay or Calcutta.

SOUTH INDIAN RAILWAY Wandiwash Out-Agency. ANNOUNCEMENT

With great pleasure I wish to inform the Business and the public that I have been appointed to run the Wandiwash Out Agency to connect the South Indian Railway both for Passenger and Goods service. Presently I am opening goods Traffic Via Acharamakkam on 18th August 1950, and request the co-operation of the business and the public to make this out Agency a success.

Passenger Luggage and Parcel service for Tindivanam will be opened shortly and a separate announcement will be made.

B. Ramadas Reddy

Financing Small-scale Industries

The reconstituted Cottage Industries Board appointed by the Government of India has drawn up a four-fold policy for the development of small-scale rural industries which has been accepted by the Central and the State Government. It includes: firstly, the improvement and expansion of rural industries in a manner that will ensure the utilisation of raw materials by the communities which produce them, the economic self-sufficiency of the villages, the raising of the standard of living in villages through a fuller and more balanced economy based on agriculture and industries; secondly the establishment and expansion of mechanised cottage industries based on modern techniques, so that the integration of large-scale and small-scale industries may be secured and the country's need of utility goods satisfied; and, thirdly, the artistic skill of the Indian craftsmen should be laid on the co-operative organisation of cottage industries at every stage.

Immediate Programme

The Executive Committee of the Board met for the first time in New Delhi under the chairmanship of Mr. Harekrishna Mahatab, Industry and Supply Minister, and drew up a short-term programme of development of rural industries. The immediate programme includes a "quick survey" of the existing cottage industries in the country, and the taking of final decisions as to what kind of articles should be produced and how they should be produced and marketed. The training of workers in the use of improved machinery, improvement of existing techniques of production and financial assistance to States to undertake the development of small-scale industries have also been decided upon.

The Committee decided that adequate assistance should be given to those village industries which have to compete with large-scale industries. These industries include tanning of hides and skins and leather craft; hand spinning and weaving of cotton and wool.

jute spinning, edible oils, pottery, bee-keeping, hand tools and small tools, metal work, rice husking and threshing, coir matting and gum making.

Question of Finance

Though the machinery required to implement the recommendations of the Board has now been established and work has been centralised in a directorate with suitable staff, the question of financing small-scale industries both in rural and urban areas continues to be a problem. Mr. Harekrishna Mahatab rightly pointed out in his opening address to the Board meeting: "Here, in the cities, there is money, but no food. In the rural areas, there is food but no money." Besides the small-scale industries in rural areas the question of providing adequate finance to medium scale industries in urban centres has also assumed importance in recent months. They have not received much help so far from the Industrial Finance Corporation, and the conservative policy followed by it has come in for a good deal of criticism of late. The starting of separate Financial Corporations in each State for the specific purpose of financing medium and small scale industries is therefore warranted by the present circumstances.

With a view to extending financial assistance and facilities to medium and small-scale industries the Bombay Government propose to start an Industrial Financial Corporation of their own. A Bill empowering the Government of Bombay to constitute such a Corporation is likely to be moved during the autumn session of Parliament. The draft of the legislation was sent to the Government of India last year, and this has now been approved by the Centre with slight modifications.

According to the Constitution, such Corporations cannot be set up in a State except under the specific authority of the Union and by means of a special enactment. The passage of such legislation, empowering the various State Governments

to set up independent Corporations is urgent and may be speeded up, and State Governments in Madras and elsewhere are well advised to submit their drafts to the Parliament Secretariat and the Finance Ministry of the Government of India so that delay may be avoided. Since the provision of Rs. 16 lakhs made in the Central Budget is not adequate to carry out the programme of the Cottage Industries Board the chances are that the elaborate plans drawn up by it will remain mere paper plans for some time.

How Japan Does It

There is at least one country in the East where satisfying results have been achieved by State aid to industry. Thanks to State aid, Japan ranked amongst the foremost industrial nations of the world within a surprisingly brief period. State aid changed her backward agricultural economy and made amazing industrial progress possible. When the supply of capital was hopelessly inadequate for new forms of production and for the material equipment of the country, Government gave the lead and took upon itself the task of shaping and initiating the industrial advance of the country. From the earliest times it decided itself what enterprise should be inaugurated, it established itself or furnished the capital for their establishment by private companies; it encouraged technical and scientific training, and imported instructors from abroad. The Industrial Bank that was established in 1902 extended its aid liberally to all national industries, particularly small and medium-scale industries for which Japan is famous. Psychological factors, our peculiar traditions, the lack of initiative on the part of the people, and the present financial stringency dictate that the State in our country should come to the assistance of small producers and the establishment of separate Industrial Corporations in each State may be of advantage under present conditions if the funds are properly used.

State Trading Corporation

The establishment of a statutory State-sponsored Trading Corporation to take over, in the first instance, all import and export operations of a commercial nature, which are at present being handled by the Government of India, has been urged by the State Trading Committee. The Committee states that the proposed Corporation should be a statutory body with an Authorized Capital of Rs. 10 crores and an initial capital of Rs. 2 crores. Not less than 51 per cent. of the capital should be held by the Central Government and the balance should be offered to State Governments and private enterprise.

The Committee points out that the number of cases in which State trading has been found to be necessary is large enough to justify the creation of the proposed Corporation. "The existing arrangements for carrying on commercial activities of Government through administrative departments", it says, "have not worked satisfactorily and need to be replaced by a specialised organisation as early as possible." The following are the main recommendations of the Committee in regard to the Corporation:

Main Functions

(A) It should take over from the Government of India commercial operations in respect of imports of food grains, fertilisers, steel, East African cotton and also such operations as are necessary for implementing barter agreements concluded by Government; (B) The Corporation should be given the monopoly of export trade in coal and short staple cotton; (C) The Corporation should undertake export trade in the products of cottage industries, on a pioneering basis, as initially private enterprise cannot be paying. When a proper market has been created abroad for cottage industry products, the Corporation should curtail its activities and encourage private enterprise to enter the field; (D) The Corporation may advise Government, from time to time, whether State trading should be extended or withdrawn from any commodity in the national interest.

The Corporation should not be free, however, to extend its trading activities to any commodity without the prior approval of Government; (E) The Corporation may act whenever required in the capacity of either a principal or an agent for direct purchase and sales by any foreign Government in the Indian market; (F) On request by Indian traders, the Corporation may undertake, on their behalf and at their risk negotiations with foreign traders.

Handicaps of Government

There are several points to be considered by the Government of India before arriving at final decisions on the recommendations of the Committee. Whether the present resources of the Government, financial and administrative, are adequate to undertake the work and shoulder the responsibilities involved in embarking on trading activities of its own accord should be examined. The lack of personnel with the requisite business talent in the administrative ranks and wastefulness in carrying out even their existing commitments resulting in enhanced prices for consumers with regard to their essential articles have been pointed out by several commercial bodies while giving their evidence before the Committee.

It has been suggested by the Committee that Government should have the monopoly of trading under the barter agreements and also in certain commodities. To what extent such monopoly will disturb normal channels of trade and curb private initiative, and its effect on the employment market should be examined.

Since the primary motives of private enterprise, namely hope of gain and fear of loss, are absent in State trading, and since officials are bound to respect public opinion there is bound to be a certain measure of lack of personal interest in State trading activities. Besides, the risk of over-centralisation which may come in conflict with healthy private enterprise and create obstacles in

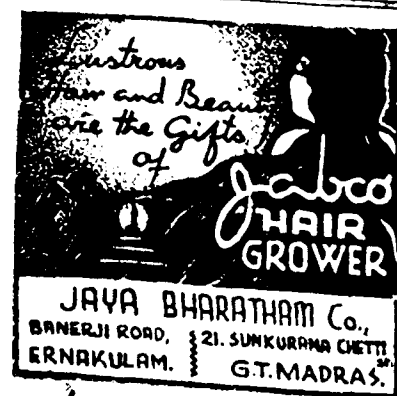
the path of Government following their avowed policy of creating a mixed economy for this country cannot be ignored.

It has been contended that State trading is justified as one way of eliminating the malpractices of unscrupulous traders resulting in loss of markets of certain commodities. But it is quite possible that the trade that the State undertakes may be subjected in an equal measure if not more to the control of influential groups with vast vested interests of their own.

Full-fledged State trading, it seems to us, is not advisable. Whatever its advantages in war-time, in peace-time it can serve only to confuse the market and prove to be an undesirable obstacle to the flow of trade to the disadvantage of all concerned.

Government Corporations

There is, however, ample scope for State trading in India in a broad sense, by way of establishing Government Corporations and undertaking activities of a kind where private enterprise for various reasons is unable to come forward. Many essential services which still remain unprovided to the people at large may still be provided by establishing Government Corporations. Besides exclusively Government-owned Corporations, there are also other fields just as the Federal Deposit Insurance Corporation of America, in which the State may participate in enterprises of public advantage without competing with private enterprise. (See BUSINESS WEEK, Jan. 26, 1950).



Is There A Capitalist Class in India?

Sri Jaagjivan Ram, India's Labour Minister, speaking at a reception at New De'hi last week, warned "capitalists" that they would be swept away by the rising tide of economic discontent if they did not realise their duty to the country.

But who are these "capitalists"? Is there a "capitalist class" in India as in other countries? "In India", observed Mr. Devi Dutt Pant, on the floor of the Assembly on 25th March, "there are no capitalists as in Britain and the U.S.A., where Henry Ford gave motor cars even to his workers. In this country, there are only money-grabbers."

The author of this article contends that in India there is no such class as "capitalists."

Since Independence Day in 1947, public opinion in this country has been considerably vitiated by persistent propaganda by interested parties and is now tending towards the view that the way to improve the lot of the common man is to bring pressure to bear upon the authorities to follow some sort of State socialism. The upholders of this equalitarian democracy point out that there should be a levelling down of the undue flow of income at the capitalist level, which they take for granted. The policy-makers of our present Government too have a facile impression that, as in Western countries in India, too, there is a capitalist class and that by merely squeezing them, or soaking the rich so to say, all our economic problems can be solved at a stroke. This is a dangerous assumption, and does not augur well either for increased productivity through capital formation or for peace among the labouring classes.

No Factual Basis

The factual basis of this assumption was examined recently by a leading industrialist, Shri Lakshmi-pat Singhania, with the help of income-tax returns as published by the Central Board of Revenue. The latest returns available in published form relate to the year 1945-46, when India was still undivided. Though the figures are out-dated, the study throws much interesting light as to the existence or not of a capitalist class in this country. In 1945-46, 1,16,000 individuals were assessed to tax on an aggregate income of Rs. 97 crores. Of the assesses there were only 7,000 individuals with an income of Rs. 25,000 or over and their income aggregated only to Rs. 28 crores. Besides, there were only 450 individuals with an income of over Rs. 1 lakh, with an aggregate income of Rs. 11.5

crores. Analysing the position further, the industrialist pointed out that only 1 person out of every 4,000 had an income of Rs. 2,000 or over from non-agricultural source; that only .0025 per cent. of the population held among them 1.6 per cent. of the total national income; that only 7,000 persons had an average income of Rs. 40,000 a year, and that only 450 persons had an average income of Rs. 2,50,000 a year. These income figures were computed before deduction of taxes, and are confined only to individuals as distinguished from undivided Hindu families, partnerships, and corporations.

What Democracy Means

The above figures indicate unmistakably that there has been no such class as "capitalists" in this country, though undeniably there has been an accretion of wealth in the hands of a handful of individuals who own even industrial "empires". The accumulation of wealth was made possible by the peculiarly favourable conditions that obtained during the war. Since such conditions no longer obtain today and since there has been changes and re-adjustments after the National Government came into power obliging even the multi-millionaires to align themselves with the policy of the new Government by repeated monetary sacrifices in the interests of the poor, it is doubtful whether they have been able to maintain their previous positions amidst the general reshuffle of incomes. Even granting that there are some lucky devils even to lay at the topmost rungs of the social hierarchy possessing enormous wealth and successfully playing a game of tax evasion and amassing further wealth surreptitiously, the day when there would again be a further levelling up of incomes is drawing near.

On Independence Day, 1947 our country became a Sovereign Democratic Republic. Democracy, as the Hon. Mr. Diwakar pointed out in a recent broadcast speech at Nagpur, "will not tolerate privileges of blood or birth, wealth or possessions, sex or age, religion or faith." Democracy ensures the abolition of these by establishing that one individual is equal to the other, neither more nor less, at the same time seeking to promote an aristocracy of merit by opening 'careers for talents'. It would, however, not do so, as Mr. Diwakar said, "either for the gratification or glorification of the individual or for creating a new privileged class but for the sole purpose of the service and advancement of society."

In this background of democracy comes the enfranchisement of every adult in India. Ours will be the biggest democracy in the world, and about 170 millions, which is equal to the whole population of the U.S.S.R. or 30 millions more than the whole population of U.S.A., will go to the polls in a few months' time. This means a tremendous political awakening of vast magnitude and the right for the people themselves to shape their own political and economic destinies.

Role of Capital

Certainly Indian capital is preferable to foreign capital. It is time we recognise the indispensable role of capital in enterprise in a capitalist economy and cease to have a dig at the capitalist classes, whose existence may perhaps be a myth! Let us pause for a while and have some rest—rest from accusations and counter accusations, charges and counter charges—and strive for some measure of economic and political stability during the coming year or two of Independence.

—T. R. S.

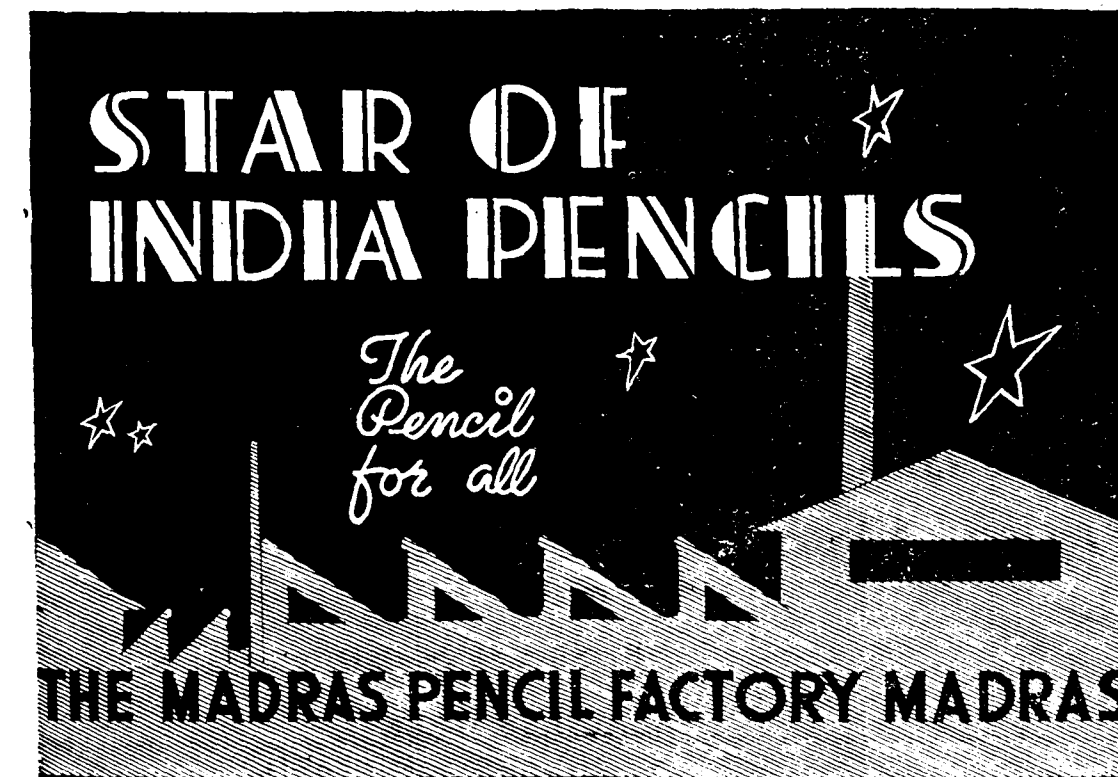
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Cutting Costs in Industry

REORGANISATION SCHEMES PAY DIVIDENDS

By S. GORDON COLLIER

With the prospect of a further continuous expansion of intra-European trade under the projected payments agreement, and the end of Marshall Aid only two years distant, the competitive pricing of goods has become of outstanding importance to the countries of Western Europe. And, as every industrialist knows, the basis for competitive prices is production at competitive costs.

The importance of keen costing and low-cost production has been appreciated as much in Britain as elsewhere. Under the Anglo-American Productivity Council, for example, joint teams of British and American technicians and workers have studied methods of production in many industries, including, in the latest instance, agriculture. Committees of scientists have taken up the problem under instructions from the Government. Many industries have been analysed by Working Parties of employers and employees and recommendations made to improve production methods. The British Institute of Management and other bodies have published studies of cost-reducing techniques, while other committees have reported on the best methods for standardising specifications in various industries.

Methods Employed

What, then, have been the principal methods employed in Britain to reduce costs of production in the past year or so? The following is a brief review of action taken in major basic and manufacturing industries, to which may be prefixed a reminder that the production index in British industry as a whole has risen from 121 (1946=100) in 1948 to 129 last year.

Provisional averages for 1949 showed an increase from 123 to 142 in the manufacturing industries as a whole. These increases are due, in the main to increasing supplies of raw materials (hence fuller utilisation of plant), an increase in output per head and the benefits, now being felt as a

result of heavy capital investment during the years immediately following the war.

The coal industry, which is still the foundation of Britain's industrial economy, has been engaged in a major reconstruction since it was transferred to public ownership after the war. Since then, 47 large colliery reconstruction schemes, eight more affecting coke ovens, and three schemes for central workshops have been approved. Together they represent another 11,000,000 tons of coal.

The colliery schemes embody, in most cases, the merging of small and uneconomic pits into larger units with concentration of winding at fewer pitheads, the introduction of the latest cutting and conveying machinery and the standardisation of equipment.

Better Quality Steel

The steel industry, which has broken its own output records year by year since the war, has now completed (in terms of value) about 25 per cent. of an immense development plan, and work is proceeding in all but three per cent. of the remaining schemes. New plant and continuous working of furnaces have been the main factors responsible for increasing production together with better supplies of scrap and raw materials. Increased output per head—and, therefore, lower costs of production—have also been achieved, however, by the modernisation of furnaces. Of particular importance have been the technical improvements in furnace control, which have increased not only the quantity but also improved the quality of steels.

In the motor industry, the production record of which is unsurpassed since the war despite temporary under-employment of plant, standardisation has played some part in the rising output figures. More important, however, has been the constant modernisation of the production line.

New washing and drying apparatus was installed at the beginning

of the engine assembly line, and 7,250 feet of assembly and overhead conveyors—one of which delivers gearbox assemblies direct from the point of assembly to the engine—were built. This plant, which is among the most modern in the world, is now turning out complete engines and gearboxes at the rate of over one a minute.

New Wages Scheme

In textiles the reorganisation of the cotton industry has been undertaken on a substantial scale. Studies by the Cotton Manufacturing Commission revealed that the work load per employee could be appreciably increased in the weaving section, and a new wages scheme was evolved and accepted by both sides of the industry in April last to make this possible. The system consists of a flat time rate and a bonus based on the number of shuttle changes and warp mends performed.

Under the system, the increased efficiency resulting from a more careful preparation of yarn and re-spacing of looms so as to increase the number per weaver, benefits both employer and employee. This was clearly shown in 10 trial sheds which were reorganised and put on the new pay system. Their throughput rose 30.3 per cent, output per manhour 89.4 per cent, average earnings of the workers 33.2 per cent.—and labour costs fell 21.2 per cent. "Redeployment", as it is called, is now being introduced gradually throughout this section of the industry.

Many other industries have undertaken similar reorganisation and reconstruction schemes with the object of increasing output without extra labour, and thus reducing production costs. The potteries—one of Britain's oldest craft industries, where hand work is essential—are typical. The greatest advance here has been the introduction of gas and electric tunnel kilns, through which trolleys stacked with clay shapes pass slowly and continuously.

Landmarks in Indian Banking Legislation

By PROF. S. P. SHARMA, M.A., M.COM.,
Research Scholar, Victoria College, Gwalior

Prior to the passage of the Banking Companies Act 1949, there existed no separate law governing the banking business of the country except a few stray sections of the Negotiable Instruments Act 1881, and the Indian Companies Act 1913, as amended up to date, the latter being primarily meant to control and regulate the operations of joint-stock companies in general.

On the recommendation of the Central Banking Enquiry Committee in 1941 the Indian Companies Act 1913, was amended to provide for the regulation of banking business and to safeguard the public and depositors. Some of the salient features thereof are as follows:

Definition of Bank

Section 277F defines 'Banking Company' as one whose main business is to accept deposits on current account or others and withdrawable by cheque. Managing Agents are prohibited. Initial working capital must not be below Rs. 50,000. 20% of the Banks' profits must be allocated to the Reserve Fund until its amount equals the paid up capital subject to some reservations. 1½% of time and 5% of demand liabilities must be kept in cash as Reserve. Detailed information of debtors, properly classified, has to be supplied in the Balance Sheet. They are prohibited to create any charge on unpaid capital. Except in some cases, subsidiary companies are not to be formed. A Banking Company may apply together with the reports of the Registrar of Joint Stock Companies to the court for staying the commencement or continuance of any acts and proceedings against a company for a period extendable by Courts. Even in the delay of the Registrars' reports, interim reliefs are granted, but no final decision is given until the receipt of the Registrar's reports which he shall submit after investigating the financial position at the Company's cost.

Later on, in 1939, the Reserve Bank of India made several proposals to have a better Banking Legislation in regard to the definition of Banking business, minimum capital classified under Authorised, Subscribed and Paid Up, regulation of Investments and protecting depositors in banks incorporated out of British India, and a simple liquidation procedure. This was necessitated by the bank failures and to bring non-scheduled banks under stricter control. It was also on account of the paucity of reserve funds and weak credit structure, with small investment in Gilt Edged securities. But no separate law was enacted. In 1943 and 1944 some amendments were made.

Piecemeal Reforms

But these half-hearted attempts proved too inefficient for regulating the increasing banking business due to war stimulus. And being pressed from different quarters and feeling its necessity, Government drafted a Bill on 16th Nov. 1944. Its introduction was necessitated by the malpractices and mismanagement of banks, e. g. indiscriminate branch opening, wasteful competition, and uneconomic distribution of dividends and risks. The Bill provided for licensing of Banking Companies incorporated out of British India. A bank's own shares were prohibited to form security for loans and advances. Minimum capital and reserve was to be Rs. 1,00,000, and only banks with a minimum of Rs. 20 lakhs were allowed to have places of business in provinces other than their principal place of business. No branch opened be here in Calcutta or Bombay with less than Rs. 5 lakhs. Risky trade operations were prohibited. Banking business was given a detailed definition to avoid mixed banking. Control over banks established in places other than British India and U. K. was extended. The Reserve Bank was empowered to vary the liquidity ratio of assets when it thought fit. Monthly returns to the Re-

serve bank and information relating to Investments and Advances was prescribed. Government could empower the Reserve Bank to inspect a bank's books in some cases.

With the dissolution of the Legislature, this Bill became null and void and a fresh Bill was presented by Sir Archibald Rowlands in 1946. It was more or less a copy of the last Bill. Banks incorporated outside India were brought in its purview. The form of the Balance sheet was prescribed to give sufficient details and the Central Government was empowered to take steps when the depositors suffered. But this Bill too had no better fate than its predecessors in bringing about necessary reforms.

However, some attempts were made to regulate Indian banking. Under the Banking Companies Inspection Ordinance 1946, the Reserve Bank was empowered to inspect the books of a bank and prohibit it to accept deposits if depositors' interests suffered. Bearer Promissory Notes (prohibition of issue) Ordinance 1946 prohibited banks to issue Bearer Promissory notes. Later on, the Reserve Bank Act (sec. 31) was amended on 11th Nov., 1946, and this Ordinance was repealed. By the (Banking Companies (Restriction of Branches).

USE



LAMPS

THE NATION'S BEST

Act 1946, banks were required to seek permission of the Reserve Bank to open a new branch and permission was given only in relation to their management, finance, future prospects and general public interest.

Partition and After

The Bill of 1946 aimed at a thorough overhauling of banking. But this Bill was withdrawn and a new Bill was introduced on 22nd March 1948 with some new suggestions, e.g. limitation of dividends and provision to bring the Reserve Bank in closer touch with the banking business and giving it more powers in cases of emergency, regulation of the Imperial Bank of India's business and extension of the Act to the States acceding to the Indian Union.

While the Bill was pending consideration India was divided. An ordinance was passed on 20th Sept. 1947 to amend sec. 18 (3) of the Reserve Bank of India Act empowering the Reserve Bank to grant advances in emergency to all scheduled and non-scheduled banks against appropriate securities. This Ordinance expired on 25th March 1948.

Partition necessitated the biggest migration of population the world has ever seen. And with it migrated the valuable assets in Pakistan to East Punjab and Delhi. Loss of their records due to disturbance



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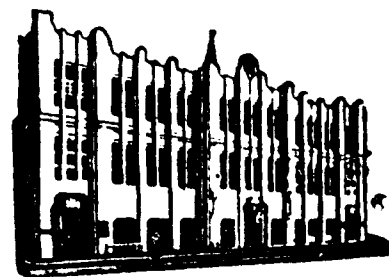
was another trouble. In fact, the whole banking machinery got serious jerks. On September 27, 1947 the Banking Companies (East Punjab and Delhi) Ordinance 1947 was passed empowering the Government to stay the commencement or continuance of all actions and proceedings against any bank applying therefor and having its Registered Office in East Punjab or Delhi, for 3 months. No payment could be made to depositors exceeding 1% on current and deposit account or of Rs. 250 whichever was less, in one single month. Banks were prohibited to sell their assets barring for payments of current expenses and those authorised by the Ordinance. The Central Government could also lend to the banks sums for payment to depositors. The Ordinance expired on 27th March, 1948.

The Banking Companies Act

The red letter day in the history of Banking Legislation in India was Feb. 17, 1949 when the Banking Companies Act was passed, to come in force from March 16, 1949. Since 1930 it had a chequered career, but at last it came out of the intense fire and the legislative anvil. It attempts at consolidation of Indian banking business on sound principles and practices.

The salient features of the Act are as follows. All Provinces and acceding Indian States are brought within the purview of the Act. 'Banking' is defined as accepting (to lend or invest), of deposits from the public, repayable on demand or otherwise, drafts order or otherwise. Banks are to be licensed by the Reserve Bank on the strength of the soundness of their position, and in case of foreign banks on the strength that they do not discriminate against Indian banks. Minimum for Capital and Reserves are prescribed on the basis of their area of operation. Co-operative banks are exempted from the scope of the Act. Scheduled banks have to keep a minimum reserve with the Reserve Bank and submit weekly returns, while the non-scheduled ones have to maintain in cash with themselves or the

Reserve Bank or partly with them and partly with the Reserve Bank 2% and 5% of their time and demand liabilities respectively. They have also to forward monthly returns to the Reserve Bank with details of cash balance held by them and their time and demand liabilities as on each Friday of the month. Banks have to maintain within two years of commencement of this Act 20% of their demand and time liabilities in India in cash, gold or unencumbered approved



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securities at their normal value. 75% of their time and demand liabilities must be kept in assets in Provinces and acceding States at the end of each quarter. Managing Agents and interlocking directorate are prohibited as also unsecured loans or advances to directors or firms in which they are interested. For lending policies, purposes for advances, maintenance of margins and rates of interest, the Reserve Bank may issue instructions. It may prohibit banks in general or any particular bank to enter into any specific transactions, call for periodical returns and publish information in any consolidated form in the public interest, and inspect a bank on its own initiative or that of Government. New branches can be opened only with the permission of the Reserve Bank. It shall submit an Annual Report to the Central Government on the trend and development of Indian Banking giving helpful suggestions. In case of liquidations and amalgamations of banking companies some powers are given to it. It can also act as official liquidator, if duly applied for.

It is a salutary piece of legislation. Although the general maxim is that no law can make people honest, yet attempts may be made to check the malpractices and frauds jeopardising the entire credit and banking business of the country. It is a welcome measure giving fresh stimulus to Indian banking. Even a cursory perusal of the Act discloses to the intelligent reader that the Reserve Bank has been given considerable powers of regulating the business of not only scheduled banks but of non-scheduled ones too. All banking companies are now under the perfect control and guidance of the Reserve Bank with very extensive powers being vested in the latter. There is little doubt that the Reserve Bank is fully equipped for the purpose of control on account of its past experience of Indian monetary matters and its unique influence over Indian banking business. Although due to submission of varicous returns and documents clerical work is aug-

mented, yet, by and by, it will become a routine matter for the banks and cause little inconvenience.

Safeguarding Depositor's Money

Section 12 protects the ignorant public from fraudulent bankers and requires the latter to see that the subscribed capital should be at least half of the Authorized Capital and that the Paid-up Capital should be at least half of the Subscribed Capital.

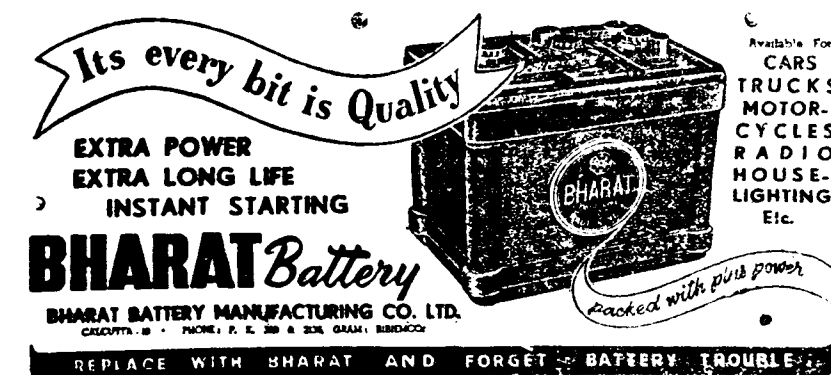
Capital should consist of Ordinary Shares and Preference Shares only, issued before 1st July 1914. Voting rights of one shareholder cannot exceed 5% of the total of all shareholders. This will enable a dispersal of control. Sec. 17 requires transfer of not less than 20% of profits every year to Reserve Fund until it equals Paid-up Capital. Licensing of new banks under Sec. 22 is quite salutary to promote sound banking, as also considerations for new branches.

It is quite clear that the primary object of the Act is to safeguard the interest of the depositors as far as possible and practicable. But it is the duty of the Reserve Bank administration to see that this objective is not achieved at the cost of efficiency.

There are, however, some pitfalls in the track of Indian Banking legislation. The small banking companies with less than Rs 5 lacs of capital and Reserves have been left out of its purview. The Indigenous Bankers are left out of its scope. Thus the bulk of Indian Banking business is still left unregulated.

More than three-fourths of India's requirements are met from the advances made by Indigenous Bankers, Shroffs and petty bankers. Out of about 2500 towns in India, Joint Stock Banking Offices and branches exist only in about 400. Villages are widely served by these scattered bankers. In this way, they control a greater part of Indian banking operations. Moreover, they do business in large cities also. Hence it is high time that we need stricter regulation of these bankers and of the small companies specially when they are new in the field. A higher degree of control and supervision is needed in the case of banks with inexperienced, inefficient and inexperienced staff.

In the past much hue and cry was raised for the regulation of indigenous bankers and their linking up with the Reserve Bank, and



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it is quite strange that Indigenous Bankers are once more left out. For a better, sound and harmonious development of Indian banking we must have a well regulated and co-ordinated banking system. This will ensure safety of the interest of depositors in general and improve capital formation. Much waste through mismanagement of banks by inefficient and amateur hands will be avoided.

Indigenous bankers and small banking companies should either be brought within the purview of the Act or should be weeded out of existence. The former, perhaps, is the better alternative with multiple benefits.

Another important omission is the elimination of Co-operative banks from the scope of the Act. It is high time that banking in general should be treated at par, specially when co-operative banks have begun to compete with Commercial Banks.

Capital Requirements

As noted earlier, minimum capital requirements have been prescribed due to the past failures of over 700 banks to protect the interest of depositors. This is based on the notion that smallness of capital is a potent cause of liquidation. But unlike industries, efficiency of banks is determined by liquid resources (their chief raw materials) and not by capital requirements. Scarcity of capital need not be the cause of a bank's failure but superfluity may be when no business is attracted by banks. Confidence of depositors, good volume and quality of business and judicious distribution of risk are the main points of efficiency in the case of banks. Though incidence of failures may be greater in the case of small banks yet causes therefor must be sought elsewhere than size of capital.

Moreover, minimum capital requirements of a bank are advantageous to depositors only in case of ultimate liquidation. Even then, much will depend on capital-deposit

ratio and investment of capital resources.

Reforms Suggested

The Banking Act encourages unit banking but there should also be provision for branch banking. This will result in better distribution of risks and level down interest rates in mofussil areas. Thus the great disparity between interest rates in city and mofussil areas can be mitigated through branch banking.

Instead of provision for the maintenance of a percentage of assets, the best way of maintaining the liquidity of banks is to specify the kind of assets they should acquire and to oblige the Central Bank to take over those assets in times of emergency.

Maximum voting rights at 5% of the total should be deleted and treated at par with other concerns because persons with larger stake and proportionate voting rights will be naturally interested in those concerns with better management. But this, too, is not a fool-proof amendment.

A clear definition of Reserve Fund and purposes for which it may be utilised should be given by the Act. There is already much resentment over the provision of sec. 17 in the press and by different associations. Section 18 should include under 'Cash Reserve' the cash kept with the Imperial Bank or a scheduled bank also.

The restriction of sec. 29 should be lifted and reasonable unsecured loans may be granted to Directors and firms or private companies connected with them. Otherwise competent business men will leave bank's directorship and have their demands satisfied by foreign banks.

Section 35 should be amended to prevent any harm being done to the credit of a particular bank and the right of examining on oath should be deleted from it as it suits only a law court.

As the Reserve Bank has been given extensive powers it should very judiciously use them so that the infant banking business may not be nipped in the bud. It is easier to criticise and break than to construct. The Reserve Bank should

also realise its paucity of technicians with wide practical experience. Authority lays some obligation. The Reserve Bank should act as an expert medical man giving good diagnosis as well as needed medicines in sick time and not unnecessarily block the natural progress of our Banking.

The definition of Approved Securities is too rigid. Hence, careful amendments should be made to include good commercial loans within the scope of this definition. The requirement to show Indian and foreign business separately should be withdrawn to check cut-throat competition between Indian and Foreign Banks.

Further, section 4 should be so amended as to empower the Reserve Bank to grant a loan or advance to a bank in emergency, e.g., a run on a bank in financial crises.

The Reserve Bank should from time to time hold meetings of competent bankers and the Act may be suitably amended to that effect. This will mean a very happy blending of officers' administrative experience and conversance with finance and banking principles with the bankers' personal experience of practical banking. Preferably, some standards of training should be prescribed for different posts. This will be specially beneficial and avoid red-tapism, delay and lower efficiency standards and, above all, circumlocution of financial wizards.

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## Our Plantation Page

(FROM OUR OWN CORRESPONDENT)

Cochin, August, 6

The decision of the British Government to re-open the London Tea Market is likely to have adverse effects upon the development of the tea market in India. The Delhi spokesman who seems to have welcomed the re-opening of Mincing Lane could have done so only upon the general line of propaganda which has been emanating from British tea interests in India and abroad for a long time. It cannot be doubted that Mincing Lane which has a long history as the principal tea market in the world will re-establish itself to its pre-war position, as neither Cochin nor Calcutta has had any opportunity of thus establishing itself.

#### Effects on Indian Tea Market

There will be improved selectivity of teas with consequent high prices for good quality, and buying pressure in an additional market. These two advantages may have the immediate effect of raising tea prices, and growers whose eyes are now focussed on immediate gains may overlook the disadvantages from the re-assumption of London auctions. It is possible that India may restrict the quantity of tea that may be made available to London or an additional duty may be levied on teas shipped on consignment basis, but these are all conjectures, and it may be taken for granted that a very serious effort will be made to allow free shipment of tea from here for primary sale in London.

There has been a marked advance in the price of tea at all the sales held in Colombo, Calcutta and Cochin, and prices have shown a strong tendency to advance. Most of the tea off red was sold.

During the 6 months ending June, Cochin exported 2/3 lakhs pounds compared to 232 lakhs pounds during the corresponding period of last year. The American and Canadian markets increased their

offtake by about 2 million lbs. each during the period under notice, and Australian buying has shown a similar increase.

#### Rubber Prospects

India is faced with a serious shortage of natural rubber, and the Board's figures of the stock position do not represent the true state. With the phenomenal rise in the price overseas, manufacturers are indenting for their entire need on local sources and there is very little rubber available at the moment. Several factories producing miscellaneous goods are threatened with closure unless rubber and latex can be made available to them. It is now reported from the produce market that growers are insisting upon a premium, and the small manufacturers have either to pay this or close down their factories.

The pepper market has advanced after a short breakdown last week, and American pressure is so great that offers for nearby position have shot up to 2 dollars 60 cents per lb.

#### Cashewnut Prices

The Cashew kernel price has also advanced rapidly reaching 41 cents last week, and export requirements are forcing processors to cover their raw nut supply at about Rs. 100/- over June end prices. Full-scale production is in progress as processors have committed themselves for the supply of 8 lakhs cases to the United States and Canada for 1950. Of this, 4 lakhs and 45 cases have already been shipped to the end of June 1950.

#### School of Horticulture

Many educational institutions, whether schools or universities, assume prominence because of their size or the wide scope of the facilities they offer for learning or research. Others, although relatively small and unpretentious, serve a most valuable purpose in the educational scheme of things

because they are essentially specialised, meeting better than any other institutions available the particular requirements of certain student groups in the community. An excellent example of an institution of this kind is the School of Horticulture and Primary Agriculture conducted by the Department of Agriculture of the State of Victoria.

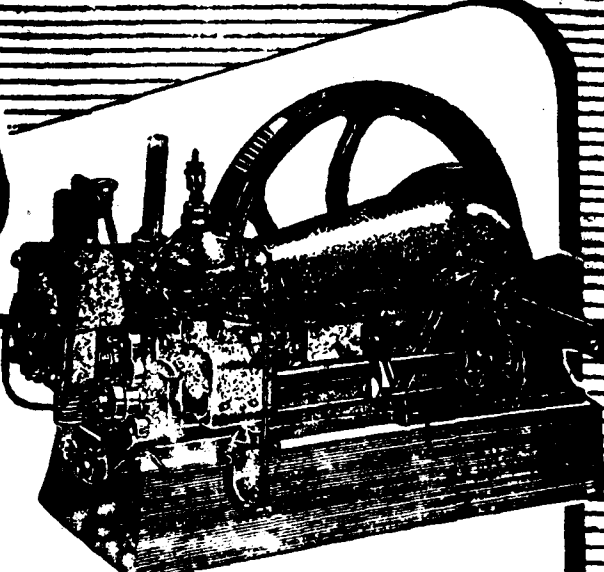
This school is closely identified with Dookie and Longerenong Colleges and the Agricultural Science Faculty of the Melbourne University as an integral part of Victoria's system of education for the primary industries; but it remains distinct in character and especially in its emphasis on horticulture, floriculture, landscape gardening and similar aesthetic aspects of horticultural practice.

Course includes the study of chemistry, botany, gardening, garden design, citriculture, viticulture, entomology, plant pathology, bee-keeping, poultry management and fruit preserving. The students spend half their time in theoretic study in the class-rooms, and the other half in practical work around the 15 acres of garden maintained by the school.

The remaining land is used for various research activities by the Department of Agriculture, so that the enthusiastic student has opportunities for taking an interest in associated activities beyond the defined scope of the school curriculum.

Burnley graduates take up a surprisingly wide range of occupations. Some become teachers of horticulture, many enter various branches of gardening or farming, some become experts in the designing or maintenance of public or large private gardens, some enter commercial organisations connected with horticulture, and a great many are now being absorbed into Government and other research laboratories and agricultural research institutes.

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